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Black Integrated Commercial Support Network Project

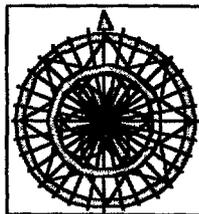
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Final evaluation report

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Implemented by

Chemonics International, Inc



Subcontractors
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Acronyms

APDF	African Project Development Facility
BE	Black enterprise or firm
BICSN	Black Integrated Commercial Support Network
BPED	Black Private Enterprise Development Project
CSIR	Council for Scientific Research
EASY	Equity Access System
F&L	Franchising and Licensing
FASA	Franchise Association of Southern Africa
GM&A	Growth, Mergers and Acquisitions
IFA	International Franchise Association
IMFA	International Master Franchise Agreement
JSE	Johannesburg Stock Exchange
LOE	Level of effort
NIC	National Industrial Chamber
NABFRA	National Black Fuel Retailers Association
NMSDC	National Minority Supplier Development Council
OPIC	Overseas Private Investment Corporation
PACD	Project Activity Completion Date
PDG	Previously disadvantaged group
PRG	Policy Reference Group
RDP	Reconstruction and Development Programme
RSA	Republic of South Africa
TAF	Technical Assistance Fund
TOR	Terms of Reference
USAID	United States Agency for International Development

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Preface

A Background

The Black Integrated Commercial Support Project (BICSN) is a pioneering effort funded by USAID to promote equitable participation of blacks in the South African economy. This report evaluates BICSN project impact from the time it was restructured in 1993 to the present. The report has been prepared by a four-person team hired by the contractor, Chemonics International, to comply with Chemonics' contractual obligation to perform periodic self-evaluations. Team members have experience in the three areas under investigation (Corporate Procurement, Franchising and Licensing, and Growth, Mergers, and Acquisitions) as well as in evaluation of USAID-funded projects.

B Objectives

Objectives of this evaluation are to (1) examine the project design in the context of business and social conditions in South Africa, (2) summarize lessons learned and provide recommendations for future efforts, (3) examine implementation strategies and inputs to determine their effectiveness, and (4) document project results against performance targets in the 1993 logframe, described more fully in the 1994-95 work plan.

C Resources and methodology

Evaluation methodology derives from the project logframe (Appendix A), the work plan of 1994-95, and the terms of reference for the evaluation team (Appendix B). The team made extensive use of project design documents, USAID's Country Strategic Plan, the BICSN contract and contract modifications, project reports, and other data sources supplied by the BICSN team and USAID. The latter included a BICSN database for training events, broken down by component, and a large project database of over 4,300 records containing information on South African entrepreneurs, local advocacy groups, consultants, banks, and financial institutions.

To determine the extent of project impact, the evaluation team conducted meetings and intake interviews with more than 50 USAID officials, BICSN-assisted black enterprises, RSA corporate executives, and former members of the Policy Reference Group. A list of interviews appears in the Acknowledgments. There were some limitations in the availability of hard numbers showing increases in turnover, given the reluctance or inability of a few enterprises to provide this information. However, the familiarity of the BICSN team with business conditions at assisted companies enabled the evaluation team to make fairly reliable estimates of project results. A detailed explanation of the team's methodology is included in Section III.

D. Credentials of the evaluation team

Mr. Joseph F. Burke, Team Leader, is an independent consultant and specialist in project management, design, and evaluation. He has extensive experience in private-sector

marketing, sales, export promotion, and institutional strengthening of NGOs Mr Burke holds university degrees in business administration and international trade Prior to his consulting work, he was a sales and marketing executive for General Tire International, Colgate-Palmolive, and United Brands in Latin America and Africa

Eugene Getchell, Franchising and Licensing, is a certified franchise executive and independent consultant in franchising, marketing, and business management He is a member of the International Franchising Association and served as chairman of the board in 1991 He was also vice president of franchising with Long John Silver's Seafood Shoppes, Inc He holds a bachelor of science degree from Colorado State University

Themba M. Pasiwe, Corporate Procurement, is a registered CFA and business consultant specializing in financial accounting, taxation management, business development, and corporate finance He holds a bachelor of commerce degree and a diploma in business management

Peter J Wright II, Growth, Mergers, and Acquisitions, is a specialist in privatization and venture capital in emerging markets He is managing director of Composite Materials, Ltd , responsible for corporate development, strategic acquisitions, and negotiation of distribution channels Consulting assignments include privatization in the Slovak Republic and design of equity and technical assistance funds in South Africa He previously held executive positions at Merrweather Capital, Merchant Bank, and Wells Fargo He is a CPA and holds an MBA and a BA degree in international relations

E. Organization of the report

In addition to the executive summary, the report has six sections The first reviews the political and economic context of BICSN and the extent to which it has changed since BICSN began The second summarizes the main elements of the project's history its design mission, objectives, and strategies, its continuing relevance to USAID's Country Strategic Plan, and a brief summary of project implementation

The third section constitutes the major section of the report It contains an analysis of the effectiveness of contractor interventions, and an assessment of project results It provides aggregate data for the three project components--Corporate Procurement, Franchising and Licensing, and Growth, Mergers, and Acquisitions--and at the close, the major findings of the evaluation team

Sections IV, V, and VI are devoted to a more detailed assessment of individual project components They evaluate component inputs, or means of implementation, and compare component results with end-of-project targets in the January 1994 work plan

Executive summary

The BICSN project as restructured and re-staffed was dynamic, focused, and results-oriented. It succeeded in adhering to its reformulated mission "to assist a core of high-potential BEs (black enterprises) achieve accelerated growth and linkages with the large enterprise sector and to function as models for other BEs." It also fulfilled four interrelated objectives 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 long-term employment and wealth creation potential of black enterprises,
- Achieve long-term self-sustainability in many targeted black enterprises by transforming these entities into professionally managed, formal businesses

The project broke new ground by bringing BEs into important business areas from which they had been almost entirely excluded up to the time of majority rule. BICSN, therefore, was instrumental in opening the formal establishment to the concept as well as the reality of greater economic participation for blacks through its focused products in Corporate Procurement, Franchising and Growth, Mergers and Acquisitions. Moreover, BICSN has shown that well-conceived and competently executed, private-sector-based efforts can have immeasurable impact in paving the way toward a new economic order.

BICSN was particularly well served by its three senior executives, who had both the will and the ability to fulfill their mandate. Had BICSN had the resources to hire more educated, upwardly mobile South African understudies, the benefits of on-the-job training in BICSN's various technical areas would have been of even greater significance to long-term sustainability.

✂ The reorientation of the project's Technical Assistance Fund, or TAF, to a client co-payment for technical services is viewed by the evaluation team as a sound approach and proved to be a useful filter to determine the seriousness of prospective clients. BICSN clients were equally well served by the project's extensive program of conferences, seminars, and workshops.

Given the resilience of the South African business environment, BICSN's equity fund component was unfulfillable as planned. The lack of equity moneys represented a continuing constraint to the project, and limited its impact in many areas. Nevertheless, BICSN went on to succeed. BICSN paved the way, moreover, for a

USAID follow-on equity fund/technical assistance project, which is in a better time frame and can benefit from its predecessor's experience

The BICSN experience indicates that future donor efforts of this kind need to create re-flow and recapturing mechanisms, possibly through an assigned trust entity, to enable continuing rotation of moneys. Equity fund projects allow especially interesting possibilities for the creation of re-flows

Section I: The project context

In 1992, when BICSN began, 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. It had virtually no impact on the country's most strategic sectors: finance, manufacturing, mining, and agriculture. Of more than 800 companies listed on the Johannesburg Stock Exchange (JSE), only two were black controlled.¹

A 1993 report by NSA Management identified two factors that were decisive in constraining the growth of black enterprise (BE): white government policy prohibiting black activity in urban areas, and demands by white groups for protection from black traders. As recently as the end of the 1970s, no black partnerships, companies, financial institutions, wholesaling, or manufacturing businesses of any kind were permitted in the townships, and black businesses in the homelands were confined to meeting the daily needs of the local community. Blacks were not allowed to operate more than one business, whether of the same type or not, and the establishment of companies, partnerships, or any form of resource-pooling was prohibited. As the report makes clear, "a more determined attempt to limit the growth of black business can hardly be imagined."²

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

Through various reconstruction and development programs, today's national government is attempting to redress past inequities. Local government in South Africa is also committed to creating wider economic opportunity for previously disadvantaged groups, and foreign donors such as USAID are an important part of both national and regional efforts to achieve a "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 black business are improving. The BICSN project, by virtue of its timeliness, has been intimately involved in this process. While blacks continue to dominate the ranks of the unemployed, the National Industrial Chamber (NIC) estimates that some 70,000 black manufacturers are presently operating in South Africa in every segment of light industry, from sheet metal working to dress making.³

¹ Himelfarb and Wales. *Black Integrated Commercial Support Network Project Design*, prepared under the auspices of USAID/South Africa, 1991.

² NSA Management (PTY) Limited. *NSA Equity Investments Limited*, page 4-6.

³ South Africa (un)limited. *Southern African SUCCESS*, summer 1995/96, pp 11-12.

In a sense, the BICSN project can be seen as a microcosm of recent economic developments in South Africa. The country as a whole is enjoying an economic boom. The large net outflows of capital that occurred in the eighties have changed to net inflows. According to the Bureau for Economic Research, the overall growth rate in real GDP grew from 0.6 percent from 1982-1992, to 6.4 percent in the last quarter of 1994, and is projected to grow at about 3 percent per year through the year 2000.⁴ State expenditures are being restructured to be more transparent. Government spending is being restricted, with the budget deficit on a declining path. Inflation, too, has reached its lowest levels since the early 1970s.⁵

Black enterprise, and BICSN-assisted businesses, have benefited from these trends. While undeniably BICSN has had a positive impact on the both the direction and magnitude of black business growth, it is also true that South Africa's overall growth has benefited BICSN. The question remains whether or not black businesses have benefited from expansion to the same degree as white.

Figures for the Johannesburg Stock Exchange mirror the overall dilemma for black enterprise today. The JSE is the largest exchange in Africa and the fifteenth largest in the world, with a total market capitalization of US\$232.7 billion as of March 1995.⁶ Whereas in 1991, there were only two black businesses listed, today there are twelve, a 600 percent increase in five years. Three of these--Real Africa Holdings, Real Africa Investments, and Africa Life Assurance--came about as a direct result of BICSN intervention.

While the trend is distinctly positive, the pace of change remains unsatisfactory to many. The number of black enterprises on the JSE is below 2 percent of the total, and the figures for capitalization are even lower, at US\$1.17 billion, or 0.5 percent of the total.

Thus, while BICSN successes offer encouragement to those who are working toward sustainable economic transformation, such efforts are far from achieving their ultimate goal. Perhaps the most important lesson learned, as demonstrated over and over in this report, is that interventions must take place over a prolonged period, and that once a certain momentum is achieved, it must be sustained through repeated action and unrelenting commitment.

⁴ *CITC Guidebook* p. 64

⁵ Foreign Financing *Finance Week* March 28-April 3, 1996 p. 33

⁶ *CITC Guidebook to Doing Business in South Africa* WriteStuff Publishing CC January 1996 p. 56

Section II: Project overview

A. Project design

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 US\$83 million umbrella effort entitled *Black Private Enterprise Development (BPED)*.

The BICSN project was part of this larger undertaking, and its design united the principal elements of eight separate USAID-financed studies carried out between March 1989 and April 1990. In May 1991, a Request for Proposals for BICSN was issued. As stated in that document, BICSN's project purpose was "to increase the rate of economic empowerment of disadvantaged South Africans by developing and nurturing promising enterprises within the black business community." The 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 long-term employment and wealth creation potential of black enterprises,
- Achieve long-term self-sustainability in many targeted black enterprises by transforming these entities into professionally managed, formal businesses.

Project implementation was centered in three main project components, including promotion and education, technical assistance, and equity capital support. In the absence of an RSA counterpart institution, advisory guidance was to come from a Policy Reference Group (PRG), composed of seven high-profile professionals in business and business support, the majority from disadvantaged South African communities.

Measurable outputs to flow from this project were new capital investments in black enterprises, new jobs in black-owned enterprises, growth in billing turnover, the development of new enterprises, and improvements in black enterprise development.

B. Project award and startup

The BICSN contract was awarded to Chemonics International on September 26, 1991 in the amount of US\$10.2 million. The award was protested by a competitor, however, and stop work orders were issued. The effective start-up date was therefore delayed to April 1992, when the first chief of party and two staff members opened the project office in Johannesburg.

C First implementation phase

The first phase of implementation lasted some 12 months, from April 1992 to April 1993. While several successful client relationships were established in this period, in general, BICSN got off to a poor start. Some of the difficulties involved a lack of programmatic focus and field team coherence, and poorly defined responsibilities for achieving BICSN's contractual objectives. In addition, the Policy Reference Group felt that its interaction with the project was inadequate.

D BICSN reorganization

BICSN's second annual work plan was rejected in April of 1993 by USAID/SA, and the Mission asked Chemonics to assess project experience to date and to reformulate its implementation strategies. Concurrently, Chemonics recalled its chief of party toward the end of April, and he subsequently resigned.

In May and June of 1993, Fernando Bertoli, on a tour of duty in monitoring and evaluation, took the lead in a strategic reformulation of the BICSN project. In July, Dr Bertoli returned as BICSN COP. In August and September of the same year, a series of workshops were held with the participation of USAID, BICSN, a logframe specialist, and local outside consultants for the purpose of reexamining the implementation strategy and producing the project's first logical framework, or logframe.

Briefly, the outcome of these efforts was to reconfirm the fundamental soundness of the original project design and contract objectives, but to restructure the various project elements as follows:

- To focus on BICSN's clients, the BEs, rather than on transactions
- To exploit the project's comparative advantages, namely its access to U S corporate know-how, technologies, and innovations
- To leverage the TAF funds through client co-payment, and possibly, to establish a *BICSN Trust Fund* to recoup burdened rate costs in acquisitions transactions
- To promote joint-ventures of BEs with both foreign and South African investors

In line with these changes, BICSN also restructured along "product" lines rather than functional areas, establishing three major components, or divisions: Corporate Procurement, Franchising and Licensing, and Growth, Mergers, and Acquisitions.

E Second implementation phase

The second phase of implementation (including the period of reorganization) took place from May 1993 through May 1995. At that time, Franchising and Licensing Vice

described above

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President Robert Pirtle ended his tour of duty and the “unbundling” or dismantling of the BICSN project began. This self-evaluation report examines project efforts during the second implementation phase up to the present, roughly a two-and-a-half year time frame.

F. Project unbundling and closure

Unbundling refers to the process of spinning off BICSN’s core activities—corporate procurement, franchising and licensing, and growth, mergers and acquisitions—to bring them under other institutional roofs. USAID’s unbundling strategy is designed to leverage the contacts BICSN has made in South Africa’s private sector and to maximize its gains.

Section III: Summary of project results

A The BICSN Project logframe goal, purpose, and outputs

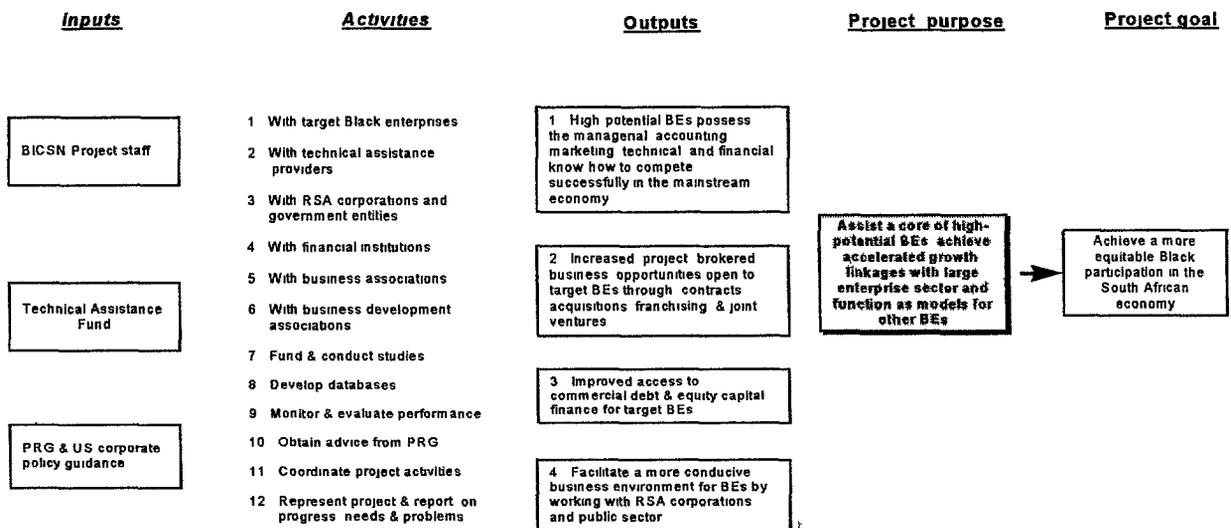
The **project goal** of “achieving a more equitable black participation in the South African economy” was operationalized in the BICSN project mission statement as *“BICSN will contribute to a more equitable participation of blacks in the South African economy as owners, managers, and employees of healthy and competitive private sector firms”*¹ The **project purpose** was embedded in the two objectives of BICSN

- help a core of high-potential black businesses achieve accelerated growth and compete in the mainstream South African economy,
- have this core of high-potential firms function as models for other BEs

There were four expected **project outputs**

- High potential BEs with the managerial, accounting, marketing, technical, and financial know-how to compete successfully in the mainstream economy
- Increased, project-brokered opportunities open to target BEs through contracts, acquisitions, franchising, and joint ventures
- Improved access to commercial debt and equity capital finance for target BEs
- A more conducive business environment for BEs by working with South African corporations and the public sector

Figure III 1 BICSN Project logframe diagram



¹ Black Integrated Commercial Network Project *Proposed Work Plan (January 1994 - March 1995)*
Johannesburg February 1994 p II 1

The project logframe, which includes the activities and inputs logically necessary to produce the outputs and fulfill the project purpose, is summarized in the diagram of Figure III 1. As may be observed in Figure III 1, in addition to the policy guidance supplied by the Mission and an independent Policy Reference Group (PRG), and the technical expertise of the project staff, the design of BICSN included inputs from a Technical Assistance Fund (TAF) to be managed by the contractor.

The activities of the project were conceptualized in five "programs" or clusters²

- I Directing a greater share of **procurement** by South Africa's major corporations to black-owned suppliers, making available the techniques forged for this purpose by U S corporations
- II Creating opportunities for black companies to enter into **partnerships and joint ventures with U.S firms engaged in trade or direct investment** in South Africa
- III Acquisition of **equity ownership through unbundling and restructuring** of South Africa's large enterprises
- IV Increasing the flow of **commercial credit** to black firms
- V Opening **franchising opportunities** to black entrepreneurs through the development of local franchises and encouragement of U S franchisers to explore the South African market

In this section, the evaluation team examines

- the adequacy of the project design,
- the effectiveness of the project inputs and activities,
- the overall project "results," *i e* , the outputs related to the fulfillment of the project purpose,
- the "lessons learned" from the project

The remaining sections of the report, sections IV through VI, contain more detailed analysis of each of the three main operating divisions or "product lines" through which the project operated: corporate procurement, franchising, and growth, mergers and acquisitions (GM&A)

B. Adequacy of the project design

The evaluation team finds that the BICSN project design remains in line with USAID/South Africa'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 development partnerships with the private sector.

A major problem of the first phase of implementation of the project was its lack of clarity in externally and internally projecting who the BICSN client was. As a result, a

² *Op cit* , p 11 1

broad range of "proposals" came across to BICSN and USAID, most of them were inappropriate for the project resources or its emphasis on BEs and entrepreneurs with a high potential to compete in the mainline economy. Put simply, BICSN could not be all things to all people, it had to sharpen its focus.

The sharper restatement of the project purpose had the healthy effect of easing client identification and targeting principally those who had proven their entrepreneurial wherewithal by having fought and survived through all the odds stacked against them in the *apartheid* system.

Upon the resignation of the first COP, the Mission and Chemonics took the opportunity to begin a review of the project and reformulate its strategy. In late May, the contractor initiated an internal review and submitted two concept papers: one focused on franchising, the other, on re-organizing the project along "product lines" to fulfill the project purpose.

During September 1993, the Mission and Chemonics, with the assistance of external consultants, undertook a more formal review of the project and developed the first project logframe for BICSN (see Appendix A). The project review team concluded that

- the original project goal and purpose were sound,
- the original project purpose needed to be sharpened and was reworded "*to assist a core of high-potential BEs to achieve accelerated growth, linkages with [the] large enterprise sector and function as models for other BEs,*"
- the project would focus on its high-potential BE clients, with all technical assistance centered around them,
- to expedite implementation and move away from the "decisions by committee" *modus operandi* of the TAF, the project would be organized along product lines, with the "product managers" acting as client relationship managers,
- more appropriate "client filters" needed to be set up to avoid the project being inundated with requests outside of the project target clients,
- the project should exploit its competitive advantage of linkages to U S technology and know-how, relative to the South African context,
- the project should identify, work with, and nurture a small core of *model* BEs and demonstrate effective ways of mainstreaming these firms,
- the project should pilot new ways of intervention that, if successful in the South African context, could then be replicated by others.

The sharper restatement of the project purpose had the healthy effect of easing

The re-structuring exercise helped in defining the project and the experience of implementation further sharpened the competitive advantages of the project. These advantages were its potential to access and deliver American business know-how to BEs.

client identification and targeting principally those who had proven their entrepreneurial wherewithal by having fought and survived through all the odds stacked against them in the *apartheid* system. While this entrepreneurial "pool" was small, the strategy adopted by BICSN to give intensive, repeated support, rather than "butterfly" support was consistent with the intent to foster a core of model

BEs capable of competing in the mainstream economy.

The component dynamics of the project were changed. Corporate Procurement, Growth, Mergers & Acquisitions, and Franchising emerged as the three product lines of BICSN. The retention of one senior project member, the recruitment of a new COP, and

the stepping down of three senior staff changed the direction of the project. The rejuvenation of BICSN owes as much to the perseverance and competence of the new team as the formal restructuring sessions and their printed outputs.

Though the project design did not determine the geographic coverage that BICSN was to adopt, in the end BICSN was "forced" to work almost exclusively in Johannesburg. Given its limited human resources and the need to produce early impacts, this was a sound strategy.

The main evaluation question addressed here is if this redesign and its implementation were adequate in terms of the surrounding environment, the resources provided, and the outputs delivered. Overall, the evaluation team finds that

- the timely intervention of USAID and the contractor in reviewing project implementation with outside consultants and sharpening the design through the production of a project logframe was a key factor in turning the project around in September 1993,
- slowly but surely, BICSN gained credibility and "delivered the goods," *i.e.*, the results that we summarize in this section,
- the sharp focus of BICSN on high-potential BEs allowed it to operate in a unique and largely empty niche in the rich context of a myriad of business advocacy organizations operating in South Africa,
- the project developed and implemented a successful scheme of client co-payment for technical assistance that served both as a filter to select high-potential, commercially-oriented clients, and to instill a commercial, private sector orientation,
- the Mission has built upon this experience of client contributions and included it in the design of a successor project, the *Equity Access System (EASYS)*,
- the relationship management was a distinctive feature of the project and project clients invariably expressed themselves about senior project executives as friends to whom they were grateful,
- the component dynamics of procurement, mergers & acquisitions, and franchising served the project well, especially in the latter two niches where BICSN identified un-served needs,
- the equity fund component designed into the project was probably premature for the South African context where local investors' perceptions of risk/reward ratios in a managed, "blind," equity fund targeted at BEs remain unchallenged.

B1 Client focus

If the timely project review initiated by the Mission and the contractor provided the framework for the successful re-orientation of the project, the client focus developed by BICSN executives is its most striking feature. By design, the project concentrated on a few high-potential clients and provided them with intensive technical assistance, both individually and through the TAF. The client relationship management served the project well and clients interviewed uniformly expressed their appreciation of efforts beyond the call of duty by the BICSN executives.

Whether a more extensive and geographically diverse effort would have generated greater impact will remain an open question. As the results section shows, given its resources, the project adhered to the intent of its design to work with a core of high-potential BEs capable of competing in the mainstream economy, piloted new interventions, and produced the results presented herein.

B2 The competitive advantages of the BICSN Project

Given the rich South African tapestry of business development advocacy and the size of its economy, BICSN could have simply made another contribution. To make a difference, instead of a simple contribution, the project had to define its market targets

The filters set up by the project after its re-structuring fostered a simple but effective commercial discipline: if an entrepreneur was willing to be at risk with his/her money, so would BICSN. The TAF contracts followed this principle and thus leveraged the available funds.

The re-structuring exercise helped in defining these and the experience of project implementation further sharpened the competitive advantages of the project. These advantages were its potential to access and deliver American business know-how to BEs. In each of the three product lines, BICSN developed and exploited its comparative advantages by

- identifying and acting as a catalyst to develop the franchising market for BEs, through partnerships with the International Franchise Association (IFA), the International Finance Corporation (IFC), the Franchise Association for Southern Africa (FASA), NedEnterprise, and Deloitte & Touche, among others,
- providing access, with the National Minority Supplier Development Council (NMSDC), to the best of contemporary U.S. corporate practice in "minority procurement" from corporations such as Bell Atlantic, Digital Equipment Corporation, Ford Motor Company, IBM, Eastman Kodak, K-Mart, Land 'O Lakes, Lotus Development Corporation, Nations Bank, and Washington Gas,
- developing an innovative quasi-commercial facility to help previously disadvantaged entrepreneurs acquire meaningful equity positions in mainline businesses by co-funding and sharing the risk—and the potential rewards—in acquisitions and joint ventures.

These competitive advantages were developed and played well by BICSN. The U.S. connection in franchising and corporate procurement is especially noteworthy. In the latter case, BICSN's partnership with the NMSDC gave the project access, on a *pro-bono* basis, to the best current U.S. corporate practice and techniques in subcontracting from disadvantaged suppliers.

B3 The Technical Assistance Fund

The filters set up by the project after its re-structuring fostered a simple but effective, commercial discipline: if an entrepreneur was willing to be at risk with his/her money, so would BICSN. The TAF contracts followed this principle and thus leveraged the available funds.

The allocation of funds of the 117 TAF contracts by program area appears in Figure III 2. In terms of value of contracts, the TAF contract funds for GM&A represented 47% of the total, procurement TAF contracts were 29%, and franchising had 11% of total TAF funds allocated.

Although the time constraints of the evaluation and the complexity of the project did not permit a detailed case by case impact analysis, the global results summarized in this section and the detailed analysis performed in later sections clearly establish the relationship between project inputs and results obtained. Furthermore, client interviews confirm what BICSN meant for them. From the largest to the smallest cases, the evaluators found such evidence:

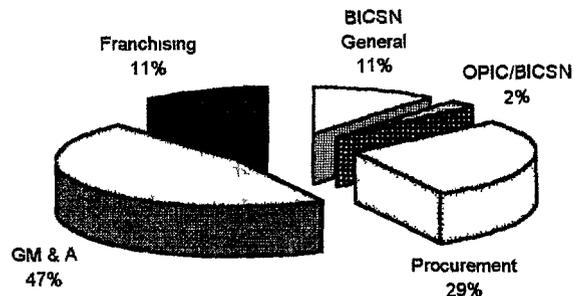
Don Ncube, Chairman of Real Africa Holdings, said that without BICSN's technical assistance (through TAF contracts, BICSN staff, and consultants brought in from the U S) African Life Assurance would not have been unbundled from Southern Life into the hands of its majority black shareholders. This transaction was a cornerstone investment in the JSE-listing of the Real Africa Group.³

At the lower end of the scale, our franchising evaluator recounts the story of an unstoppable woman from Soweto who is being brought into the formal economy through the help of BICSN's former VP of Franchising & Licensing. In between these extremes, large and small, are many stories of thanks heard by the evaluators--stories that tell of businesses saved, businesses growing, and of upgrading of managerial skills so that sustainability will come of these efforts. What stands out to the evaluators is the often timely, focused, and invaluable use of TAF technical assistance contracts and of the availability and enthusiasm of BICSN's senior staff to assist their clients in overcoming obstacles.

B4 Component dynamics

The project restructuring carried out in September 1993 altered dynamics of the project components. The original level of effort assigned to the management of the Technical Assistance Fund (TAF) was disproportionate in relationship to the need to identify and develop high-potential BEs. In addition, prior to the re-structuring, the TAF stalled under conservative in-take and processing methodologies.

Figure III 2 Allocation of TAF funds by programmatic area



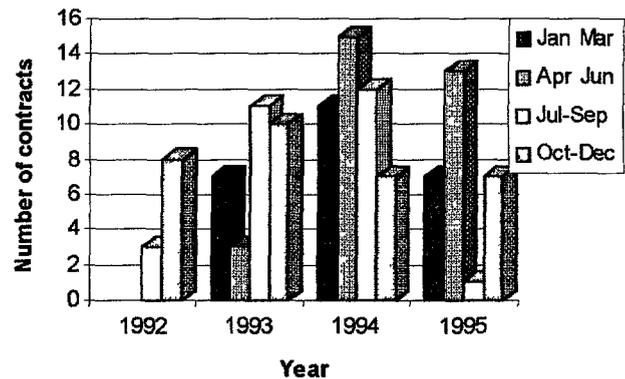
³ BICSN assistance was instrumental to the black majority control of 3 out of 12 black-controlled companies currently listed in the JSE.

Table III 1 Number of TAF contracts per quarter

Quarters	1992	1993	1994	1995	1996	Totals
Jan-Mar		7	11	7	2	27
Apr-Jun		3	15	13		31
Jul-Sep	3	11	12	1		27
Oct-Dec	8	10	7	7		32
Totals	11	31	45	28	2	117

With the restructuring, BICSN set up crisp product lines and the TAF became an instrument or “back room” resource to be used in achieving the project purpose. Section vice-presidents became client relationship managers with the authority to prepare TAF contracts and, subject to concurrence from the COP, commit funds for technical assistance. The TAF contracting procedures were streamlined and, within the framework of USAID regulations, made as agile as possible. Table III 1 shows that, after restructuring and beginning with the Jul-Sep 1993 quarter, the average number of TAF contracts per quarter increased. While 21 TAF contracts were issued in the 12-month period between July 1992- June 1993, the equivalent figures are 47 for the next 12-month period of July 1993 - June 1994, this was a 220 percent increase.

Figure III 3 Number of TAF contracts by year/quarter



B5 Equity fund

The design of BICSN included the creation of a US\$5 million Black Equity Capital Fund (BECF), intended to take minority equity positions in BICSN client enterprises. However, the concept of this fund was both ahead of its time in South Africa, and was tied to the performance of BICSN to attract interest. Additionally, South Africans' limited experience with local venture funds had been largely negative, and they tended to see the concept as a social one without sufficient commercial success potential.

The approach taken by BICSN in 1993 was to concentrate on assisting clients to solicit commercial loans and equity from alternative sources in the short-term, and to re-open the structuring of a private equity fund when the investment environment was more propitious, sometime after the results of the first national democratic elections in 1994.

25

If by Mission standards BICSN was large given a very extensive portfolio of small grants and projects in South Africa its human resource allocation was at best modest given the technical requirements of the design the expectations placed upon the project and as it turned out its potential to deliver measurable results. The fact that BICSN achieved its objectives despite these constraints must be attributed to the dedication and professionalism of its management team.

In May 1995, BICSN prepared a concept paper on the Egoli Trust and related private equity funds and re-opened work in this area. After finding little support in the South African investment community for the concept of a private managed equity fund, the project has reformulated its approach via the concept of a quasi-equity fund. Vexing problems of coping with the transaction costs implied by target average investments of \$500,000 to \$1m in a fund with a target capitalization of \$30m remain to be addressed, but the renewed effort in this area appears to be on track.

Within the implementation of BICSN, the difficulty in raising loans or equity for their clients has certainly been a serious constraint. South African financial institutions have little experience in black business markets, and blacks, largely as a result of *apartheid*, have not yet generally been able to develop collateral. Despite this situation, the project achieved its objectives and its success stories are illustrated in the body of this report. The commercial viability of private equity funds targeted at BEs has yet to be demonstrated to potential South African investors. Whether BICSN or others succeed in capitalizing and managing such a fund is still an open question, but well worth the effort if promising BEs are to have access to and develop the right capital structure to avail themselves of the economic opportunities available in this time of transition.

C Effectiveness of project inputs

C1 Human resources and level of effort

In July 1993, when the current COP assumed his duties, there were 7 professional staff in the project. In line with the "product orientation" set up in the restructuring, there was a change in personnel and a re-assignment of duties. The project management team consisted of vice presidencies for procurement, franchising, and GM&A, the project was rejuvenated with the recruitment of professional staff for the latter two slots, while the procurement slot was managed through a re-assignment of duties.

Directed by the Mission's unbundling strategy, from November 1994 the contractor began its reduction in level of effort. At a rate of almost one a month, professional staff ended their services and by June 1995 there were only two professional staff. In October 1995, the vice president of corporate procurement was seconded to the *Business Linkages for Underutilised Enterprises Project (BLUE)*, in accordance with the Mission's strategy to find successor entities for the project.

Thus, from its restructuring in July/September 1993, the project operated with its designed full staff complement for less than 23 months and used short-term level of effort to make up the difference. If by Mission standards BICSN was large, given a very extensive portfolio of small grants and projects in South Africa, its human resource allocation was at best modest given the technical requirements of the design, the expectations placed upon the project and, as it turned out, its potential to deliver

measurable results. The fact that BICSN achieved its objectives despite these constraints must be attributed to the dedication and professionalism of its management team.

The other provision in the design for human inputs (that is, beyond the staff and TAF consultant inputs) was for the Policy Reference Group (PRG) of seven members drawn from the business and business development community. This board was designed to provide the project with advice and policy validation guidance. Its effectiveness, however, was diminished by its lack of power and authority relative to the role of the Mission.

Table III 2 Number and rand value of TAF subcontracts

Contract type	Number	Value
BICSN General	15	449 369
OPIC/BICSN	5	95,813
Procurement	34	1,144,055
GM & A	36	1 856 593
Franchising	27	458 207
Totals	117	4 004 037

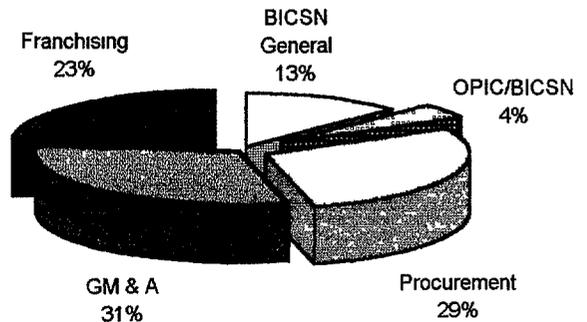
in dollars by \$

C2 Technical Assistance Fund

Through the month of March 1996, the total amount of TAF expenditures will have been R4,004,037. Table III 2 displays the allocation of funds by programmatic area and the number of TAF subcontracts.

In relative terms, as shown in Figure III 4, the number of GM&A TAF contracts represented 31% of the total number, franchising, 23%, and procurement had 29%. The general TAF contracts under BICSN represented 13% and TAF contracts to support the first OPIC mission to South Africa amounted to 4% of the total number of contracts.

Figure III 4 Number of TAF contracts by programmatic area



C3 Conferences, workshops, and seminars

Though December 1995, as shown in the summary of Table III 3, BICSN organized and delivered

- 95 events, involving
- 3,314 participants
- for a total of 3,485 person/days of training

Over the 40 months of active project implementation (April 92 to July 95), these figures represent an average of 28 events a year and 87 person/days of training per month.

Table III 3 BICSN workshops, presentations and training, by component

Project component	Total participants	Total companies	Total events	Total person/days
Corporate Procurement	1 437	518	47	1 056
Franchising	1 689	758	36	2 310
Growth Mergers & Acquisitions	188	72	12	120
Totals	3,314	1,348	95	3,486

By programmatic area, the number of training events organized by GM&A represented 13% of the total, with franchising and procurement contributing 38% and 49%, respectively, as shown in Figure III 5

The number of participants attending the diverse conferences, workshops, seminars, and presentations organized by the project are represented graphically in Figure III 6 Franchising had the largest number of participants, followed closely by procurement

As these figures indicate, BICSN maintained a high level of training activity tightly focused around its three core areas of procurement, franchising, and GM&A Although targeted to BEs, these training events frequently brought together PDG entrepreneurs and executives of mainline South African corporations and were thus useful in positioning BICSN as a “bridge” or honest “opportunity broker” between these constituencies The international franchising conferences and the U S corporate executives procurement missions organized by the project provided repeated opportunities for these interactions, many of these interactions were taking place for the first time, as the country was emerging from the years of *apartheid*

C4 Models and tools

In line with the competitive advantages identified in the restructuring exercise of 1993, the project developed and exploited its access to U S business practices and know-how More than any

Figure III 5 Training events, by project component

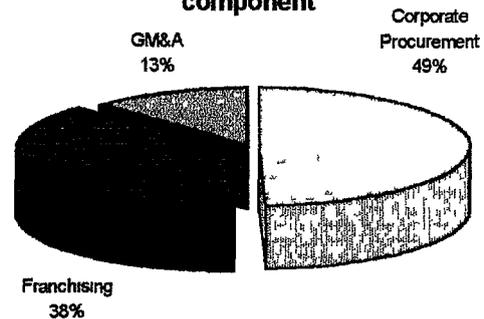
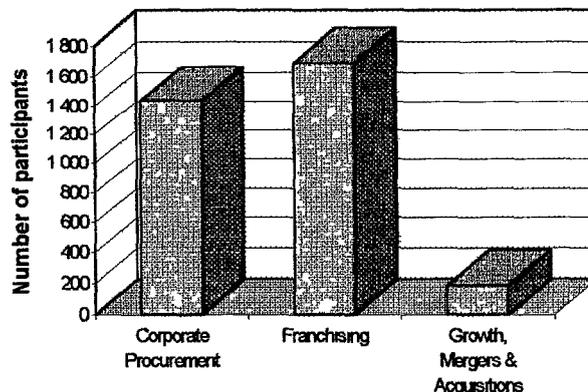


Figure III 6 Cumulative number of participants, by project component



other organization active in South Africa at the time, BICSN introduced PDG entrepreneurs to franchising as a way of doing business

In the procurement area, working closely with the NMSDC and American executives, the project exposed South African purchasing managers to U S corporate best practices (strategies, programs, and tracking) in fostering supplier diversity and facilitating subcontracting from historically underutilized businesses. These practices and know-how were inventoried and summarized in a widely distributed manual on corporate procurement

D Project results

Measuring the fulfillment of the project purpose, *“to assist a core of high-potential BEs achieve accelerated growth, linkages with the large enterprise sector, and function as models for other BEs”* requires the selection of verifiable and measurable indicators. For existing firms, the impact indicators would include growth in turnover (revenue) and increases in profitability. For new businesses, the indicators would include their number, aggregate turnover, and profitability. In acquisitions, the indicators would include the number of transactions attempted, the rate of transactions closed or concluded, and the value and growth of these equity transfers to previously disadvantaged entrepreneurs

The variations in the willingness of client firms to disclose profitability figures have lead us to select a less perfect indicator, turnover, as a measure of growth of existing firms. Furthermore, the available historical data on turnover of the firms is short, as the black businesses targeted by BICSN are a recent phenomenon in post *apartheid* South Africa, and, in fact, one of the project mandates was to foster the entry of PDG entrepreneurs into new business areas. Methodologically, one must also bear in mind that the figures on turnover growth of BICSN clients cannot be compared with those of a similar group of firms not assisted by the project in order to assess the extent to which the project made a difference. Constraints of time and, above all, the availability of data given the relatively small “pool” of PDG-led firms similar to those assisted by the project made these comparisons difficult if not impossible. We have relied, instead, on the clients perceptions of whether the assistance supplied by BICSN made a difference to their businesses, on our own observations of the businesses, and on our experience to “benchmark” the results of the project relative to similar, industry-specific, endeavors

The sources of data used included published reports, information from the client firms, and data from the project data files. The projections of future earnings or growth include a discussion of the assumptions used

D1 Equity acquisition and growth among BICSN client firms

Relative to a total project budget of \$10.2m and the rather modest human resources allocated to GMA the fact that BICSN has been able to leverage \$102.8m of equity transfer and growth, with a potential for an additional \$48m represents an outstanding accomplishment

At the time of this evaluation, the modestly-staffed mergers & acquisitions component of the project had attempted 21 transactions, concluded one and had four “open” transactions, as shown in Table III.4

The pending transactions include enterprises in the oil distribution, radio, television, and medical insurance services

Table III 4 GM&A acquisitions pipeline

CLIENT	TARGET INDUSTRY/SECTOR	OBSERVATIONS	Transaction value Rands ('000s)	BICSN LOE used (P/Ds)	BICSN formal engagement date	Exclusivity & confidentiality agreements signed	BICSN pre-feasibility ended	BICSN due diligence & valuation started	Valuation & due diligence ended
CONCLUDED									
1 Real Africa	Life insurance	Acquisition of 51% of Afife	160 000	108	31-Jul-93		30-Sep-93	1-Oct 93	15-Dec-93
IN PROGRESS									
1 Sizwe Medical	Medical services	Valuation concluded for MBO	1 500	27	9-Dec 94				30-Jun-95
2 Naledi/ NABFRA	Petrol & lubricants distrib	Valuation started acquisition of 150 petrol stations	200 000	31	18-Apr-95	15-Oct-95		12 Apr 96	
3 JFM Radio	Radio broadcasting license	Regional radio license. Waiting for IBA	3 000	18	30-Dec-94		30-Jun-95		
4 WW Africa Investments	TV license	On-going Waiting for IBA		5	10-Jan-95				
DROPPED									
1 Alm Meat Co employees	Meat processing	ESOP attempted Unable to raise finance	2 400	6	21 Jun-93				
2 Africa Financing Club	Flour milling	Unable to raise finance & assemble management	4 500	5 5	11 Nov-93				
3 Indwe Consortium	Hospitality industry	Consortium inactive	10 000	3 5					
4 Oil Consortium	Oil industry	No agreement with seller	100 000	28 2	20-Apr-94				
5 Executive Chemicals	Chemicals manufacture	Seller sold to another buyer	5 000	47	15-Jun-94		10-Jun-94	26-Sep-94	30-Oct-94
6 FIN Consortium	Financial services	Venture structured with another party		7					
7 CON-Consortium	Housing Development	Unable to raise finance Dropped twice	8 000	16					
8 B-Consortium	Seafood industry	Dropped Potential conflict of interest.	80 000	35	10-May-94	30-Aug 94			
9 Durban Consortium	Light bulb manufacture	Project was not economically viable	4 000	10					
10 S Publishers	Publishing	Target company involved in litigation	4 000	14	24-May-94	30-May-94	1-Jun-94		
11 T Consortium	Filling station	Site unsuitable and costly	1 000	1					
12 D-Consortium	J/V auto dealership	Unfeasible	5 000	4					
13 IB Forums	Newspaper	Competition Board ruled against	70 000	4					
14 L Consortium	Auto relays manufacture	Some consortium members failed to obtain funds	4 000	34	1-Oct 94		2-Sep-94		
15 M Consortium	Medical supplies	Unfeasible project	1 000	1					
16 ESOP Structure	Hospitality industry	Insufficient cashflows to secure financing	1 000	9	15-Nov-94		31 Dec-94		

Cumulative long and short-term level-of-effort 414 2

The acquisition of a 51% equity stake in African Life, and its subsequent growth, represents one of the most successful accomplishments of the project. At the date when the African Life transaction acquisition became unconditional, the 51 percent acquisition interest represented a value of R160 million. Purchased at a disclosed share price of 470c (R 4 70) per share, the value of this equity stake, as judged by the price of the shares as of 4 April 1996 when shares were traded at 1250c (R12 50), had grown to R425 5m, as shown in Table VI 3. At the prevailing rates of exchange of the rand relative to the dollar, the value of this stake grew from \$41m to \$102 8m.

Working estimates of the size of the Naledi Oil transaction are of the order of R200m. Should this transaction close, the total value of equity transferred and its growth over time would amount to R625 5m. At the prevailing rate of exchange at the time of this evaluation (1\$=4 14 rands), this value would be \$151m. Relative to a total project budget of \$10 2m and the rather modest human resources allocated to GMA, the fact that BICSN has been able to leverage \$102 8m of equity transfer and growth, with a potential for an additional \$48m represents an outstanding accomplishment. Relative to project budget, BICSN will have achieved at least a 10 1 ratio with the African Life transaction, and a 15 1 ratio when and if the Naledi Oil transaction closes.

Table III 5 summarizes quantitatively the acquisition of African Life and the potential structuring of the Naledi Oil transaction.

Table III 5 Value of previously disadvantaged entrepreneurs equity leveraged by BICSN

Company	Transaction Date	Transaction Value (R 000s)	Disclosed transaction share price (rands)	Share price as of 04-Apr 96	Estimated annual rate of growth	Estimated value of equity as of 4-Apr-96 (R 000s)
African Life (51% of R318m capitalization value)	28 Feb 94	160 000	4 70	12 50	29 73	425 532
Naledi Oil (Projected for 2nd quarter 1996)	Not available	200 000	Not available	Not available	Not available	
<i>Rand totals concluded (millions)</i>		160 000				425 532
<i>Rand totals projected (millions)</i>		360 000				625 532
<i>Dollar totals concluded (millions)</i>		41 026				102 785
<i>Dollar totals projected (millions)</i>		92,308				151 095

Exchange (Rands per U S \$)

3 9

Exchange (Rands per U S \$)

4 14

By September 1996, the current PACD of the project, estimates in the growth in equity of PDG supplier firms should add R5m, whereas franchising clients' equity growth should be around R3 2m. Thus, the current value of equity transfers and growth of BICSN client firms is over \$104 million. If the Naledi transaction closes, this value will go over \$150million.

D2 Growth in turnover (gross revenue) of BICSN client firms

By September 1996, a total of R557 3m will have been leveraged through the project in increased sales for its client firms. At the exchange rate of 4 14 rands per dollar prevailing at the time of the evaluation, this represents \$134 6m for an approximate ratio of over 13 1 relative to project budget.

In addition to equity transfers and growth, the project output of "increases in project-brokered business opportunities for client firms" can be measured through the changes in turnover (revenue) and the value of contracts obtained by supplier firms with project assistance. We present the relevant data, and growth projections, in terms of the turnover of acquired firms, the value of supply contracts obtained,

and the estimates of turnover of franchising clients

Turnover of acquired firms We examine herein the turnover of *African Life Assurance (Aflife)*, a JSE-listed company, now 51% controlled by *Real Africa Holdings (RAH)* which is in turn controlled by *Real Africa Investments (RAI)* through a 51% stake. These companies are now 3 of the 12 black-controlled companies listed in the Johannesburg Stock Exchange (JSE), the *Aflife* transaction, enabled by BICSN, became a cornerstone for the listings of *RAH* and *RAI*⁴. The 51% of turnover (sales) figures of *Aflife* in Table III 6 for 1994 and 1995 are based on actual performance, the figures for 1996 and onwards are projections⁵.

⁴ BICSN was also involved in the early structuring of the *Oceana Fishing Group Ltd* transaction but withdrew because of a potential conflict of interest. Eventually *RAH* acquired a 20 9% stake in *Oceana* via its share-holding in the *Ocfish Holding Company Ltd* which has a 50 2% controlling stake in *Oceana*. *RAH* and *RAI* were listed in the JSE with the acquisitions of *Aflife* and *Oceana* in their books, together with stakes of 2 08% and 20 0% in *MTN* and *NSA* respectively.

⁵ As per figures in the *1995 Annual Report* (pp 2-3) for fiscal years 1995 1994 and 1993 ending on 31 March *Aflife*'s total income grew 71 8% 53 6% and 44 4% respectively. We have used the more conservative rate of growth of 25% per annum for our projections well below the 10-year historical

We estimate that, through this BICSN-sponsored transaction, the value in sales or turnover attributable to the 51% stake of *RAH* in *Aflife* will be R474 7m (\$114 6m at the rate of 1\$ = 4 14 rands)

Considering the project budget of \$10 2m, this is a leverage ratio of 1 11. We further estimate that, at the conservative rate of growth of 25% per annum, the 51% stake of *Aflife*'s cumulative turnover will represent a value of R1,433 2m three years hence, on 31 March 1999. Assuming a rate of exchange of 5 rands to the dollar, this would represent \$286 6m, or a 1 28 ratio relative to the project budget. Figure III 7 presents these turnover projections (in thousands of rands) over these years.

Value of contracts brokered Through the work of the corporate procurement division, the project assisted client firms in linking with, and securing contracts from, South African corporations and parastatals. At the time of the evaluation the value of these contracts and/or the turnover associated with these amounted to R31 4m⁶. Contracts in progress at the time of the evaluation had a value of R37 4m. We estimate that the total value of these contracts will reach R68 8m by September 1996. Table III 8 displays the relevant contract and turnover data for BICSN client firms.

Turnover of franchising clients The estimates of turnover of project clients in the franchising area appear in Table III 7. By September 1996, the turnover or revenues of these clients will amount to R13 8m.

Summarizing, by September 1996, the value BICSN-brokered opportunities through the turnover of acquired firms, value of contracts secured, and turnover of supplier and franchising is projected to stand as follows:

- R474 7m of cumulative turnover through 31 March 1996 represented by the 51% stake in African Life,

Table III 6 51% share of actual & projected annual turnover of African Life (Rands '000s)

Financial Year end	51% of annual turnover	51% of cumulative turnover
31-Mar-94	97 544	97,544
31-Mar-95	167 618	265 162
31-Mar-96	209,522	474,684
31-Mar-97	251 426	726 110
31-Mar-98	314 283	1 040,393
31-Mar-99	392 854	1 433 247

Based on *African Life Assurance Annual Report 1995*

Figure III 7 51% of annual turnover, African Life

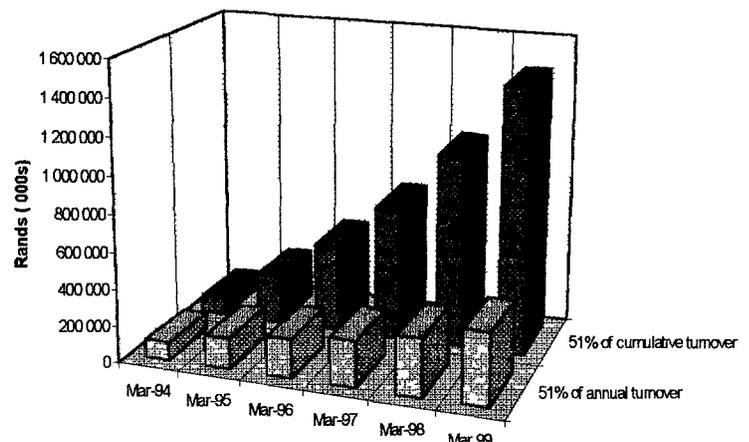


Table III 7 Actual & projected turnover of BICSN franchise clients

Year	Rands (millions)
1992	0 0
1993	1 0
1994	2 4
1995	6 5
1996	8 1
1997	10 8
1998	13 8
1999	17 4
2000	21 6
2001	26 4
2002	32 0

compounded rate of growth of 38%

⁶ These figures are conservative. The project kept records only of contracts with a value of at least R100,000 each.

- R68 8m as the value of procurement contracts and turnover from supplier firms assisted by the project,
- R13 8m of turnover from franchising firms

Table III 8 Increases in turnover for BICSN-assisted suppliers

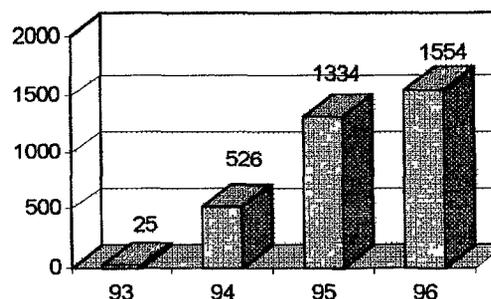
SUPPLIER	PURCHASER	INCREASED T/O IN R 000	BASIS FOR TURNOVER
Baltic Travel (1 st operation)	Various	4 800	2-yr increase @R60 000/mo
Baltic Travel (satellite office)	Various	4 100	10-month increase to 12/95
Drums for Africa	Plascon Paints	1 200	1-year increase
Foster's Group	Mobile Telephone Network	6 700	Contract value
Foster's	South African Airways	420	Contract value
Foster's	Promat	1 020	Contract value
Graceline Textiles	Eskom and Engen	1 035	Contract value
Herdbuoys	MetroRail	1 000	Contract value
Khopotse & Sons	Supreme Toilet Hire	600	Contract value
Khopotse & Sons	Various	300	1-yr increase @R25 000/mo
Masakhane Industrial Cleaners	Engen	100	Contract value
Pascal Manana	Eskom	1 600	Contract value
Petite 1 st year	Various	600	1st year increase
Petite 2 nd year	Various	1 600	2nd year increase
Sechaba	Ten Doctors	3 600	1 yr increase
Various suppliers in RSA	Standard Bank	2 500	Increase over 6 months
Uptrend Stationers	Mobile Telephone Network	275	
Total to Date		31 450	
WORK IN PROGRESS			
Foster's	Mobile Telephone Network	11,000	Est contract value
Foster's	South African Airways	26 400	Est contract value
Total by PACD		68,850	

By September 1996, a total of R557 3m will have been leveraged through the project in increased sales for its client firms. At the exchange rate of 4.14 rands per dollar prevailing at the time of the evaluation, this represents \$134.6m, for an approximate ratio of over 13:1 relative to project budget.

D3 Creation of new businesses and employment generation

Whereas the corporate procurement and the GM&A divisions of the project worked primarily with existing companies, the franchising division assisted in the creation of 69 new franchisees, providing 252 new jobs. In addition, through the "engineered" new franchises or conversions, the international master franchise agreements (IMFAs), and assistance provided to 17 franchising companies and previously disadvantaged entrepreneurs, the project helped create an estimated total of 1,554 new jobs in the franchising industry, as shown in Figure III 8.

Figure III 8 Jobs creation in franchising



D4 Entry of BEs into new business areas

Although the project was not designed to help start up new businesses, it is noteworthy that client firms assisted by BICSN have moved into mainstream economic niches that up to the recent past had little or no representation. Firms like Herdbuoys in advertising, Alex Hair International, the first PDG franchiser in South Africa, Zach's Exhaust & Tyre, and African Life in the insurance business are examples of PDG entry into new business areas. Although these examples are part of the larger process of transformation of the economy, the project had an active role in helping these entrepreneurs capitalize and realize the opportunities.

Additional pending transactions include activities in the oil, radio, and TV broadcasting industries. If these opportunities are realized, and given its resources, the project will turn a good record into an excellent one.

D5 Sustainability of new business systems at the firm level

substantive

Although many former BICSN clients have already "graduated" from its technical assistance, or are in the process of doing so, there remains a vast need to assist PDG-led firms in establishing and developing proper business systems, management and accounting controls if they are to compete in the mainstream economy. The well-known restrictions imposed by *apartheid* against black business have produced a scarcity of skilled PDG entrepreneurs that no single project can expect to address in the short run. BICSN helped a few trail-blazing firms achieve solid success but was too late to assist some others which had run into deep difficulties because of their shallow controls and business systems. The backlog in the deficit of business skills produced by the *apartheid* regime is enormous and it will take at least a generation to redress the balance.

D6 Access to commercial debt and equity finance

The project operated in the environment of a historical transition to the first democratic government in South Africa and the attendant high expectations of economic change. It is fair to state, however, that the pace of change in commercial lending and equity facilities for the PDG market has been modest. Products with the "right" risk/reward ratio for the perceived investors' risk in this market are scarce. Obtaining, preserving, or expanding loan facilities for client firms took a great deal of time and dedication of project staff. Shallow control systems in need of improvement among client firms lent little comfort to lenders. Trading on its name and on its ability to assist and monitor client firms through its technical assistance, BICSN was able to "rescue" not a few of its clients from difficult financial situations.

The lack of equity finance also "cost" the project the loss of some transactions long in the making. This was the case in a venture to manufacture automotive relays under a license with Lucas and the CSIR where some R300,000 in equity would have made all the difference.

Franchise lending and equity facilities represent some exceptions to the above. Commercial banks, perceiving less risk in the franchise format, have developed incipient

facilities in this area, much in line with the proposals made by the project in late 1992 and early 1993⁷

D7 Facilitating a more conducive business environment

The project capitalized well on its access to and connections with U S business practices and know-how in the areas of franchising and corporate procurement

More than any other organization in South Africa at the time the project developed PDG access to the franchising industry Through its linkages with the International Franchise Association (IFA), the Franchise Association for Southern Africa (FASA), NAFCOC, and local institutions, BICSN introduced the annual franchising opportunities conferences PDG entrepreneurs were directly linked with franchisers both from the U S and South Africa for the first time These events, which attracted an attendance equivalent to 1,806 person/days, have now become largely self-sustainable and have had a measurable impact on the business environment Commercial lending for franchise ventures, at both the franchiser and franchisee levels, have become more available

Similarly, in collaboration with the National Minority Supplier Development Council (NMSDC), the project delivered workshops with an attendance equivalent to 659 person/days on U S corporate "best practices" in procuring from disadvantaged firms These workshops, held in Johannesburg, Cape Town, East London, Port Elizabeth, Pietermaritzburg, and Durban brought together purchasers from South African corporations and PDG supplier firms Through these national workshops, the publication of a widely diffused manual on U S current corporate procurement practices, and a U S internship for South African purchasing managers, hosted by U S corporations, BICSN fostered the development of, and assisted with, pro-active procurement policies in the corporate South African environment

D8 Role model effects

Measuring the intangible role model effects of the firms assisted by the project is a difficult task There are, however, two clear-cut successes Herdbuoys and African Life The former has developed into a mainline, nationally ranked advertising firm, the latter transaction was the core businesses that allowed the listing of RAI and RAH in the Johannesburg Stock Exchange How and if the sense of entrepreneurship of the directors of these firms inspire others to follow in their footsteps and pursue their own visions are unmeasurable intangibles at this point

D9 Design and piloting of new models of technical assistance

The original Mission design of the Technical Assistance Fund (TAF), complemented by the contractor's emphasis on a commercial orientation with cost-recovery mechanisms have proven to be a success BICSN developed and piloted an aggressive client co-payment scheme that served both as a filter for targeted client selection

⁷ Black Integrated Commercial Support Network *Establishment of a Venture Finance Fund*
Johannesburg February 1993

and a continued, intensive source of support for entrepreneurial firms. The client co-payment scheme, 50% of transaction costs, is now a cornerstone of the Equity Access System (EASY), a successor project of USAID/South Africa.

BICSN's efforts to establish a private equity fund to assist PDG firms and entrepreneurs have been less successful. Current collaboration with the International Finance Corporation (IFC) on a quasi equity fund will, if successful, represent the first such type of fund in South Africa. If the capitalization, successful management and commercial returns to investors are achieved, much of the reticence of local potential investors will wane, none too soon, one may add, if the demographics of business ownership are to change fast enough to cope with the expectations of PDG firms and entrepreneurs.

E Lessons learned from the project

E1 Design

The original project design consisting of a Technical Assistance Fund (TAF) to subcontract consulting services to assist BEs and the Black Equity Capital Fund (BECF) to take minority equity stakes in client firms was sound and ahead of the times. The design was further validated during the re-structuring exercise conducted by the Mission, the contractor, and external consultants.

This timely review of the project and its implementation experience was a decisive factor in the success of the project. The preparation of the first project logframe, the intensive client focus, the definition of the competitive advantages of BICSN, the development of sharp product lines in procurement, franchising, and corporate acquisitions, and the redefinition of the management structure provided a solid basis for a renewed project. This examination of project implementation in its early stages is a key lesson from the experience of BICSN.

The design of the TAF, and the leveraging and cost-recovery mechanisms introduced by the contractor in its implementation, served the project and its clients well. BICSN developed and tested a client cost-sharing scheme patterned along commercial lines. This cost-sharing or client co-payment scheme tested during implementation is now part of the design of a successor Mission activity, the Equity Access System (EASY), where clients will carry 50% of the transaction costs. Thus, a "lesson" from implementation has been codified into the next generation of the Mission's private sector project designs.

The design of the BECF, in retrospect, was premature. As BICSN has demonstrated through its implementation so far, a private, managed, equity fund focused on PDG firms and entrepreneurs has yet to succeed in getting commitments from South African institutional investors. The project designers underestimated the resilience of the local investment environment.

Through its repeated iterations in designing and testing investors' receptivity to diverse equity products, the project has gained a better understanding of local investors'.

concerns which, coupled with the first-hand knowledge of PDG businesses should serve the project well as it attempts to develop a quasi-equity fund. Given the experience gained so far and the potential partnering with the International Finance Corporation (IFC), further efforts in this area merit support. Should the efforts prove successful, the project will have evolved into a self-supporting, commercially-viable entity. That, after all, is a key purpose of the institutionalization of private sector projects.

E2 Implementation

BICSN staff built close relationships with its client firms and remained tightly focused around its core product offerings. The success of the project owes much to the sharp focus maintained by the staff. In a complex business and advocacy environment, such as the one prevailing in South Africa, continuity of focus is essential as a project cannot be all things to all people.

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

E3 Additional issues

The initial project design did not address the issue of sustainability beyond the life of the project. The Mission has taken steps, however, to remedy this shortcoming. The corporate procurement component has been transferred into a successor activity, the Business Linkages for Underutilised Enterprises (Project BLUE), and project staff have been seconded to help in the initial phases of BLUE. Franchising, given its maturity in the local market, will be commercially self-sustaining and some of the work of the GM&A will be carried out through an activity that will soon begin, the EASY Project.

Remaining items in the BICSN agenda include

- finishing the transactions currently in the books, such as the Naledi Oil,
- establishing the "BICSN Trust Fund" to capture the funds reflows (estimated potentially to reach over R2.5 million) pending successful closure of these transactions,
- conducting a detailed feasibility analysis for the structuring of the quasi-equity fund, in collaboration with the IFC,
- continued secondment of the former BICSN Vice President for Corporate Affairs in charge of corporate procurement to effect a smooth transition of former BICSN clients to the BLUE Project.

The successful conclusion of these activities will round up a solid record of achievement.

Section IV: Corporate procurement

A Project design Corporate procurement

Prior to the reorganization of BICSN, Corporate Procurement was called "subcontracting" and was subsumed as an activity under the Promotion and Education component. In 1993, however, project participants felt that many management issues could be resolved by changing BICSN from a functionally based project (education, technical assistance, equity) to one that operated along "product" lines.

Procurement interventions had already demonstrated potential to make a substantial difference in the economic status of disadvantaged South African businesses. Therefore, Procurement was reconstituted as a component in its own right and was appropriately recognized as one of BICSN's most viable "products."

A1 Mission and objectives

As stated in the January 1994 - March 1995 Work Plan, the mission of the Procurement Division was "to promote the growth and competitiveness of black enterprises (BICSN client firms) through establishment of successful supplier relationships with South African private and public corporations." Objectives of this component were to

- Assist black enterprises in becoming reliable, competitive, quality suppliers of products and services to South African corporations,
- Assist in the development and strengthening of procurement programs from disadvantaged businesses among South African corporations,
- Disseminate information, tools, and know-how to induce successful, long-term relations between large private enterprises and disadvantaged businesses.

A2 Procurement strategies

The central strategy for all BICSN components was that interventions should be carried out along commercial lines, that is, they should have high leverage to maximize the ratio of transaction value over administrative costs. Procurement strategy was also influenced by repeated interactions between BICSN and the U.S. National Minority Supplier Development Council (NMSDC) as well as minority supplier development managers of selected, high-profile U.S. corporations. As a result of these contacts, BICSN evolved a "proactive procurement" program strategy.

BICSN Procurement Strategies

- Leverage U S minority contracting expertise
- Add value and reduce transaction costs
- Apply second tier purchasing techniques
- Work with corporations on a pull strategy
- Prepare standardized tools and packages
- Disseminate knowledge through training

On the demand side, BICSN strategy takes advantage of the project's ability to leverage American minority contracting experience. One important concept, for example, is that of "second tier" purchasing,

whereby large corporations committed to proactive procurement use their purchasing power to persuade other companies to deal with disadvantaged suppliers

BICSN also developed a so-called "pull strategy" whereby the project establishes close working relationships with a few large RSA corporations and identifies reliable black-owned businesses on their behalf. Once the purchaser is satisfied with supplier performance, a significant volume of business is allocated to that supplier. In 1993-94, this approach was judged to be a more efficient use of BICSN resources than chasing a specified number of contracts on behalf of the supplier. The evaluation team believes that this conclusion is borne out by project results.

On the supply side, BICSN procurement strategy targets black enterprises with high potential for operating in the formal business sector (so-called "high-potential" BEs), as distinct from informal sector and micro-enterprise clients who are served by other programs. BICSN works extensively with a select number of these clients, first, by serving as an opportunity broker with linkages to the mainstream economy, and second, by providing them with specialized technical assistance and training, as well as more standardized packages and tools for procurement, marketing, and business and financial management.

Although neither the original design nor the restructuring made provisions for institutionalizing BICSN, USAID/South Africa recently turned its attention to this issue. Consistent with its Country Strategic Plan for sustainable transformation, USAID requested that institutionalization or "unbundling" become a part of overall project strategy.

Analysis Whereas the mission and objectives of the BICSN project retain a traditional development focus, most of its strategies derive from business concepts, especially those based on minority contracting in the United States. It was the intention of the consultants who reformulated BICSN to use a commercial orientation and American business know-how to differentiate the project from other donor efforts. In many respects, this has been the key to BICSN's success.

The issue of timeliness is also important. When BICSN started, corporations and black entrepreneurs were just coming to grips with the need to transform their business dealings in the aftermath of apartheid. Many BICSN strategies were being introduced in South Africa for the first time and appeared highly relevant to current events. As a result, several corporations wholeheartedly adopted the BICSN approach to purchasing, becoming the driving force in disseminating it to a wide segment of the business community.

B. The effectiveness of procurement inputs

The evaluation team based its analysis of procurement inputs on the "means of implementation" in the work plan of January 1994, Section III-4. Below we describe various inputs and provide an analysis of their effectiveness in achieving project objectives.

B1 Human resources

BICSN's Corporate Procurement Division was headed by the Vice President for Corporate Procurement, Mr. Sonny Tarr, who also functioned as Industry Development Specialist and the project's Deputy Chief of Party. Mr. Tarr came on board at the beginning of the BICSN project and remained until seconded to NIC in September 1995. For a little over a year, from late 1992 through March 1994, Mr. Tarr was assisted in Corporate Procurement by a second Industry Development Specialist, Mr. Thami Magazi.

Analysis The salient feature of BICSN's success is a lesson that has been demonstrated over and over again. Although it may be too obvious to mention, the truth is that "successful projects are run by good managers who have vision, commitment, and the ability to adapt to changing conditions and emerging realities." The energy and commitment of Mr. Tarr in achieving procurement objectives cannot be overstated.

B2 Technical Assistance Fund (TAF)

To date, the Procurement Division has managed 34 TAF subcontracts with a total value of R1,144,056. A breakdown of TAF outlays, by programmatic use, is presented in Table IV 1, the number of TAF subcontracts and the cumulative value by programmatic area are presented in figures IV 1 and IV 2, respectively.

Analysis Based on interviews with BICSN clients, the majority of TAF interventions appear to have been effective. In two cases in particular (Petite Upholsterers and Baltic Travel), clients stated that their enterprises would not have survived without BICSN help, and that their approach to various aspects of the business had completely turned around as a result of this assistance.

Table IV 1 Number and value of TAF subcontracts

Contract type	Number	Value
BICSN General	15	449,369
OPIC/BICSN	5	95,813
Procurement	34	1,144,055
GM & A	36	1,856,593
Franchising	27	458,207
<i>Totals</i>	<i>117</i>	<i>4,004,037</i>

In two cases in particular (Petite Upholsterers and Baltic Travel) clients stated that their enterprises would not have survived without BICSN help and that their approach to various aspects of the business had completely turned around as a result of this assistance

The hallmark of TAF procurement intervention was the extended relationship formed between BICSN executives and client BEs. As a result, BICSN executives became thoroughly

familiar with the requirements of a given enterprise and were able to intervene at critical times when the business was either in difficulty, or conversely, was primed for expansion. This approach evolved in response to the objectives in the project design, to achieve permanent changes in business performance for selected BICSN clients and develop them into viable "model" firms that others could emulate. At this stage in the development of black business, therefore, and the issue of "efficiency" notwithstanding, it is difficult to imagine that lasting change could have occurred in any other way.

Interventions ran the gamut from business and financial planning to production and quality control, but focused heavily on upgrading control and administrative systems. BICSN adopted this focus in response to the perception in the project design, which proved largely correct, that the fundamental weakness of black business resides in shallow control and administrative systems.

Thus, while many black businesses begin with a strong concept and achieve an early success, they ultimately falter when business volume reaches a certain level, or when faced with more competitive market conditions. This fact makes the timeliness of business interventions especially important. In a few instances, BICSN assistance came too late, after clients had already destroyed their credit worthiness through inadequate accounting controls, or had lost credibility with

Figure IV 2 Value of TAF contracts by type

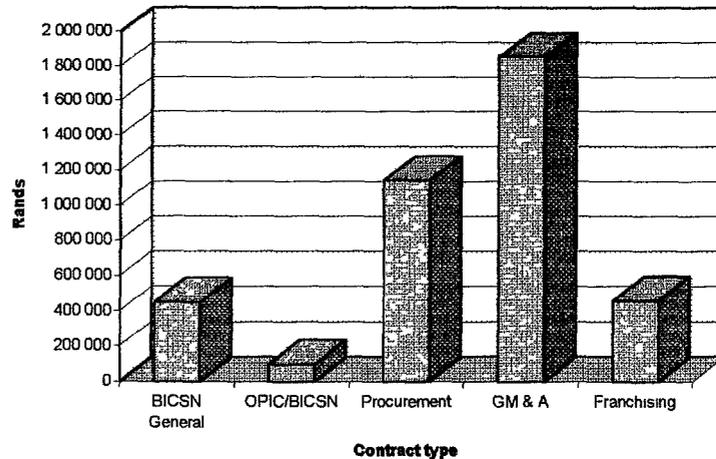
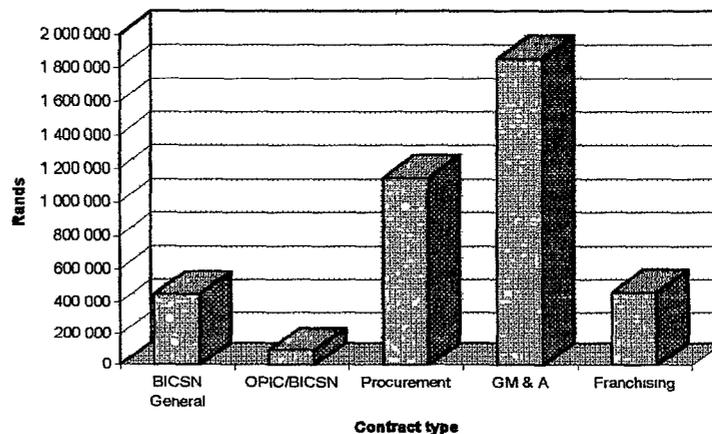


Figure IV 2 Value of TAF contracts by type



their customers because they were unable to deliver goods and services on a timely basis

Another important feature of TAF assistance was its cost-sharing requirement to instill commercial discipline among its client firms. After its re-structuring, BICSN required a 50 percent client co-payment to TAF service providers for the consultancy services rendered. This strategy proved to be not only workable, but an effective screening device to regulate a seemingly boundless demand for business advisory services and help determine which businesses were most seriously committed to making the operational changes required to compete effectively. The success of the 50/50 cost-sharing concept pioneered in the corporate procurement TAF subcontracts of BICSN is borne out by the fact that two USAID successor activities have incorporated it in their design. The *Equity Access System Project (EASY)*, a continuation of the Mergers & Acquisitions component of BICSN and the *Business Linkages for Underutilised Enterprises (BLUE)* require a 50 percent client contribution for business services.

B3 Procurement seminars and workshops

To date, the Procurement Division has organized and delivered a total of 47 training events, including workshops, conferences, presentations, and seminars. In all, there were 1,437 participants at these events from all target groups (client enterprises, corporate executives, and advocacy groups). As may be seen in Table IV 2, the number of participating companies and advocacy groups totals more than 500.

Training events covered a variety of topics. Some were directed at black entrepreneurs, some at large corporations and advocacy groups, and some at large, mixed audiences. The latter were often organized around the visits of U.S. corporate executives, or representatives from the U.S. National Minority Supplier Development Council, who spoke on minority contracting in the United States, including procurement strategies and practices, issues, and lessons learned. Among the various training topics were

- The *modus operandi* for structuring small business units in large corporations
- Second tier purchasing policies and practices
- South African Bureau of Standards requirements
- Product quality standards of large RSA corporations
- The BICSN corporate internship program
- Establishment of a black business directory

Table IV 2: BICSN workshops, presentations and training, by component

Project component	Total participants	Total companies	Total events	Total person/days
Corporate Procurement	1 437	518	47	1 056
Franchising	1 689	758	36	2 310
Growth, Mergers & Acquisitions	188	72	12	120
Totals	3,314	1,348	95	3,485

In addition to single-event training, BICSN worked with the Department of Business Administration at the University of Natal, Pietermaritzburg, to establish a curriculum and corporate consulting services in pro-active procurement. The university is offering "affirmative procurement" as a subject to students pursuing a Bachelor of Commerce degree in purchasing management. It is hoped that this will sustain small business procurement programs over the long term. It is important to note, however, that as of this date, very few black students are participating in this course.

BICSN's procurement seminars and workshops gave the project much wider geographic coverage than was possible through technical assistance alone. Because of the intensive nature of TAF assistance, BICSN procurement executives targeted clients in Gauteng exclusively. Training events, however, took place in major commercial centers all over the country.

Analysis BICSN's procurement seminars and workshops gave the project much wider geographic coverage than was possible through technical assistance alone. Because of the intensive nature of TAF assistance, BICSN procurement executives targeted clients in Gauteng exclusively. Training events, however, took place in

major commercial centers all over the country. There were undoubtedly some lost opportunities as a result of this approach, because BICSN executives were unable to follow up on contacts that were initiated with corporations and entrepreneurs outside Johannesburg. One hopes that this limitation will be overcome under the BLUE project, given its emphasis on establishing business advisory centers in other parts of South Africa.

BICSN training maximized both geographic coverage and technical content. As noted earlier, it also proved to be timely. With the end of apartheid, the South African business community was just coming to terms with the need to integrate black business into the mainstream economy, and to many, the ideas BICSN introduced were of tremendous relevance.

Especially well received was the concept of second tier purchasing, whereby a large company uses its purchasing power to generate proactive procurement practices in other companies. As a result of BICSN, several giant RSA corporations have adopted the concept (including Eskom, Standard Bank, and Promat, the purchasing arm of Transnet) and are vigorously promoting it through their own small business procurement units. In a very real sense, this and other BICSN procurement interventions have not only proved to be sustainable, but have had a multiplier effect.

Training events were also timely for black entrepreneurs who were thinking about or actually making their first forays into a wider market. Some of the most successful workshops for BEs involved presentations by the South African Bureau of Standards on the meaning of the SABS mark, and in tandem, presentations by large corporations concerning their expectations vis-a-vis product quality. These workshops succeeded in allaying fears on the part of black entrepreneurs that SABS requirements represent insurmountable roadblocks to formal-sector market entry. Instead, workshop participants came to view the SABS mark as a means of marketing their goods, winning contract awards, and maintaining client satisfaction over a period of time.

In an attempt to make the outputs of training more concrete, BICSN linked its workshops in quality requirements with an SABS certification program. Both SABS training and certification have proved to be sustainable. Promat, one of the large RSA corporations involved with BICSN, has chosen to continue the program with SABS for the benefit of its black suppliers.

B4 USA/RSA exchanges

In collaboration with the National Minority Supplier Development Council (NMSDC), BICSN sponsored four U S corporate procurement executives missions to South Africa. The project was able to enlist the *pro-bono* participation of leading executives of American corporations that were involved in innovative minority supplier development programs. The goal of these missions was to share U S knowledge and expertise with South African procurement managers, including information about designing, implementing, managing, and monitoring proactive procurement programs for disadvantaged suppliers.

In July of 1995, BICSN and the NMSDC also organized a highly successful U S corporate internship for 16 South African corporate procurement managers. South African corporations covered the full costs of the trip to observe, first hand, the corporate practices of their U S counterparts in contracting with disadvantaged suppliers, U S corporations, on the other hand, graciously hosted their South African counterparts during their two-week internship. Interviews conducted with RSA procurement managers as well as disadvantaged suppliers suggest that the exchanges were of immense benefit. Through the *pro bono* involvement of U S corporations, the project was able to leverage its resources, we estimate that the added value of these pro-bono contributions is well over \$150,000.

U S corporations participating in BICSN corporate exchange programs

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

Analysis USA/RSA exchanges were conceived as a training vehicle but because of the prestige of U S participants (Eastman Kodak, Ford Motor Company, IBM, Lotus Development Corporation, and Nations Bank), they gave BICSN a high profile as well as credibility in its dealings with the South African business community. Attendance at USA/RSA events was often ten times that of other, more narrowly focused training programs and is an

indicator of the amount of interest generated by BICSN-style purchasing strategies.

B5 Procurement training materials and standardized tools

BICSN prepared and disseminated training materials and off-the-shelf procurement packages in many subject areas, both in association with seminars and workshops and as an independent means of assistance. The most widely disseminated product or tool was the BICSN Procurement Manual, prepared for private-sector corporations as a step-by-step approach to structuring small business purchasing units, positioning them within organizations to provide a direct link with senior management,

and changing them (both conceptually and in actuality) from cost centers to profit centers that offer tangible economic benefits. BICSN sold some 60 procurement manuals to corporations that expressed interest, and distributed another 100 manuals free of charge.

Other tools and packages developed by BICSN include the 50/50 cost-sharing mechanism for TAF contracts (see above), a database of black South African enterprises, advocacy groups, and financial institutions, kept in electronic format through a contact management software package, a training events database, which proved to be valuable in initiating or following up business contacts, and the Corporate Profiles of Black Enterprises, which defined the numbers, characteristics, and types of black businesses operating in South Africa. The Corporate Profiles served a number of functions. They helped identify high-potential BEs, and they also provided models for BEs to present their corporate capabilities and market their services.

Analysis BICSN models and tools proved to be useful and timely, as indicated by the many requests received and the willingness of corporations to pay for them. BICSN received numerous offers to purchase its database of black enterprises, advocacy groups, and financial institutions, but did not comply. Instead, the database will be made available as a resource to the National Industrial Chamber, the local institution responsible for carrying on BICSN-style procurement interventions under the BLUE project.

Future assistance efforts need to take stock of the fact that databases and other tools require periodic maintenance to be fully useful. The *Corporate Profiles*, for example, would need to be updated, similarly, the client database would need updating. Resources will have to be allocated to the maintenance of these databases by the successor activities which will inherit these from the project. In the absence of a monitoring and evaluation specialist during the past 12 months, BICSN has been unable to do further work on these.

B6 U S corporate internship program

The corporate internship program was carried out as planned, with 17 interns completing three-week assignments for corporations in the United States. South African corporations covered the salary and travel costs for their executives.

Analysis The program had many positive ramifications. Its intended benefit was an increase in the purchasing know-how of interns, and as a spill-over benefit, an increase in their effectiveness as proponents of small business purchasing within their companies. Based on the number of corporations that either created or restructured their small business purchasing units (see project results) this objective was achieved.

An unexpected side benefit of the internship program was that a returning intern from Nedcor not only strengthened small business purchasing at his own company, but also joined with representatives from 20 other South African companies to start up a local counterpart to the NMSDC. Although in the 1994-95 Work Plan,

the creation of a local council was referred to as an “elusive” target, it is now under way, independently of BICSN, with Nedcor as the driving force

B7 Close working relations with RSA corporations

Efforts to link black suppliers and large corporations began early in the project, but this work intensified after BICSN’s restructuring. In 1994, following extensive research, a letter of interest was sent to twenty firms that showed potential for initiating or expanding proactive procurement programs. BICSN based its research on an analysis of annual reports, networking, and contact with the American Chamber of Commerce. BICSN followed its letter of interest with a request for meetings, and in July 1994, with the preparation of a “proactive” procurement strategy document

The most successful proactive procurement initiatives enjoy the full support of top management. They are translated into policy that promotes the interests of the corporation and offers concrete incentives and rewards. This policy is widely communicated via annual reports and public statements.

The strategy document was sent to the original group of corporations as well as seven more. It described the economic wisdom of developing South Africa’s small business sector, and provided an action plan for initiating procurement from black

suppliers. It identified key elements in the successful sourcing of goods and services, beginning with the commitment of the company’s CEO, the integration of proactive procurement policy with other corporate policies, and the establishment of proactive procurement as a profit center rather than as a program of social responsibility.

Analysis Of the original group of twenty-seven corporations, BICSN received expressions of interest from about two-thirds and was ultimately successful in linking nine corporations with black businesses, a 33 percent success rate. These interventions produced some or all of the following improvements:

- Review of existing corporate procurement procedures
- Establishment of small business purchasing units as profit centers
- Identification of a corporate “champion” for working with black suppliers
- Identification of products and services appropriate for outsourcing
- The provision of business profiles of black suppliers
- In most cases, the award of contracts for goods and services

More recently, BICSN contacted nine other large corporations—including Mobile Telephone Network, Standard Bank, and South African Airways—with increasingly positive results. All have made a commitment in some form to the concept of small business purchasing. Seven of the nine have made contract awards as a result of BICSN intervention, and the value of these awards has been rising steadily.

B8 Sustainability

In 1995 USAID negotiated a Cooperative Agreement with South Africa’s National Industrial Chamber (NIC), thereby launching the *Business Linkages for Underutilized Enterprises (BLUE) Project*. This project is helping to structure long-term, commercially viable relationships between corporations and supply firms where

the previously disadvantaged have a majority or a significant minority stake. It intends to open up business information and advisory in major cities, and it provides a TAF to contract for short-term expertise. In other words, its mission and objectives closely mirror those of the BICSN Procurement Component.

As part of USAID's effort to "unbundle" BICSN and make it sustainable, the duties of BICSN's Corporate Procurement Division are being transferred to NIC. Two BICSN staff members have been seconded to that organization, including Vice President Sonny Tarr, as of September 1995. This move will help NIC to strengthen its administrative infrastructure and its capacity to serve black enterprises.

Analysis The evaluation team believes that the BLUE project is an appropriate vehicle to continue BICSN-style interventions. We also believe the NIC to be an appropriate choice for a counterpart organization. It offers a well-articulated strategy for implementing BLUE, and is in a position to replicate BICSN strategies through the wide membership network of its parent, NAFCOC, and through BLUE-sponsored advisory centers to be situated throughout South Africa. The opportunity to extend the results of BICSN outside Johannesburg is one of the most promising aspects of BLUE.

C Procurement impact assessment

We base our impact evaluation of Corporate Procurement on the end-of-project targets in the 1994-95 work plan.

C1 Increased turnover for core black enterprises

Target The work plan specifies two levels of achievement with respect to sales or turnover: (1) at least fifteen BICSN-assisted enterprises with increases in turnover averaging R700,000 per firm per year, and (2) at least ten additional black enterprises with increases in turnover averaging R400,000 per firm per year. The combined target is an increase in turnover of R14.5 million per year for 25 BEs.

Results Actual results are impressive, though complex. Table IV.3 covers activity up to the present and shows that BICSN has been instrumental in increasing total turnover for black suppliers by R31.2 million to date, and a projected R68.6 million by the end of the project. Annualized data are not available, but we can estimate annual increases in turnover using the 1994 BICSN reorganization as the starting point. We are looking at 26 months of activity to date, or R14.4 million per year for all firms (99 percent of target). Total turnover generated by BICSN by PACD, or 33 months of activity, is projected at R24.9 million per year, or 172 percent of target.⁷

⁷ These figures are conservative. BICSN succeeded in preventing at least one company—Petite Upholsterers—from closing down altogether. In another case—Baltic Travel—the company would not have established a satellite office without BICSN assistance. In this light, BICSN can claim responsibility for total turnover for Petite and total T/O for the Baltic satellite office, representing another R6.2 million in increased turnover.

The total number of enterprises with increased turnover above R700,000 is 9, and the number over R400,000 is estimated at 4. These numbers are 52 percent of target. BICSN also assisted 13 additional enterprises, with either no increase in turnover or increased turnover well below target. This method of calculation puts the number of firms that received assistance at 26, or 104 percent of target. Whereas 50 percent failed to achieve substantial increases in turnover, the remaining 50 percent outperformed projected targets by nearly 200 percent.

Table IV 3 Increases in turnover for BICSN-assisted suppliers

SUPPLIER	PURCHASER	INCREASED T/O IN R 000	BASIS FOR TURNOVER
Baltic Travel (1 st operation)	Various	4 800	2-yr increase @R60 000/mo
Baltic Travel (satellite office)	Various	4 100	10-month increase to 12/95
Drums for Africa	Plascon Paints	1 200	1-year increase
Foster's Group	Mobile Telephone Network	6 700	Contract value
Foster's	South African Airways	420	Contract value
Foster's	Promat	1 020	Contract value
Graceline Textiles	Eskom and Engen	1 035	Contract value
Herdbuoys	MetroRail	1 000	Contract value
Khopotse & Sons	Supreme Toilet Hire	600	Contract value
Khopotse & Sons	Various	300	1-yr increase @R25 000/mo
Masakhane Industrial Cleaners	Engen	100	Contract value
Pascal Manana	Eskom	1,600	Contract value
Petite 1 st year	Various	600	1st year increase
Petite 2 nd year	Various	1 600	2nd year increase
Sechaba	Ten Doctors	3 600	1 yr increase
Various suppliers in RSA	Standard Bank	2,500	Increase over 6 months
Uptrend Stationers	Mobile Telephone Network	275	
Total to Date		31,450	
WORK IN PROGRESS			
Foster's	Mobile Telephone Network	11 000	Est contract value
Foster's	South African Airways	26 400	Est contract value
Total by PACD		68,850	

C2 Strengthened procurement programs

Target At least 15 proactive procurement programs strengthened among South African corporations and parastatals

Results Of a group of about 35, BICSN was successful in establishing relationships with 22 large South African companies including BMW, Boumat, Caltex, Envirotech, Eskom, Fedics, Gencor, Haggie, Hulett, Metro Rail, Mobile Telephone Network, MNet, Mondi Board, Nedcor Bank, Promat, Randgold, Samancor, Sappi, Shell SA, South African Airways, and Standard Bank. It is estimated that procurement from disadvantaged suppliers improved significantly in about 50 percent of these organizations as a direct result of BICSN intervention. (A few companies already had active procurement programs that purchased from black suppliers.)

In addition to this list of corporations, a few like Hulett and Shell SA distributed BICSN's procurement strategy document and/or issued directives on small business procurement to every one of their regional offices and subsidiaries. This impact cannot be measured, nor is it possible to measure the impact of BICSN.

procurement strategy on the more than 500 companies that attended BICSN conferences and workshops, but some improvement in procurement practices among these corporations must be assumed

C3 BICSN-sponsored internships

Target At least 12 South African executives exposed to U S corporate minority procurement programs through BICSN-sponsored internships

Results The actual number of interns was 16, or 133 percent of target U S host corporations included Nations Bank, Ford Motor Company, Washington Gas, Eastman Kodak, IBM, Bell Atlantic, and K-Mart Corporation For all but three internships (for NIC staff), BICSN was able to leverage the resources of participating South African corporations to cover the salary and travel costs of the internship, thereby increasing the total number of internships BICSN was able to sponsor In addition, the BICSN project collaborated with *Enterprise* magazine to sponsor internships for six recipients of the "Enterprise of the Year" award

C4 Workshops for BEs and/or procurement managers

Target At least 10 workshops delivered to BEs or procurement managers

Results Corporate Procurement conducted 47 training events for BEs and procurement managers An estimated 75 percent were workshops and seminars In this area, therefore, BICSN exceeded its target almost five times, or 470 percent See Table IV 4 for a list of training events

C5 Self-sustaining organization as a resource for proactive procurement

Target The model of a corporate-sponsored and largely self-sustaining organization acting as a resource center for procurement from disadvantaged suppliers will be widely diffused, and hopefully operational, in South Africa

Results As discussed earlier, a returning intern from Nedcor has joined with executives from 20 other South African corporations to create a procurement council based on the U S NMSDC model The council is self-sustaining, with corporate South Africa as sole sponsor The council is already operational

TABLE IV 4 Corporate Procurement conferences, seminars, presentations, workshops and meetings

Code	Title	Total participants	Total companies	Duration in hours	Date		City	Total Person contact hours
					From	To		
PR00AP	The Role of Small Business Units In Purchasing from Disadvantaged Business	12		3 00	16 Feb 93	16 Feb 93	Johannesburg	36
PR00BP	Small Business Units A Corporate Asset	10		2 00	25 Feb 93	25 Feb 93	Johannesburg	20
PR00CP	Opportunities for Big Business with Small Business	10		2 00	23 Mar 93	23 Mar 93	Johannesburg	20
PR001M	Policy Reference Group & U S Corporate Mission Breakfast Meeting	13	12	1 25	20 Sep 93	20 Sep 93	Johannesburg	16
PR001S	RSA and USA Successful Models of Corporate Procurement	121	85	7 50	21 Sep 93	21 Sep 93	Johannesburg	908
PR001R	USAID Mission Director Reception Hosting U S Corp Procurement Mission	121	87	2 25	21 Sep 93	21 Sep 93	Johannesburg	272
PR001W	U S Corporate Internship Program for South African Managers	12	9	2 00	26 Nov 93	26 Nov 93	Johannesburg	24
PR002W	USA Models of Procurement from Disadvantaged Businesses	21	14	2 50	08 Dec 93	08 Dec 93	Johannesburg	53
PR003W	BICSN & CSIR Black Business Directory Meeting	20	0	2 50	31 Jan 94	31 Jan 94	Pretoria	50
PR001P	ABI Presentation for Internship Program	13	1	2 00	22 Feb 94	22 Feb 94	Johannesburg	26
PR004W	Second Tier Purchasing Strategies	15	12	2 50	23 Feb 94	23 Feb 94	Johannesburg	38
PR005W	BICSN & CSIR Black Business Directory Workshop	5	3	1 50	07 Mar 94	07 Mar 94	Johannesburg	8
PR002P	Internship Program Presentation to Shell	3	1	2 00	16 Mar 94	16 Mar 94	Johannesburg	6
PR003P	Internship Program Presentation to Transnet/Promat	4	1	2 50	17 Mar 94	17 Mar 94	Johannesburg	10
PR006W	Launch of Procurement Manual	22	14	1 50	23 Mar 94	23 Mar 94	Johannesburg	33
PR004P	Internship Program Presentation to Eskom	3	1	2 00	18 Apr 94	18 Apr 94	Johannesburg	6
PR005P	Internship Program Presentation to Promat	2	1	2 00	26 Apr 94	26 Apr 94	Johannesburg	4
PR006P	Internship Program Presentation to Anglo American Corporation	3	1	2 00	04 May 94	04 May 94	Johannesburg	6
PR007P	Internship Program Presentation to ABI	1	1	1 00	26 May 94	26 May 94	Johannesburg	1
PR008P	Internship Program Presentation to Gencor	2	1	1 00	27 May 94	27 May 94	Johannesburg	2
PR009P	Internship Program Presentation to Community Bank	1	1	2 00	27 May 94	27 May 94	Johannesburg	2
PR010P	Internship Program Presentation to JCI	2	1	2 00	30 May 94	30 May 94	Johannesburg	4
PR007W	BICSN/SABS/NEI Meeting Standards Required By Corporations	24	21	8 00	01 Jun 94	01 Jun 94	Johannesburg	192
PR013P	BICSN Internship Program & Manual Presentation to NEI	27	20	1 00	01 Jun 94	01 Jun 94	Durban	27
PR011P	BICSN & Internship Program Presentation to Western Deep Levels	17	1	1 00	08 Jun 94	08 Jun 94	Carltonville	17
PR012P	BICSN & Internship Program Presentation to National Housing Forum	30	1	1 00	09 Jun 94	09 Jun 94	Johannesburg	30
PR014P	Internship Program Presentation to Nedcor	1	1	1 00	30 Jun 94	30 Jun 94	Johannesburg	1
PR015P	August 94 AIC Conference Empowering Black Owned Business	60		1 00	17 Aug 94	17 Aug 94	The RMB Conf Centre	60
PR008W	September 94 Procurement Mission (Cape Town)	50	31	8 00	27 Sep 94	28 Oct 94	Cape Town	400
FR009W	September 94 Procurement Mission (Johannesburg)	121	0	12 00	29 Sep 94	29 Sep 94	Johannesburg	1 452
PR010W	September 94 Procurement Mission (Durban)	23	18	7 00	03 Oct 94	03 Oct 94	Durban	161
PR016P	Linking Big Business with Small Business	102		2 00	03 Oct 94	03 Oct 94	Pietermaritzburg	204
PR011W	September 94 Procurement Mission (East London)	44	0	4 50	04 Oct 94	04 Oct 94	East London	198
PR012W	September 94 Procurement Mission (Port Elizabeth)	52	0	4 50	05 Oct 94	05 Oct 94	Port Elizabeth	234
PR017P	October 94 AIC Conference Black Economic Empowerment	80		1 00	26 Oct 94	26 Oct 94	Karos Indaba JHB	80
PR018P	Small Business Development for Black Economic Empowerment	85	80	1 00	27 Nov 94	27 Nov 94	Johannesburg	85
PR019P	March 95 AIC Conference Outsourcing to SMES	65		1 00	23 Mar 95	23 Mar 95	Gallagher Estates	65
PR020P	April 95 Presentation to Buyers at Standard Bank	35		2 00	06 Apr 95	06 Apr 95	Std Bank H/O Jhb	70
PR013W	April 95 Procurement Mission (Johannesburg)	14	11	16 00	20 Apr 95	21 Apr 95	Johannesburg	224
PR014W	April 95 Procurement Mission (Pietermaritzburg)	35	20	16 00	25 Apr 95	26 Apr 95	Pietermaritzburg	560
PR015W	April 95 Procurement Mission (Port Elizabeth)	54	13	16 00	02 May 95	03 May 95	Port Elizabeth	864
PR016W	U S Corporate Procurement Internship Johannesburg Briefing	14	11	4 00	05 Jul 95	05 Jul 95	Johannesburg BICSN	56
PR017W	U S Corporate Procurement Internship National Minority Supplier Council Briefing	16	11	16 00	07 Jul 95	08 Jul 95	New York N Y	256
PR018W	U S Corporate Procurement Internships hosted by U S corporations	16	11	80 00	10 Jul 95	21 Jul 95	Various U S cities	1 280
PR019W	U S Corporate Procurement Internships Chicago Debriefing	16	11	7 00	24 Jul 95	24 Jul 95	Chicago U S A	112
PR002S	National Minority Supplier Development Council Minority Business Program Manag	16	11	16 00	25 Jul 95	26 Jul 95	Chicago U S A	256
PR021P	Proactive Procurement Partnerships for Profits AIC Conference Oct 95	24		1 00	10 Oct 95	10 Oct 95	Johannesburg	24
Totals		1 437	518	277 00				Person contact days 1 056

Number of events 47

50

Section V: Franchising and licensing

A Project design franchising and licensing (F&L)

Following an internal review of BICSN interventions in 1993, the team suggested a reorganization and reorientation of project activities, including a sharper focus to F&L. Changes were proposed to reduce the high transaction costs required by the franchising method known as International Master Franchise Agreements (IMFAs) and to reduce entry-level costs generally for black entrepreneurs. At the same time, the team reaffirmed its commitment to F&L as a successful and proven business format, capable of generating a high technical assistance “multiplier.” The new emphasis on developing franchise systems appropriate to South Africa is reflected in the mission statement and objectives below.

A1 Franchising and licensing mission and objectives

The mission of the new Franchising and Licensing component of the BICSN project was to promote the development and competitiveness of black mainstream enterprises (BEs) through franchising and licensing. The objectives of this component were to

- Develop BEs as mainstream franchisers through (1) systems development or the “engineering” of new franchise concepts and operations, (2) the “conversion” of existing black businesses into franchise operations, and (3) the acquisition and support of International Master Franchise Agreements (IMFAs)
- Identify and promote licensing agreements for products, processes, and technologies that offer a competitive advantage to BEs
- Assist black consulting and legal firms in developing expertise in franchising
- Support programs and activities to promote entry of BEs as franchisees

A2 Franchising and licensing strategies

BICSN strategies sought to leverage technical assistance by introducing a variety of different F&L systems appropriate to South Africa. Systems would have the potential to reach a large number of black entrepreneurs through both employment and equity opportunities. Whereas the IMFA mechanism had been the focus of early BICSN efforts, IMFA was perceived to be only one among many other possible models.

In consequence, BICSN developed additional strategies to create franchise opportunities for aspiring entrepreneurs. Instead of looking exclusively to the international franchise community, one of BICSN’s strategies involved converting

existing South African businesses into franchise operations. This proved to be an attractive option for black businesses as well as for white South African companies seeking new markets through a network of black franchisees.

Another strategy involved assisting black franchisees to get into franchise operations where they had previously been excluded by developing relationships and affirmative action programs with the help and participation of U.S. and South African franchisers, trade organizations, and licensors. A final strategy entailed helping entrepreneurs to create local franchising concepts from scratch. The latter tended to be relatively low-cost, and allowed black entrepreneurs to get into business with minimal funding, using local skills and talent.

B Effectiveness of F&L inputs

B1 Human resources

In mid-1993 Sibley International, subcontractor to Chemonics, dispatched a short-term franchise executive, Michael Amies, to Johannesburg to drive the F&L component of the logical framework. In August of the same year, Robert Pirtle of Sibley was assigned to BICSN for three months to work on the second International Franchising Conference. This assignment was extended on a month-to-month basis until May 1994, when he was appointed vice president of Franchising and Licensing, a two-year assignment.

For the first time since the inception of the project, F&L had a long-term team member in place who had a broad understanding of the subject. Full implementation of this component could now be accomplished. Our interviews revealed that the objectives and targets in the logframe were now becoming a reality. With new leadership, a consistent flow of requests from Previously Disadvantaged Groups (PDGs) began to get personal attention.

Pirtle took charge of clients who earlier had some input from BICSN but whose projects for various reasons had not been carried through to completion. He added the missing ingredient--expertise in franchising--and was available on a full-time basis to service franchising clients. Seminars of every nature began, franchising companies were built, franchises were sold, and BICSN became a driving force in the franchising community.

B2 Technical Assistance Fund (TAF)

Records indicate a marked increase in TAF use following BICSN's restructuring. Beginning in 1993, applicants for franchising services that were already in the pipeline were processed for technical assistance. New clients also began to enter the system and were processed to receive TAF assistance for such services as accounting systems, business plans, franchise agreements, feasibility studies, marketing strategy, and financial management.

As with all TAF activities under BICSN, a 50-percent participation by the client was required as an indication of serious business intent. Based on an analysis of the record as well as on client interviews, the evaluation team finds that use of the TAF was in proportion to managed need, and that TAF funds consigned to franchising were used appropriately to meet the objectives of the project. The F&L division awarded and managed a total of 27 TAF contracts, as shown in Table V 1, below

Table V 1 TAF contracts in the Franchising division

Consultant	Client	Scope of Work	TAF Contract Start Date	TAF Contract End Date	Total Contract Value In Rand	TAF Contract Value In USD
C FRANCHISING						
1. Meidt van der Spuy Productions	BICSN	Videotape IFA conference	08-Dec-92	30-Jan-93	30 000	10 807
2. Zinzi Kulu Prod	BICSN	Anchor person for video of IFA conference	08-Dec-92	30-Jan-93	4 000	1 441
3. Deloitte & Touche	Magomola	Negotiation position—for licencing & distribution of Pro-Line hair products of t	10-Feb-93	15-Feb-93	1 485	467
4. NSA Management	Auto Pro/Bashe Consortium	King Bear international master licence evaluation	30-Mar-93	14-Apr-93	34 000	10 685
5. 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
6. K Pather & Co	Alex Hair International	Accounting/administration systems for a hair salon franchise	01 Jul-93	31 Dec-93	46 800	14 708
7. Madhlola/Samuels Attorneys	Mohlaka/Letlape Partnership	Contract Review for an international master franchise with Professional Carp	05-Jul-93	09-Jul-93	5 000	1 571
8. N Singh Pather	Alex Hair International	Develop accounting procedures for a franchise conversion	28-Oct-93	10-Dec-93	15 000	4 714
9. Madhlola/Samuels Attorneys	Alex Hair International	Develop franchise agreement	01 Nov-93	10-Jan-94	17 500	5 500
10. Thomas Daneti & Associates	Alex Hair International	Develop marketing strategy and tools	01 Nov-93	30-Jan-94	35 000	10 999
11. K Pather & Co	Alex Hair International	Financial management services	01 Jan-94	30-Jun-94	41 340	11 924
12. Advista Advertising & Marketing cc	Zachs Exhaust & Tyre	Develop corporate identification image and manual and a franchise recruitme	01 Mar-94	30-Apr-94	29 057	8 381
13. Madhlola Attorneys	Watcor Marketing cc	Develop a national franchise agreement	03-Mar-94	17 Mar-94	8 750	2 524
14. Advista Advertising & Marketing cc	Watcor Marketing cc	Develop corporate identification image and manual and a franchise recruitme	25-Mar-94	24-Apr-94	3 900	1 125
15. Siphso Dhladhla & Associates	Zach's Exhaust & Tyre	Conduct financial accounting and admin evaluation propose & implement in	29-Mar-94	31 Jul-94	64 000	18 460
16. Madhlola Attorneys	Chicken Delight	Develop franchising agreement registration certificates contracts and greve	01 Apr-94	08-Nov-94	7 472	2 155
17. Madhlola Attorneys	Zach's Exhaust & Tyre	Develop a national franchise agreement	11 Jun-94	30-Jul-94	20 000	5 789
18. David Savy	Madhlola Attorneys	Develop marketing presentation materials and provide training	17 Jun-94	17 Jul-94	1 260	363
19. David Savy	Alex Hair International	Develop marketing presentation materials and provide training	17 Jun-94	17 Jul-94	1 260	363
20. David Savy	Zachs Exhaust & Tyre	Develop marketing presentation materials and provide training	17 Jun-94	17 Jul-94	1 260	363
21. David Savy	Watcor Marketing cc	Develop marketing presentation materials and provide training	17-Jun-94	17-Jul-94	1 260	363
22. David Savy	PCS Letlape Brothers	Develop marketing presentation materials and provide training	17 Jun-94	17 Jul-94	1 260	363
23. Huguette Peters	BICSN	Assist in writing franchise manuals for Kenny's Brick & Tile and Zach's Exha	01 Jul-94	31 Aug-94	4 000	1 154
24. Madhlola Attorneys	The Kitchen Center	Develop distributorship and sub-distributorship agreements	01 Aug-94	09-Dec-94	7 000	2 019
25. David Savy	BICSN	Third International Franchising Conference Computerized guest lists name	01-Sep-94	02 Nov-94	8 820	2 544
26. Summit Conferences	BICSN	Organize Third International Franchising Conference	07-Oct-94	03-Nov-94	17 255	4 977
27. Siphso Dhladhla	Chiplies	Development of a franchise accounting system	15-Feb-95	15-Jun-95	22 800	6 333
Total Franchising					458 207	139 101

B3 Franchised business activity

We discuss activities in each of the franchise categories identified by BICSN as appropriate for the black South African entrepreneur. We also provide a list of franchise operations created in each category through the direct intervention of the BICSN team, and narrate some of BICSN's "success stories"

Conversion of existing businesses into franchised companies This mode of franchising involves creating franchised companies from existing South African businesses, a very time-consuming and labor-intensive process. The reader need only imagine the magnitude of dealing with a great diversity of business concepts and disciplines. Additionally, each concept must be divided into sub-categories of service, which must then be organized to deliver to franchisees. The delineation of business formats into franchise structures requires careful attention to detail and in-depth knowledge of franchising principles.

BICSN made considerable progress in this area, helping to develop all the franchising systems for the first two black franchising companies in South Africa Alex Hair International and Zach's Tyre and Exhaust Below are selected descriptions of clients who have chosen the franchising method of distribution, as well as a complete list of franchised companies BICSN helped to create

Creation of Franchised Companies

- Alex Hair International
- The Computer School
- The Kitchen Centre
- Zach's Exhaust & Tyre
- Equal Access
- Phone Spaza
- Lapa Foods (Clover SA)
- Kolosus

Alex Hair After working with this company a under Corporate Procurement TAF contract, BICSN determined that it represented an ideal franchising opportunity BICSN's F&L Division then worked with Alex Hair to create a franchise operation After a full examination of Alex Hair's franchising manuals, one gives BICSN an unqualified "A" on the finished product We note

that a successful franchise was created for a company that originally had few elements of sound business structure or procedures normally expected of an existing enterprise

The Kitchen Centre expressed satisfaction with the BICSN alliance, stating that while they were unable to franchise the concept because of its nature, BICSN helped give direction to establish a distributorship (license) Currently The Kitchen Centre is negotiating for the manufacture and distribution of Danish kitchen products in South Africa, and its owner has received corporate sponsorship to study business management at Wharton Business School

Phone Spaza franchises telephone service and retail food outlets to black franchisees in the townships They have also sold an international Master Franchise Agreement to a USAID-funded project in Swaziland (Swazi Business Growth Trust) The company is grateful to BICSN for resolving their dilemma on how to expand with only company-owned units, stating that franchising is ideal for their concept They are also finding that BICSN has a good reputation in the black townships, with a 60 percent approval rating in areas where they have chosen to franchise

LAPA Foods (Clover SA) is a franchised business placed in the townships under the ownership of black franchisees These shops retail nutritious dairy and staple food products, featuring clean, attractive units, sparkling personnel, and low prices BICSN was recommended to Clover SA by FASA Clover initially approached BICSN with caution thinking they were just another "funding" organization, but found that their expertise in franchising was real and sincere They received professional advise and quality inputs from BICSN's F&L vice president

Interviews were conducted with representatives of these companies, who were quick to give BICSN credit for its professionalism and technical assistance procedures The only exception would be Equal Access, an executive and management recruiting company that required assistance in preparing an operations manual The company found assistance to be costly and inadequate That aside, the franchiser stated that BICSN's services were helpful in getting him started, and that it was unfortunate that BICSN was closing down

International Master Franchise Agreements

- Coverall
- Domino s
- Fast Frames
- Futurekids
- Maxi Movies
- Nike
- Old Chang Kee
- Phone Spaza
- Professional Carpet Systems
- Steamatic
- Subway

International master franchise agreements (IMFA)

Through its presence in international franchising, Sibley International, Inc was able to bring several American franchising companies to the BICSN table for negotiations with interested parties in South Africa. The International Franchise Association (IFA) was also successful in the same manner. The list of companies in the sidebar

includes some major franchisers as well as smaller companies

There were several constraints affecting IMFA activity, some of which were touched on earlier. Many of the bigger names in franchising choose to do their own negotiating in the international arena and come up with their own candidates for an IMFA. In addition, while BICSN's F&L component originally targeted IMFA-style operations, it became clear to the team that the typical BICSN client lacked the managerial and financial wherewithal to become a master franchise holder. For this reason, following the 1992 IFA conference, the project determined that other forms of franchising were necessary to maximize opportunities for the black entrepreneur.

The evaluation team looks at the above list of IMFA transactions as adequate for the project time frame. We are more interested in the outcome of these businesses in the market five years hence, than in the quantity of transactions in this category.

Local SA Franchise Opportunities

- Africa Hut Restaurant
- Battery Center
- Black Steer
- British Petroleum
- Cape Africa
- Chicken Licken
- Decadent Donut
- Fasfit
- Glowgetters
- Jetline Print
- Kwik Kopy Printing
- Madame et Monsieur
- Milky Lane
- Mr Rooster
- Nando's
- Pam Zimmerman
- PostNet
- Shoe Save
- Spurs Steak Ranch
- Steers
- Sweets From Heaven
- The Drain Surgeon
- Worldwide Refinishing

Local South African franchise opportunities

BICSN was successful in helping to secure an impressive list of black franchisees in many areas of franchising where they had previously been excluded. However, although the project exceeded its targets, we feel that the number of new franchisees brought to the table is insufficient compared to the magnitude of the need. Our experience corroborated the financial constraints identified in Chemomics' 1991 *Proposal To Provide Technical Assistance To BICSN*, and many other studies and reports. In too many instances, potential franchisees failed in their attempts to enter the mainstream economy because of their inability to borrow.

Nevertheless, it is precisely at the level of the franchisee that franchising can make its most important contribution to black empowerment, and a critical mass of white participation (from franchisers and bankers) can make a real difference.

Over time, we believe that pressure on lending institutions and franchisers will increase, under downward political pressure and the upward thrust of black ambition. Interviews with members of the banking community, for example, revealed that they were beginning to offer some financing in this area. However, ventures with PDGs are few in number. Some risks will have to be taken to prove, in numbers, that the formal sector is committed along with the rest of the country. New franchisees feed the franchising concept. Without franchisees there is no franchising!

Creating distribution systems in nontraditional markets This category is most indicative of BICSN's resilience and ingenuity in identifying small business opportunities in the black community. BICSN took steps to create new franchising concepts from scratch, concepts that are low-cost and capture local skills and know-how. This area of franchising continues to be one of the most dynamic and accessible options for would-be entrepreneurs.

Distribution Systems in Nontraditional Markets

- *Chicken Delight*
- *Chippies*
- *DIY Homebuilders*
- *Edutak*
- *Environmental Biotech*
- *Flamingo Dry Cleaning*
- *Jolly Joe Ginger Twist*
- *KBG Security*
- *Kenny's Brick 'n Tile*
- *King Bear*
- *Maluka Sewing School*
- *Mbonde Solar*
- *Premier Milling*
- *Roboclean*
- *Toby's Fast Food*
- *Wishbone Grilled Chicken*

Kenny's Brick 'n Tile began as an inquiry about how to franchise an auto accessories product, but the concept was eventually abandoned because of the taxi discord. This entrepreneur, Kenny Siphayi, later became the first black franchisee for the nation's largest brick manufacturer, Corobrick (Pty) Ltd and the first independent outlet to distribute bricks in Soweto. In addition, this entrepreneur has made many innovative contributions to improve marketing of retail brick and tile products. BICSN has worked

extensively with Mr Siphayi throughout his efforts to create what is now a highly successful retail franchise operation.

Cash For Schools was founded to teach black school children how to raise money for school social events. The concept has introduced fundraising schemes while concurrently transmitting entrepreneurial skills to young black South Africans. At the time of this writing, there is a pending agreement with Coca Cola that would formally initiate Cash For Schools on a nationwide basis.

Coke is also contemplating the creation of a franchise company to bring "tuck shops" (snack shops) to more than 20,000 black schools in South Africa. Other suppliers would join Coke in this new franchise enterprise, forming a network of major wholesale suppliers and delivery systems that have been customized for this concept. The potential number of new franchisees (i.e., tuck shop owners and operators) is astronomical. In fact, the size of the new franchising company as contemplated would generate nearly double the number of franchised outlets operated by McDonalds. The real importance of the project, however, lies in the economic empowerment that would occur for disadvantaged educational institutions and communities.

Another concept supported by BICSN is called *Edutak*, which focuses on black pre-school children. Referred to BICSN by the Council for Scientific and Industrial Research (CSIR), this program involves training systems and programs for pre-school teachers. It is very franchisable for South Africa and will have a major impact on the quality of education provided to black children.

B4 Conferences, seminars, and workshops

It is in this area of operations that we feel BICSN excelled. Of the many conferences, seminars, and workshops sponsored by the project, probably the most important was the 1992 International Franchise Conference, the first ever to be held in Africa. The conference was attended by more than 200 individuals and representatives of 133 businesses. It was so successful that it became an annual occurrence and a keystone event for the project. By the third conference, attendance had risen to nearly 500, with more than 200 companies represented.

TABLE V 2 Franchising and Licensing conferences seminars presentations workshops and meetings

Code	Title	Total participants	Total companies	Duration in hours	Date		City	Tot Person contact hours
					From	To		
FR00AW	Forming Venture Partnerships to Purchase Franchise Master Licen	61		4 00	23 Jan 93	23 Jan 93	Johannesburg	244
FR001C	International Franchise Oportunities	225	133	18 00	09 Dec-92	10 Dec 92	Johannesburg	3 600
FR001W	Franchising as a Business Format	14	3	4 00	29 Jun 93	29 Jun 93	Kempton Park	56
FR002W	Franchising as a Business Format	29	1	5 00	09-Jul-93	09-Jul-93	Thohoyandou	145
FR003W	Franchising as a Business Format	7	2	3 00	11 Aug 93	11 Aug 93	Bloemfontein	21
FR004W	Franchising as a Business Format	23	5	6 00	01 Sep 93	01 Sep 93	Port Elizabeth	138
FR005W	Franchising as a Business Format	23	4	6 00	02 Sep 93	02 Sep 93	Umtata	138
FR006W	Franchising as a Business Format	14	13	6 00	03 Sep 93	03 Sep 93	Durban	84
FR007W	Franchising as a Business Format	7	6	3 00	09 Sep 93	09-Sep 93	Gugulethu Cape Town	21
FR008W	International Master Franchise Agreements	23	16	2 00	08 Nov 93	08 Nov 93	Johannesburg	46
FR002C	International Franchise Opportunities	190	104	18 00	09 Nov 93	10 Nov 93	Johannesburg	3 040
FR009W	Financing Franchise Operations/Furniture Medic Demonstrations	10	4	5 00	17 Dec 93	17 Dec 93	Johannesburg	50
FR010W	Promoting U S Franchisors Entry into SA Phase 1	9	8	3 00	28 Jan 94	28-Jan 94	Johannesburg	27
FR011W	Promoting U S Franchisors Entry into SA Phase 2	7	6	3 00	03 Mar 94	03 Mar 94	Johannesburg	21
FR012W	Venda Franchising Workshop	8	0	4 00	07 Apr 94	07 Apr 94	Venda	32
FR013W	Giyane Franchise Workshop	3		4 00	08 Apr 94	08 Apr 94	Giyane	12
FR014W	Witbank Franchising Workshop	71	23	6 00	14 Apr 94	14-Apr 94	Witbank	426
FR015W	Pilansberg Franchise Workshop	29	6	4 00	20 Apr 94	20 Apr 94	Pilansburg	116
FR016W	Rustenburg Franchise Workshop	48	35	5 00	18 May 94	18 May 94	Rustenburg	240
FR017W	Port Elizabeth Franchise Workshop	14	0	5 50	18 May 94	18 May 94	Port Elizabeth	77
FR018W	Swaziland Franchise Workshop	67	9	2 50	23-May 94	23 May 94	Swaziland	168
FR019W	Bloemfontein Franchise Workshop	23	18	4 00	02 Jun 94	02 Jun 94	Bloemfontein	92
FR020W	Welkom Franchise Workshop	29	6	4 00	03 Jun 94	03 Jun 94	Welkom	116
FR021W	Johannesburg Franchise Workshop	24	0	8 00	04 Jun 94	04 Jun 94	Johannesburg	192
FR022W	Swaziland Franchise Workshop (2nd)	44	22	8 00	10 Jun 94	11 Jun 94	Swaziland	352
FR023W	Mmabatho Franchise Conference	44	0	5 00	17 Jun 94	17 Jun 94	Mmabatho	220
FR024W	Franchising Workshop	86	27	7 00	14 Jul 94	14-Jul 94	Swaziland	602
FR025W	Watcor Workshop	11	0	6 00	27 Aug 94	27 Aug 94	Johannesburg	66
FR001F	Franchise Forum	8	7	2 00	09 Aug 94	09 Aug 94	Johannesburg	16
FR002F	2nd Franchise Forum	11	11	2 00	29 Nov 94	29 Nov 94	Johannesburg	22
FR028W	Futura Workshop	8	1	3 00	21 Sep-94	21 Sep 94	Johannesburg	24
FR003C	3rd International Franchise Conference	488	213	16 00	01 Nov 94	02 Nov 94	Johannesburg	7 808
FR003F	3rd Franchise Forum	35	28	3 00	13 Dec 94	13 Dec 94	Johannesburg	105
FR004F	4th Franchise Forum	8	7	2 00	10 Jan 95	10 Jan 95	Johannesburg	16
FR005F	5th Franchise Forum	27	22	3 00	14-Mar 95	14 Mar 95	Johannesburg	81
FR006F	6th Franchise Forum	22	18	3 00	11 Apr 95	11 Apr 95	Johannesburg	66
Totals		1 750	758	189 00				2 310

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Number of events 36

Beginning with the second annual conference, BICSN was able to leverage non-project moneys from corporate sponsors and franchisers to cover out-of-pocket costs, including the rental of conference facilities at a major Johannesburg hotel. This strategy proved to be effective in attracting widespread interest among mainstream

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businesses in South Africa as well as internationally, thereby maximizing contacts between this community and black entrepreneurs. The conferences also attracted considerable media coverage and raised the profile of BICSN's franchising activities generally.

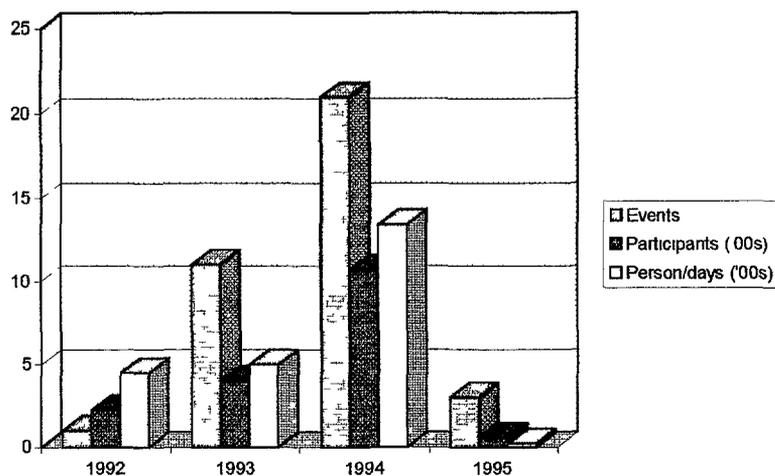
The first International Franchise Conference was held prior to BICSN's reorganization. But it was only after mid-1993, with the hiring of a full-time franchising professional, that BICSN's franchising education program began in earnest. Records indicate that 36 events were held in a 27-month period, or roughly one and a half events per month in every commercial center in South Africa, as shown in Table V 2. The distribution of these events over the years is shown Table V 3 and Figure V 1. The year of 1994 was the peak year, the data for 1995 cover only until the end of May, when the franchising component of BICSN was closed.

Table V 3 F&L training by year

	1992	1993	1994	1995	Totals
Events	1	11	21	3	36
Participants	225	401	1067	57	1 750
Person/days	450	498	1 342	20	2 310

Educational and informational events of this kind are the life blood of franchising. Those who attend franchising seminars are empowered to take the next step by formulating a concept and contacting professionals with expertise in franchising to work through their plans.

Figure V 1 F&L training, by year



Because of the high profile BICSN achieved in F&L, BICSN staff were in demand for speaking engagements, meetings, and seminars organized by other entities. In addition to BICSN's own schedule of events, the Vice President for F&L was invited to speak at presentations sponsored by the following organizations:

NAFCOC	National African Federated Chamber of Commerce
SACOB-ABSA	SA Chamber of Commerce and Amalgamated Banks of SA
RAPPORT-ABSA	Major Afrikaans newspaper group and Amalgamated Banks of SA
FASA	Franchise Association of Southern Africa
IESC/SA	International Executive Service Corps of SA
SBS	Strategic Business Services
STANDARD BANK	Joint training series with Standard Bank
SWAZILAND	Joint effort with Swazi Business Growth Trust

Also important in the realm of franchising education was a BICSN study commissioned by Sibley International and written by Philip F. Zeidman and Andrew P. Loewinger, *A Report on the Legal Environment for Franchising in South Africa*. This report served as an invaluable tool for South African legal and regulatory bodies responsible for developing franchising practices.

We would like to make one final observation, further to BICSN's business education objectives. We would suggest that future projects develop a strong alliance between franchising activities and academia. Academia is generally slow to recognize franchising as a business activity worthy of study, or to develop an adequate curriculum at any grade level. Perhaps the failure of business education programs to do so is part of the reason for the attention BICSN received in bringing franchising concepts to the fore.

B5 Franchise Association of Southern Africa (FASA)

BICSN has had a major impact on FASA, South Africa's white franchise association, which has historically been dominated by conservative business interests. Over the course of the BICSN project, FASA has come to view BICSN as a partner in advancing the concept of franchising and providing services to franchised businesses. FASA has also gradually become aware of the advantages to incorporating black entrepreneurs into the franchise movement.

BICSN, in effect, has benefited FASA and complemented its efforts by spreading the word about the franchising method of distribution, and thus elevating the status and prestige of the association, by introducing new franchising concepts to South Africa, and by introducing potential franchisees to member companies in search of new markets.

BICSN has also fulfilled its responsibility to PDGs by increasing the commitment of a major South African business association to the notion of market entry for black businesses. BICSN did so by becoming not only a FASA member, but an influential member of the board of directors. It has used this influence to bring about concrete policy and organizational changes. As a result of this interaction, FASA has amended its charter and bylaws to be more supportive of black franchise efforts and has implemented an affirmative action program, chaired by former VP Robert Pirtle. In the preparation of this report, the evaluation team attended a seminar cosponsored by FASA and Future Bank, designed to introduce PDGs to the world of franchising.

These efforts are still viewed with caution by many black entrepreneurs. Although recently invited to join FASA, several black entrepreneurs who are former BICSN clients chose instead to form their own franchising organization, the Franchise Institute (see below). FASA initially saw the Franchise Institute as a threat to its own activities, but cooperation and support between the two organizations has increased of late. It is now estimated that within two years' time, the two organizations will merge.

B6 Sustainability

As of June 1995, the franchising and licensing component was thought to be self-sustaining in the private sector. Thus when Robert Pirtle's tour of duty ended, the F&L component of BICSN was closed. For many months, as of this writing, franchising work has been carried on by a variety of private initiatives and advocacy groups.

In the aftermath of BICSN's F&L endeavors, and with continued support from former VP Bob Pirtle on a private basis, several former BICSN franchising clients have joined together to form a black franchising association known as the Franchise Institute (see also above). This organization has proved to be successful in resolving problems on behalf of its members and providing a forum to take advantage of new opportunities.

Months after the closure of BICSN's F&L component, there is concrete evidence that franchising in South Africa has taken on a life of its own--has become truly sustainable. One of the primary indicators of success in the logframe is media coverage. In this respect, BICSN can claim very high marks.

All of the major publications devoted to economic and business issues in Southern Africa have featured articles on franchising as a new growth opportunity, particularly for black entrepreneurs. Former VP Robert Pirtle estimates that since mid-1994 and continuing to the present, BICSN franchising efforts, including his own work, have been featured in an average of two or more newspaper and magazine articles per month. This is in addition to television and radio coverage and countless requests for speaking engagements.

Publications that have featured BICSN include *Enterprise*, *Own Your Own Business*, *SUCCESS*, *Entrepreneur* (in English and Afrikaans), *African Business*, *The Business Owner*, *The Portfolio of Black Business in South Africa*, *The Star*, and every other major newspaper in the country. South African interest in the project is an extraordinary credit to the BICSN staff. Mr. Pirtle attributes media interest to the fact that in the aftermath of apartheid, the press was looking for success stories. The fact remains that BICSN virtually single-handedly introduced the concept of black franchising to South Africa through its IFA conferences and other training activities.

Table V 4 Actual & projected turnover of BICSN franchise clients

Year	Rands (millions)
1992	0.0
1993	1.0
1994	2.4
1995	6.5
1996	8.1
1997	10.8
1998	13.8
1999	17.4
2000	21.6
2001	26.4
2002	32.0

C Project impact

C1 Increased turnover of BICSN franchise clients

Table V 4 provides the actual and estimated turnover figures (gross sales) of BICSN-assisted

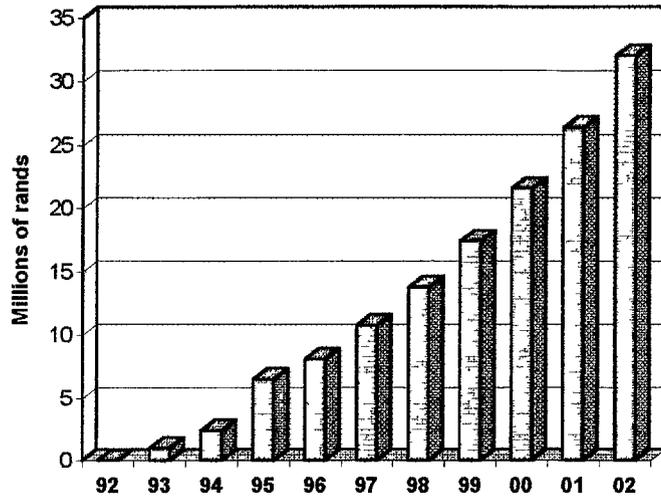
franchise clients Building upon the momentum at the end of the project in 1996, when the turnover was R8 1m, we estimate the cumulative turnover of franchise clients will be R140m by the year 2,002 Figure V 2 displays the projected turnover growth

C2 Conversions of BEs into franchisers

Targets At least four conversions of BEs into franchisers, assisted by the TAF, with an average of six franchisees each (24 new franchisees total)

Results Six new franchise companies were converted from existing businesses, creating a total of 69 new franchisees, which in turn have hired 252 employees BICSN exceeded its targets in this area by 50 and 180 percent respectively

Figure V 2 Actual and projected turnover of BICSN franchise clients, by year



C3 "Engineered" BE franchisers

Target At least two engineered BE franchisers, averaging five franchisees each

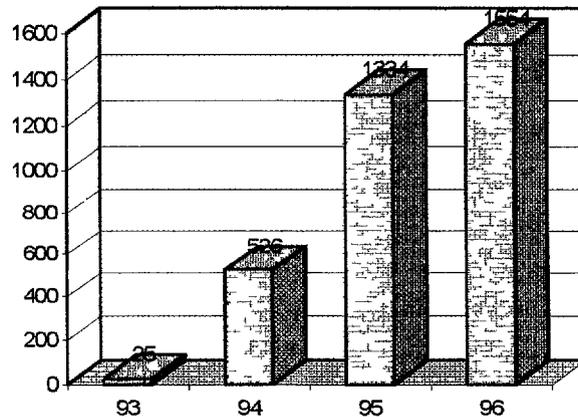
Results Seventeen companies and black entrepreneurs were helped to expand their distribution systems into nontraditional markets, or 850 percent of target

C4 International master franchise licensees

Target At least six BEs as international master franchise licensees, averaging four franchisees each (24 total)

Results Twelve new IMFAs were negotiated with BICSN assistance Unfortunately three were terminated for economic reasons The total number of surviving IMFAs exceeds BICSN's end-of-project targets by 50 percent New IMFA entrepreneurs have sold franchises to 103 additional entrepreneurs (429)

Figure V 3 Jobs created through F&L clients



percent of the target) New franchises have resulted in creating an estimated 1,554 new jobs by 1996, as shown in Figure V 3

C5 Licensees of competitive products, services, or processes

Target At least two BEs as licensees of a competitive product, service, or process

Results F&L work done with *Kenny's Brick 'n Tile*, *The Kitchen Centre*, and *Nike* satisfy these targets

C6 Skills-based workshops

Target At least 10 skills-based workshops delivered to black franchisers, franchisees, or licensees

Results During the BICSN franchise program, 36 presentations and skills-based workshops were held for black franchisers and franchisees, 280 percent over the target As a result of these workshops, as well as TAF assistance, 67 aspiring black entrepreneurs were helped in their efforts to become franchisees of South African franchise companies, and an estimated 1,554 new jobs were created

C7 Black consulting firms

Target At least four black consulting firms with expertise in one or more areas of franchising (i e , conversions, engineering, financial and/or legal structuring)

Results The project worked repeatedly with *Madhlopa Attorneys*, *Ebony Management*, *Sipho Dhladhla Financial Services*, and *Pather* We find that this target was met by the project

C8 Manuals, plans, agreements

Target At least three sets of sample manuals, plans, agreements, and documents for three different BICSN-assisted franchisers, for use as "models" for future franchise engineering or conversion

Results The franchise systems designed for *Alex Hair International*, *Zach's Exhaust & Tyre*, and *Phone Spaza* amply satisfied these ambitious targets As mentioned before, the creation of a franchise concept is a complex process The fact that BICSN was able to carry out three of these within a short time span is remarkable

Section VI: Growth, mergers, and acquisitions

A Project design Growth, mergers, and acquisitions (GM&A)

A1 GM&A mission and objectives

The mission of BICSN's Growth, Mergers & Acquisitions (GM&A) component was to promote the development and competitiveness of black entrepreneurs and enterprises (BEs) as mainstream enterprises through equity ownership and joint ventures. The project was also designed to improve access of BEs to commercial bank credit by drawing on appropriate American models. This was an ambitious mandate given the environment of South Africa at the time. The risk was judged to be acceptable, given the goal of equitable black participation in South Africa's economy.

Through the efficient use of the Technical Assistance Fund (TAF) and other means of implementation, BICSN expected to meet these objectives:

- To develop "bankable" business plans, that is, to write and present plans that would be accepted and funded by the formal banking sector
- To foster the competitiveness of BEs through linkages with established South African enterprises by promoting superior products and processes and raising management skills
- To help outstanding BEs with the requisite management and technical skills to acquire companies
- To educate and use high-potential black consulting firms in the structuring of acquisitions and financial presentations
- To address in a creative way the bias of conservative, formal sectors against BEs by supporting loan guarantee schemes, cash-flow-based lending and secured asset borrowing by BICSN's clients
- To work with the more progressive bankers to overcome the application of conservative criteria to newly emerging BEs

A2 GM&A strategy

GM&A was to be private-sector-driven. Perhaps even more than BICSN's other two components, it addressed its interventions at high-potential black enterprises whose corporate profile was in line with expectations in the formal financial sector.

BICSN was designed to use collective national and international experience to expand opportunities for black business beyond the confines of traditional black business undertakings--construction, social and personal services, and wholesale and retail operations, especially small retail operations--into every segment of the mainstream economy. Objectives would be achieved by applying a two-pronged strategy: on the one hand, helping black enterprises to package loan applications to assure that they received due consideration from financial institutions, and on the other hand, forming working relationships with South African banks to reach out to BEs, using lending approaches developed for disadvantaged businesses in the United States.

Other networking strategies to support this effort included developing working relationships with mainstream corporations that were willing to participate in joint ventures, developing linkages with various organizations and other donor-funded programs to upgrade managerial and technical skills, and using black consulting and legal firms for TAF assistance, teaming them up with mainstream firms as necessary.

B Effectiveness of GM&A inputs

Throughout BICSN's existence, South Africa has been in the midst of a tremendous transition. The transfer of political power to the majority was the first step towards equity, but true parity will only come about when economic assets are transferred to the historically disadvantaged population. While most South Africans realize this fact, there is substantial gap between theory and execution.

The BICSN project was designed to close the gap in very particular ways. It addressed itself to the "lending requirements gap" whereby black businesses have insufficient knowledge of the requirements of formal financial institutions and programs, a similar kind of knowledge gap with respect to technical, legal, financial, and tax structuring requirements for joint ventures, tenders, and acquisitions, and, on the part of the financial establishment, a "risk management knowledge gap" concerning black business lending in general.

The evaluation team finds that generally speaking, the contractor's inputs in GM&A were well thought out. They were also effective in addressing the needs of selected BEs, and in closing certain experiential gaps. The flaw, if indeed there was one, was not in the means of intervention. Rather, the difficulty was in the very nature of venture capital investment. The latter requires a long-term commitment of risk capital, the acceptance of the formal banking sector, and a fairly large pool, or critical mass, of managerially expert business entrepreneurs. These conditions are not yet present in South Africa.

BICSN attempted to confront these realities through training, technical assistance, and funding for specialized business services. What the program ultimately lacked was long-term risk equity. The irony is that risk capital is not comfortable investing in unstable environments, and South Africa is likely to remain unstable until risk capital assists in transferring assets to the majority population. This issue is discussed further under subsection B4 below.

B1 Human resources

GM&A suffered more than the other two components from a lack of human resources dedicated solely to that component. After 1993 and the reorganization of BICSN, the new chief of party, Fernando Bertoli, was assigned to work part-time on GM&A in addition to his many other duties. In January 1994 a vice president for Growth, Mergers & Acquisitions joined the BICSN team, yet he remained with the project only one year and appears not to have contributed substantially to the deal flow of quality transactions. After the VP resigned, GM&A responsibilities reverted to the chief of party on a part-time basis. Nor were there any junior staff with corporate finance experience dedicated to GM&A.

Analysis GM&A work is labor intensive. The number of tasks is onerous: generating deal flow, performing due diligence, computer modeling, and sensitivity analysis, negotiating and closing transactions. Moreover, these tasks must be carried out more-or-less simultaneously for all deals in the pipeline. GM&A is also a discipline with a low success ratio, requiring a large pool of potential transactions to close a single deal. A normal success rate, in fact, ranges from 1/100 to 1/200. If the Naledi Oil transaction closes, BICSN will have achieved a 2 in 21 success rate. This is a credit to the talent and dedication of BICSN executives.

Nevertheless, the evaluation team finds that the lack of fully dedicated human resources for most of BICSN's project life represented a serious constraint for GM&A. Even with the use of TAF to supplement long-term expertise, the team estimates that BICSN would have required at least three full-time staff members to generate sufficient deal flows to achieve project objectives. Interestingly, this estimate is in line with BICSN's own plans: the work plan of January 1994 provides for a full-time vice president for GM&A, one general manager in corporate finance, and a half-time business development manager.

With hindsight, one can see that in the absence of full-time staff, it might have been productive to train a core group of intermediaries, such as local accounting and law firms, to act as a screen for acceptable transactions. This strategy might have generated a larger number of transactions, although it probably would not have alleviated resource constraints for many other steps in the GM&A process.

B2 The Technical Assistance Fund (TAF)

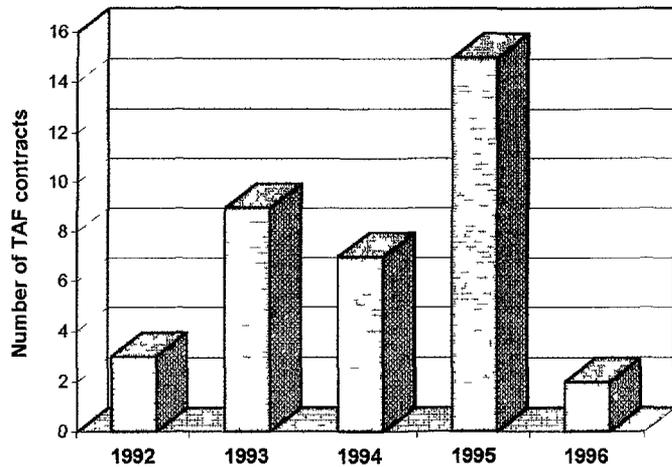
Given its staff complement, GM&A did remarkably well to service 19 clients under the TAF, producing 36 separate, direct interventions (see *Exhibit VI.1 TAF contracts in the Growth, Mergers and Acquisitions division*, at the end of this section). Interventions tended to fall into two categories: either helping client businesses meet the requirements of lending institutions through the preparation of business plans and strategies, or helping black entrepreneurs with the mechanics of the acquisitions process. The breakdown of interventions is as follows:

- 13 business plans
- 4 market/industry studies

- 10 feasibility studies
- 3 acquisitions proposals
- 6 strategic plans

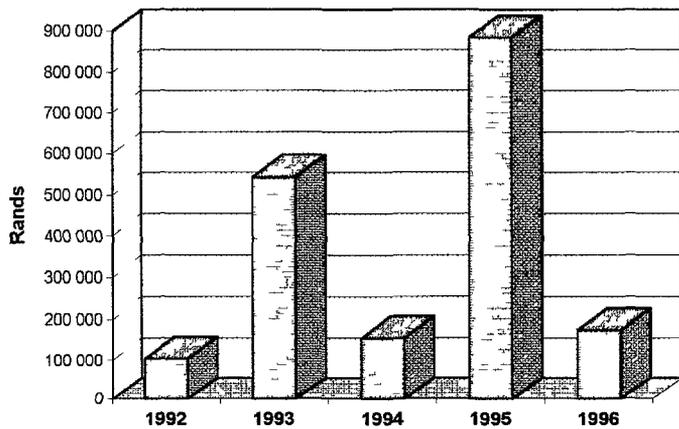
Of greater significance than the actual number of interventions is the profile of black businesses that received TAF assistance. While a few businesses matched the traditional profile of small retail or service operations, BICSN's GM&A division broke new ground in assisting blacks who were aspiring to enter into many nontraditional areas: insurance, publishing, advertising, radio and television broadcasting, chemical manufacture, the automotive industry, and the oil industry. The expansion into new business territory represents one of GM&A's major contributions to the development of black enterprise and the creation of new wealth.

Figure VI 1 GM&A TAF contracts, by year



There also is ample evidence that despite constraints, BICSN assistance under GM&A was gathering momentum. Figure VI 1 shows that there were only 3 interventions in 1992, 9 interventions in 1993, 7 interventions in 1994, and 17 interventions in 1995 and early 1996, when the project was closing. If these figures are interpreted correctly, the marketplace was beginning to react well to BICSN, and momentum--so important to deal flow--was at last being achieved. Likewise, Figure VI 2 shows that the value of direct TAF interventions in the GM&A area was R1,057.5m for the period of 1995 and early 1996, compared with a total of R799,088 for the prior three years, 1992-1994. In spite of the very limited human resources assigned to GM&A, as discussed earlier, the number of interventions, the amounts disbursed, and the potential quality of the transactions has improved over time. Certainly, with projects such as Naledi Oil currently in BICSN books, and the quality of these interventions, the possibility of making further substantial contributions to BE empowerment appears within reach. If the Naledi transaction closes, BICSN will have achieved a remarkable success rate: 2 successes out of 36 interventions versus a usual 1 in 100 ratio in equity transactions.

Figure VI 2 Value of GM&A TAF contracts by year



A final observation concerning the TAF has to do with BICSN's requirement for cost-sharing. Beginning with the re-structuring of the project in September 1993, the TAF guidelines required the G&M client to make a co-payment of 30 to 50 percent to the TAF service provider. The percentage of the contribution depended on transaction size and strategic sectoral importance. The co-payment schedule for acquisitions was a sliding schedule that required the client to pay 20 percent of the first R100,000, 10 percent of the costs between R100,000 and R300,000, and 5 percent of all amounts over R300,000.

In actuality, client contributions for TAF assistance were below these guidelines as BICSN carried the costs of the African Life transaction. Nevertheless, the evaluation team finds that cost sharing was effective, first, in screening the client base to determine which clients were serious enough about their projects to accept part of the risk, and second, in stretching the available moneys of the TAF. This implementation strategy was also in keeping with BICSN's overall commercial orientation, with new trends in the design and implementation of foreign assistance, and with the concept of reducing a "dependency syndrome."

B3 GM&A seminars and workshops

BICSN used conferences, seminars, and workshops to provide management and industry-specific technical skills to high potential black enterprises. In all there were 12 GM&A workshops servicing 188 participants from 72 companies, as shown in Table VI 1.

Table VI 1 Growth Mergers & Acquisitions conferences, seminars, presentations, workshops and meetings

Code	Title	Total participants	Total companies	Duration in hours	Date		City	Total Person contact hours
					From	To		
GMA001P	What U.S. and other Foreign Investors think about South Africa	52		3.00	Feb-93	Feb-93	Johannesburg	156
GMA002P	Opportunities for Black Managers in Equity Capital Fund Investments	16		3.00	Aug-93	Aug-93	Johannesburg	48
GMA003P	Proposed BICSN Equity Capital Fund	13		3.00	Aug-93	Aug-93	Johannesburg	39
GMA001W	Presenting Your Business Opportunities to Foreign Business Partners	12	9	2.75	18-Feb-94	18-Feb-94	Johannesburg	33
GMA002W	Presenting Your Business Opportunities to Foreign Business Partners	18	18	2.00	22-Feb-94	22-Feb-94	Durban	36
GMA003W	Afgen Strategic Planning Workshop	8	1	7.00	15-Apr-94	15-Apr-94	Johannesburg	56
GMA004W	Petite Upholsterers Strategic Management Planning Workshop	6	1	20.00	17-Jun-94	19-Jun-94	Fouriesburg	120
GMA005W	Linking With Foreign Investors	12	11	8.00	23-Jun-94	23-Jun-94	Johannesburg	96
GMA006W	Petite Upholsterers Strategic Management Planning Workshop	6	1	9.00	25-Jun-94	25-Jun-94	Johannesburg	54
GMA004P	Lucas 28RA Automotive Relay Manufacturing Venture	21	20	2.00	29-Nov-94	29-Nov-94	Cape Town	42
GMA007W	Mergers and Acquisitions Seminar	12	10	21.00	29-Jun-95	02-Jul-95	Johannesburg	252
GMA005P	The Egoli Fund Presentation to ABSA	12	1	2.00	24-Oct-95	24-Oct-94	Johannesburg	24
Totals		188	72	82.75				120

Workshops covered the following subjects: doing business with foreign investors, company presentations demonstrating investment opportunities in black businesses to bring together black investors and BEs seeking capital, a seminar in mergers and acquisitions, strategic planning and management workshops, and several seminars on equity capital. Most seminars were held in Johannesburg, although some events took place in Durban, Cape Town, and Fouriesburg.

The Mergers and Acquisitions Seminar is an example of how GM&A used training as a springboard to identify ways to improve transaction success potential. The seminar was attended by a small but high-level group of corporate executives and black entrepreneurs. The learning format involved an intensive three-day program devoted to the fundamentals of mergers and acquisitions, but it also presented case studies in deal-making and engendered a discussion of South African market constraints to deal completion. In association with Deloitte & Touche, BICSN compiled these materials into a manual that serves as a valuable introduction to mergers and acquisitions in South Africa.

B4 Equity fund

The Black Equity Capital Fund in the original project design was to dedicate US\$5 million to take minority equity positions in BICSN clients. This fund never materialized and was judged to be a desirable but premature intervention.

One of the lessons learned through BICSN is that it is not always sufficient to help BEs prepare "bankable" business plans. The risk profile for the typical black enterprise will still be too high for most commercial banks and traditional financial intermediaries in South Africa. Unfortunately, the lack of equity financing led to the loss of some important BICSN transactions, including the Oceana and Lucas deals.

BICSN endeavored to overcome this constraint through various studies and proposals devoted to equity funding. In May 1995, judging that the South African environment was more conducive to a private equity fund, the project re-opened work in this area. In collaboration with Theta Securities, BICSN initiated a series of meetings to assess local interest in a managed private equity fund to assist BEs in gaining equity positions in mainstream companies. By December 1995, these efforts had proven unsuccessful as South African institutional investors were not yet ready to assume the risks perceived to be associated with this market. Thus, efforts to establish the *Egoli Capital Appreciation Fund*, with a target of \$100 million investment capital, were discontinued by the project. At the time of the evaluation, the project was working on a re-designed concept, a quasi-equity fund, which offers more promise.

The efforts to establish a private equity fund to assist PDGs in acquiring share ownership and management experience in mainstream companies have underestimated the resilience of local investors who have little experience in managing the risks associated with investments in this market. As the absence of equity funding has been a major constraint in the project efforts, further work in this area is warranted. The quasi-equity fund being investigated could be an attractive product to convince skeptical investors that the time has come to take some calculated risks. Someone has to take the lead in South Africa in showing that economic empowerment is not inconsistent with commercial returns on capital.

B5 Sustainability

USAID is in the process of developing projects to ensure the sustainability of BICSN interventions in GM&A, and to address the equity financing constraint. One

such effort is the recently designed Equity Access Systems (EASY) project. Under EASY, dedicated TAF moneys will be used through local investment houses to help small and medium enterprises (SMEs) access both debt and equity capital from the formal financial sector. The TAF will cost-share the due diligence of an investment, in addition to helping with ongoing after-care maintenance.

The purpose of this activity is to bring attractive, previously disadvantaged SMEs to the formal debt and equity markets, and to assist SMEs to prosper with after-care management. EASY builds on the BICSN experience by marrying private equity money to the TAF. It also hopes to address the issue of having a commitment or equity at risk as demanded by the formal funding sector.

USAID has also funded a development initiative for Africa, in the US\$100 million Southern Africa Enterprise Development Fund (SAEDF). This is a venture capital fund that will work in conjunction with local financial institutions to make long-term capital available to indigenous SMEs on a profit-driven basis. One half of the moneys dedicated to this project is for South Africa. There will be a US\$10 million TAF set-aside for "transaction specific" assistance as well as private sector development technical assistance in the ten countries targeted by the SAEDF.

In a matter related to sustainability, it was unclear when this report was being written what effect BICSN's closing will have on GM&A projects already in the pipeline or precisely when shut-down will take place. This issue is relevant to the Naledi Oil transaction, a high-stakes acquisition that is approaching closure. The project has been working on this transaction for almost a year and has invested considerable resources in it, which it is set to recoup once the transaction closes. In addition, there is also a contingency fee of 75 basis points (three-quarters of 1 percent) on the transaction, projected to be around R200m. If the transaction closes, a great sustainability success will have been achieved via the creation of the *BICSN Trust Fund* to capture these proceeds and/or share options, as originally detailed in the BICSN January 1994-March 1995 Work Plan. This trust should be set to capture the reflows estimated to be in the order of R2 0-2.5m. Should this come to pass, BICSN will have achieved very high marks in commercial sustainability, demonstrating that economic empowerment and commercial returns are not an oxymoron in South Africa. Furthermore, in the context of diminished support for foreign assistance, this would be a demonstrable efficient use of U.S. taxpayers' moneys.

C GM&A impact assessment

The BICSN project's GM&A component did assist a core group of high-potential black businesses. The successes enhanced black business growth and profitability and created new wealth. We perform a quantitative analysis of impact and provide a summary of two of BICSN's most visible success stories.

C1 Increases in BE equity through acquisitions

With its re-structuring in September 1993, the project developed a viable strategy in the M&A area by offering to provide seed money to PDG-led consortia to structure acquisitions. BICSN attempted 21 acquisitions, as shown in Table VI 2 below

Table VI 2 GM&A acquisitions pipeline

CLIENT	TARGET INDUSTRY/SECTOR	Transaction value Rands (000s)	OBSERVATIONS	BICSN LOE used (P/Ds)	BICSN formal engagement date	Exclusivity & confidentiality agreements signed	BICSN pre-feasibility ended	BICSN due diligence & valuation started	Valuation & due diligence ended
CONCLUDED									
1 Real Africa	Life insurance	160 000	Acquisition of 51% of Afrife	108	31 Jul-93		30-Sep-93	1 Oct 93	15 Dec 93
IN PROGRESS									
1 Sizwe Medical	Medical services	1 500	Valuation concluded for MBO	27	9-Dec 94				30-Jun-95
2 Naledi/ NABFRA	Petrol & lubricants distrib	200 000	Valuation started acquisition of 150 petrol stations	31	18-Apr 95	15 Oct 95		12 Apr 96	
3 JFM Radio	Radio broadcasting license	3 000	Regional radio license Waiting for IBA	18	30-Dec 94		30 Jun-95		
4 WW Africa Investments	TV license		On going Waiting for IBA	5	10 Jan-95				
DROPPED									
1 Aim Meat Co employees	Meat processing	2 400	ESOP attempted Unable to raise finance	6	21 Jun-93				
2 Africa Financing Club	Flour milling	4 500	Unable to raise finance & assemble management	5 5	11 Nov 93				
3 Indwe Consortium	Hospitality industry	10 000	Consortium inactive	3 5					
4 Oil Consortium	Oil industry	100 000	No agreement with seller	28 2	20 Apr 94				
5 Executive Chemicals	Chemicals manufacture	5 000	Seller sold to another buyer	47	15-Jun-94		10 Jun-94	26 Sep-94	30 Oct-94
6 FIN Consortium	Financial services		Venture structured with another party	7					
7 CON-Consortium	Housing Development	8 000	Unable to raise finance Dropped twice	16					
8 B Consortium	Seafood industry	80 000	Dropped Potential conflict of interest	35	10-May 94	30 Aug 94			
9 Durban Consortium	Light bulb manufacture	4 000	Project was not economically viable	10					
10 S Publishers	Publishing	4 000	Target company involved in litigation	14	24-May 94	30 May 94	1 Jun 94		
11 T Consortium	Filling station	1 000	Site unsuitable and costly	1					
12 D Consortium	J/V auto dealership	5 000	Unfeasible	4					
13 IB Forums	Newspaper	70 000	Competition Board ruled against	4					
14 L Consortium	Auto relays manufacture	4 000	Some consortium members failed to obtain funds	34	1 Oct 94		2 Sep-94		
15 M Consortium	Medical supplies	1 000	Unfeasible project	1					
16 ESOP Structure	Hospitality industry	1 000	Insufficient cashflows to secure financing	9	15-Nov 94		31 Dec 94		

Cumulative long and short term level-of effort 414 2

Some of these transactions are still pending and include enterprises in the oil distribution, radio, television, and medical insurance services

Relative to a total project budget of \$10 2m and the rather modest human resources allocated to GMA the fact that BICSN has been able to leverage \$102 8m of equity transfer and growth with a potential for an additional \$48m represents an outstanding accomplishment

The acquisition of African Life and the potential structuring of the Naledi Oil transaction are examined quantitatively in Table VI 3. At the date when the African Life transaction acquisition became unconditional, the 51 percent acquisition interest represented a value of R160

million. Purchased at a disclosed share price of 470c (R 4 70) per share, the value of this equity stake, as judged by the price of the shares as of 4 April 1996 when shares were traded at 1250c (R12 50), had grown to R425 5m, as shown in Table VI 3. At the prevailing rates of exchange of the rand relative to the dollar, the value of this stake grew from \$41m to \$102 8m.

Table VI 3 Value of previously disadvantaged entrepreneurs equity leveraged by BICSN

Company	Transaction Date	Transaction Value (R'000s)	Disclosed transaction share price (rands)	Share price as of 04-Apr-96	Estimated annual rate of growth	Estimated value of equity as of 4-Apr-96 (R'000s)
African Life (51% of R318m capitalization value)	28-Feb-94	160 000	4 70	12 50	29 73	425 532
Naledi Oil (Projected for 2nd quarter 1996)	Not available	200 000	Not available	Not available	Not available	
<i>Rand totals concluded (millions)</i>		160 000				425 532
<i>Rand totals projected (millions)</i>		360 000				625 532
<i>Dollar totals concluded (millions)</i>		41 026				102 785
<i>Dollar totals projected (millions)</i>		92 308				151 095

Exchange (Rands per U S \$)

3 9

Exchange (Rands per U S \$)

4 14

Working estimates of the size of the Naledi Oil transaction are of the order of R200m. Should this transaction close, the total value of equity transferred and its growth over time would amount to R625 5m. At the prevailing rate of exchange at the time of this evaluation (1\$=4 14 rands), this value would be \$151m. Relative to a total project budget of \$10 2m and the rather modest human resources allocated to GMA, the fact that BICSN has been able to leverage \$102 8m of equity transfer and growth, with a potential for an additional \$48m represents an outstanding accomplishment. Relative to project budget, BICSN will have achieved at least a 10 1 ratio with the African Life transaction, and a 15 1 ratio when and if the Naledi Oil transaction closes.

Table VI 4 51% share of actual & projected annual turnover of African Life (Rands '000s)

Financial Year end	51% of annual turnover	51% of cumulative turnover
31-Mar-94	97 544	97 544
31-Mar-95	167 618	265 162
31-Mar-96	209 522	474 684
31-Mar-97	251 426	726 110
31-Mar-98	314 283	1 040 393
31-Mar-99	392 854	1 433 247

Based on *African Life Assurance Annual Report 1995*

concentrate on the turnover of those firms which were acquired by black entrepreneurs with project assistance⁸

C2 Increases in turnover

Target The 1994-1995 work plan for a three-person staffed M&A division specified an aggregate increase in turnover equivalent to R6m per annum among BICSN-assisted firms. 10 BEs would have increases in turnover averaging R300,000 per firm per year (R3m), and at least 20 BEs would show increases in turnover of R150,000 per firm, per year (R3m). Although in reality the M&A division functioned with only one full-time person for a 12-month period in 1994, it is worth examining how close the project came to meeting its target of R6m increases in turnover per year among its clients. We

⁸ The turnover of other BICSN client firms is included in the Corporate Procurement and Franchising sections. Thus we limit our analysis here to the turnover of firms where interests were acquired through project assistance. At the time of this evaluation the *Naledi* and *Sizwe* transactions had not been concluded.

Results We examine herein the performance of *African Life Assurance (Aflife)*, a JSE-listed company, now 51% controlled by *Real Africa Holdings (RAH)* which is in turn controlled by *Real Africa Investments (RAI)* through a 51% stake. These companies are now 3 of the 12 black-controlled companies listed in the Johannesburg Stock Exchange (JSE), the *Aflife* transaction, enabled by BICSN, became a cornerstone for the listings of *RAH* and *RAI*⁹. The 51% of turnover (sales) figures of *Aflife* in Table VI 4 for 1994 and 1995 are based on actual performance, the figures for 1996 and onwards are projections¹⁰.

We estimate that, through this BICSN-sponsored transaction, the value in sales or turnover attributable to the 51% stake of *RAH* in *Aflife* will be

R474.7m (\$114.6m at the rate of 1\$ = 4.14 rands). Viewed against an aggregate project target of R30m (R6m per year in turnover increases over the 5-year life of the project), we estimate that by March 1996, BICSN will have exceeded this target almost by a 16:1 ratio.

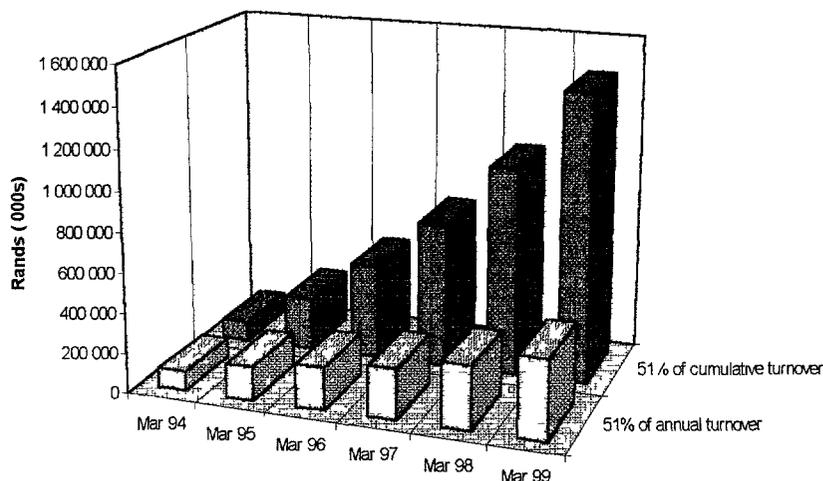
Considering the project budget of \$10.2m, this is a leverage ratio of 1:11. We further estimate that, at the conservative rate of growth of 25% per annum, the 51% stake of *Aflife*'s cumulative turnover will represent a value of R1,433.2m three years hence, on 31 March 1999. Assuming a rate of exchange of 5 rands to the dollar, this would represent \$286.6m, or a 1:28 ratio relative to the project budget. Figure VI 3 presents these turnover projections (in thousands of rands) over these years.

C3 Mergers and acquisitions transactions

Target At least six mergers and acquisitions transactions, with an average value of R40 million each, and with black management and industry-specific skills development programs in place.

Results The total aggregate implied target of six transactions at R40m each would amount to R240m. With the R160m value of the *African Life* transaction,

Figure VI 3 51% of annual turnover, African Life



⁹ BICSN was also involved in the early structuring of the *Oceana Fishing Group Ltd* transaction but withdrew because of a potential conflict of interest. Eventually *RAH* acquired a 20.9% stake in *Oceana* via its share-holding in the *Ocfish Holding Company Ltd* which has a 50.2% controlling stake in *Oceana*. *RAH* and *RAI* were listed in the JSE with the acquisitions of *Aflife* and *Oceana* in their books together with stakes of 2.08% and 20.0% in *MTN* and *NSA* respectively.

¹⁰ As per figures in the *1995 Annual Report* (pp 2-3) for fiscal years 1995, 1994 and 1993 ending on 31 March, *Aflife*'s total income grew 71.8%, 53.6% and 44.4% respectively. We have used the more conservative rate of growth of 25% per annum for our projections, well below the 10-year historical compounded rate of growth of 38%.

BICSN is currently at two-thirds of its target. If the projected *Naledi Oil* transaction closes, (estimated value of R200m), the project will have exceeded its target by 50%, a total value of R360m in transactions concluded versus a target value of R240m.

C4 Cash-flow-based lending

Target 100 commercial cash-flow-based loans with a total value of R5 million

Results The project did not achieve this target. In retrospect, this target was not formulated properly. Even if the GM&A had been fully staffed, this target would have been difficult to meet as local financial institutions do very little cashflow-based lending. Further, given the lack of experience of financial institutions in the market in which the project operates, this target was unrealistic.

C5 Workshops and seminars

Target 20 workshops on corporate finance, joint ventures, and deal structuring, *inter alia*, offered in collaboration with local investment banks and financial institutions.

Results As shown in Table VI 1 earlier, there were a total of 12 workshops and seminars in GM&A in specified subject areas, or 60 percent of target. The evaluation team views this achievement as satisfactory in the context of available resources.

C6 Success stories

African Life This is GM&A's most visible success story. In this transaction, *Real Africa Investments, Ltd (RAI)*, through *Real Africa Holdings (RAH)*, purchased 51 percent of African Life from Southern Life. RAI is a consortium of prominent black businesses, trade unions, pension funds, and church groups. Southern Life sold the controlling interest for R160 million or 470c a share. It was the first time that a listed company of Anglo-American ownership was transferred to black control.

Not only did this transaction empower BEs, but it continues to serve today as an exceptional role model. The consortium consisted of black institutions, led by black entrepreneurs, and with an estimated 1.2 million black shareholders. Equally important, the consortium managed to mobilize real capital to acquire a commercial operation at market value. This was not donor money, nor was it dependent on government or parastatal favors or subsidies. Importantly, it was a transaction that would not have succeeded but for BICSN assistance.

Don Ncube approached BICSN in mid 1993, when the acquisition group needed professional advice on structuring, actuarial diagnostic, due diligence, and legal matters. The group did not have the resources to close the transaction, and requested BICSN's help with a feasibility assessment, an actuarial study, and financial analysis to support the acquisition proposal. Mr. Ncube has acknowledged in interviews that without the resources of BICSN "African Life would never have happened."

Accomplishments in 1995 are as follows in the first year that *RAH* owned African Life, total income improved by 72 percent to R328,662,000. This improvement was the result of increases in all of the company's operating areas. The net result was an improvement in net income of 42 percent, as net income jumped to R206,721,000. This represents an impressive performance, and it is our understanding that 1996 continues this trend.

As of year end 1995 total assets of African Life were R554 million or an increase of 30 percent over 1994. There was an excess of assets over liabilities of approximately R215 million, or a 27 percent improvement over last year. The stock price of African Life reflects this performance; it has increased from 470c at purchase to approximately 1250c. The appreciation of the stock has created wealth for all of the shareholders.

Naledi Oil/NABFRA BICSN has dedicated a considerable amount of time to the *Naledi Oil* project. It is a complex transaction that has taken so far almost one year, at a cost of approximately R650,000. While the cost is high, in fact, *Naledi Oil* is representative of the kind of project BICSN was designed to bring to market. If the deal closes, the result will be a large African-controlled oil company, again, breaking new ground for black business in South Africa.

The management of the company will consist of a core group of BEs who will control 35 percent of the company, with the remaining 65 percent in the hands of the *National Black Fuel Retailers Association (NABFRA)*. *Naledi Oil* strategy will be to carve out, through *NABFRA*, a niche distribution system for gasoline. The company will purchase 150 petrol stations with buy arrangements with major oil companies. *Naledi Oil* will stock crude oil, refine bulk products and packed lubricants. The size of the *Naledi Oil* transaction will be approximately R200 million, with a conservative 1:1 debt to equity ratio.

Like the *African Life* transaction, the size of the *Naledi Oil* deal, the number of quality participants, and its sectoral significance give this project enormous reach and credibility. These factors enhance the chances of acceptance of black business by the formal sector, and also create an outstanding role model for other BEs to emulate.

D Conclusions

Based on the analysis of project records, interviews with clients and project personnel, technical assistance providers, and officers from financial institutions, we can summarize our conclusions concerning the operations of the GM&A as follows:

D1 Project focus

With its re-structuring in September 1993, BICSN rightly identified its competitive advantage in the GM&A area: there was an unserved niche in the provision of assistance to previously disadvantaged entrepreneurs in the acquisition of

mainline businesses with a track record and the cashflows to make the transactions bankable BICSN broke new ground in this area in a difficult time of transition in South Africa

D2 GM&A results

In spite of the very limited resources assigned to the division, the project was able to achieve a success rate well above average in closing transactions 1.21 so far versus a usual rate of 1.100 At the time of the evaluation the market value and growth of the equity transferred to PDGs stood at over \$100m If the *Naledi* deal closes, this closing average will improve to 2.21 and the value of equity leveraged by the project will be over \$100m

D3 Commercial orientation

With the re-structuring of the project, carried out jointly by USAID and the contractor, the project took seriously its name The commercial emphasis was manifested in its GM&A procedures whereby clients, through their co-payment for services, were at risk at each stage of the transaction A commercially viable transaction has to pay its costs, including its prorated share of project costs BICSN developed and implemented procedures in its GM&A that should serve as a model for private sector project designs

If the *Naledi* transaction closes, BICSN will recover all its costs plus a performance fee The *BICSN Trust Fund*, proposed in the re-structuring plan of 1993, needs to be created as a useful vehicle to capture these and other potential re-flows of the project The BICSN engagement letters with its clients have been written in such a way as to allow the project to transfer its rights and options to other successors, entities, and affiliates

D4 The equity fund

The South African environment has proven very resilient to the concept of a venture fund to assist PDGs in obtaining stakes in viable businesses The fact that the project was actually able to achieve its results in the GM&A area is remarkable There is no doubt that an equity fund would have helped BICSN achieve even more in this area

At the time of the evaluation, BICSN was reformulating its fund product strategy around the concept of a *Succession Fund*, a quasi-equity fund to assist PDGs obtain equity stakes in mainline businesses We would encourage further work in this area

D5 Measuring intangibles PDG entrepreneurs' experiences in 'unsuccessful' transactions

Although project evaluations must concentrate on measurable results, there are also additional effects which, albeit unmeasurable at this point, must be considered

The nature of the work performed by GM&A in the context of the transition from *apartheid* to a democratic society was trail-blazing. The intensive client involvement fostered by BICSN in the transactions was largely new ground for PDG entrepreneurs. There was intensive learning in the experiences of defining a transaction, strategy formulation, negotiations, due diligence processes, valuations, etc. There is little doubt that, at least among some of the GM&A clients interviewed, the likelihood of success in their next transaction attempts will be much higher due to their prior involvement, experience, and learning through BICSN. This is an intangible that, for the time being, remains unmeasurable.

Exhibit VI 1 TAF contracts in the Growth, Mergers & Acquisitions division

Consultant	Client	Scope of Work	TAF Contract Start Date	TAF Contract End Date	Total Contract Value In Rand	TAF Contract Value In USD
B GM&A						
1 NSA Management	Herdbuoys	Financing proposal			92 994	33 499
2 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
3 Deloitte & Touche	Magomola	Business strategy & implementation plan development for a new venture	17 Dec 92	31 Dec 92	5 000	1 801
4 Deloitte & Touche	Magomola	Preliminary study of black hair care market for benefit of new ventures & foreign	18 Jan 93	12 Feb 93	17 500	5 500
5 NSA Management	BICSN/Khulani-Brown	Arrange meetings identify BICSN role in minority share takeover of wholesale/re	22 Feb 93	23-Feb 93	4 300	1 351
6 Price Waterhouse Meyernel	Movement Marketing Enterp	Organization & structure analysis and business plan re evaluation	01 Mar 93	26-Mar-93	5 928	1 863
7 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
8 Arthur Anderson & Associates	NEWCO	Due diligence computer systems diagnostic & asset valuation	16-Jul 93	11 Nov 93	350 000	109 994
9 William Sweeney	NEWCO	Acquisition proposal evaluation	01 Sep-93			Pro Bono
10 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
11 Quarles & Brady	NEWCO	Structuring of NEWCO transaction	30-Oct-93	06-Dec 93	63 640	20 000
12 Deloitte & Touche	NEWCO	Financial analysis and evaluation of the proposed financial structure	22 Nov 93	22 Dec 93	65 000	20 427
13 Egon & Anton Buermann	National Property Forum	Capacity building for formation of a transport construction company for toll road p	16-Mar-94	06-May 94	21 705	6 260
14 Management Development Consulta	AFGEN	Management staff meeting facilitation	10-Apr-94	15-May 94	1 000	288
15 Southern Africa Actuarial Consultan	AFGEN	Develop a business plan	10-Apr-94	30-Jun 94	20 100	5 798
16 IESC	Annie s Creation	Preliminary feasibility to determine whether or not to undertake a full due diligenc	16-May-94	15-Jun 94	4 000	1 154
17 Egon & Anton Buermann	National Property Forum	Conduct strategic planning workshop for potential shareholders in Reconstructio	14-Jun 94	20-Jun 94	13 030	3 758
18 Ebony Financial Services	Executive Chemicals	Due diligence on factory facilities and operations	22 Sep-94	11 Oct 94	62 700	18 085
19 The Associates	Big Brass (Pty) Ltd	Examine feasibility of developing a program for upgrading skills of black candidat	15-Dec-94	28 Feb 95	30 900	8 913
20 Markinor	Jazz FM Group	Conduct 8 focus groups to determine qualitative viability of establishing radio stat	10-Jan 95	31 Mar 95	39 547	10 985
21 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
22 Quentin Green	World Wide Investments	Conduct feasibility study and prepare documentation for obtaining a broadcasting	15-Mar 95		150 000	41 667
23 Media & Broadcasting Consult	Jazz FM Group	Conduct a feasibility study and prepare a complete business plan for a radio stat	01 Apr-95	01-Jul 95	23 000	6 389
24 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
25 L P van den Berg	Naledi Oil Holdings	Regulatory expert write motivation for change to Rat plan & assist in negotiatio	01 May-95	31 Oct 95	30 780	8 550
26 Brian G King	Naledi Oil Holdings	Petroleum expert write strategy/industry analysis report	01 May-95	31 May 95	23 940	6 650
27 Louis van Zyl	Naledi Oil Holdings	Legal expert create legal structure advise on legal issues prepare documents e	01 May 95	31 Jan 96	66 120	18 367
28 William Bremmer	Naledi Oil Holdings	Financial expert advise on capital structure budget constraints financing invest	01 May 95	31-Jul 95	90 972	25 270
29 Consulting & Eng Services CC	Moribo Investments Pty Ltd	Undertake a study of Sentech Infrastructure and provide implementation plan	18 May-95	30-Sep 95	102 331	28 425
30 Waterland Design cc	Hugh s Place	Preparation of detailed plans sections and elevations of a jazz venue	22 May-95	15-Jul 95	24 353	6 765
31 Dundee Financial Consultants	Naledi Oil Holdings	Provide expert advice on the suitable structure to be formed by Naledi	01 Nov-95	31 Jan 96	90 972	25 270
32 Business Acq & Dev Strategies	Naledi Oil Holdings	Provide guidance towards and negotiating on behalf of the Client	01 Nov-95	31 Jan 96	82 080	22 800

Exhibit VI 1 TAF contracts in the Growth, Mergers & Acquisitions division

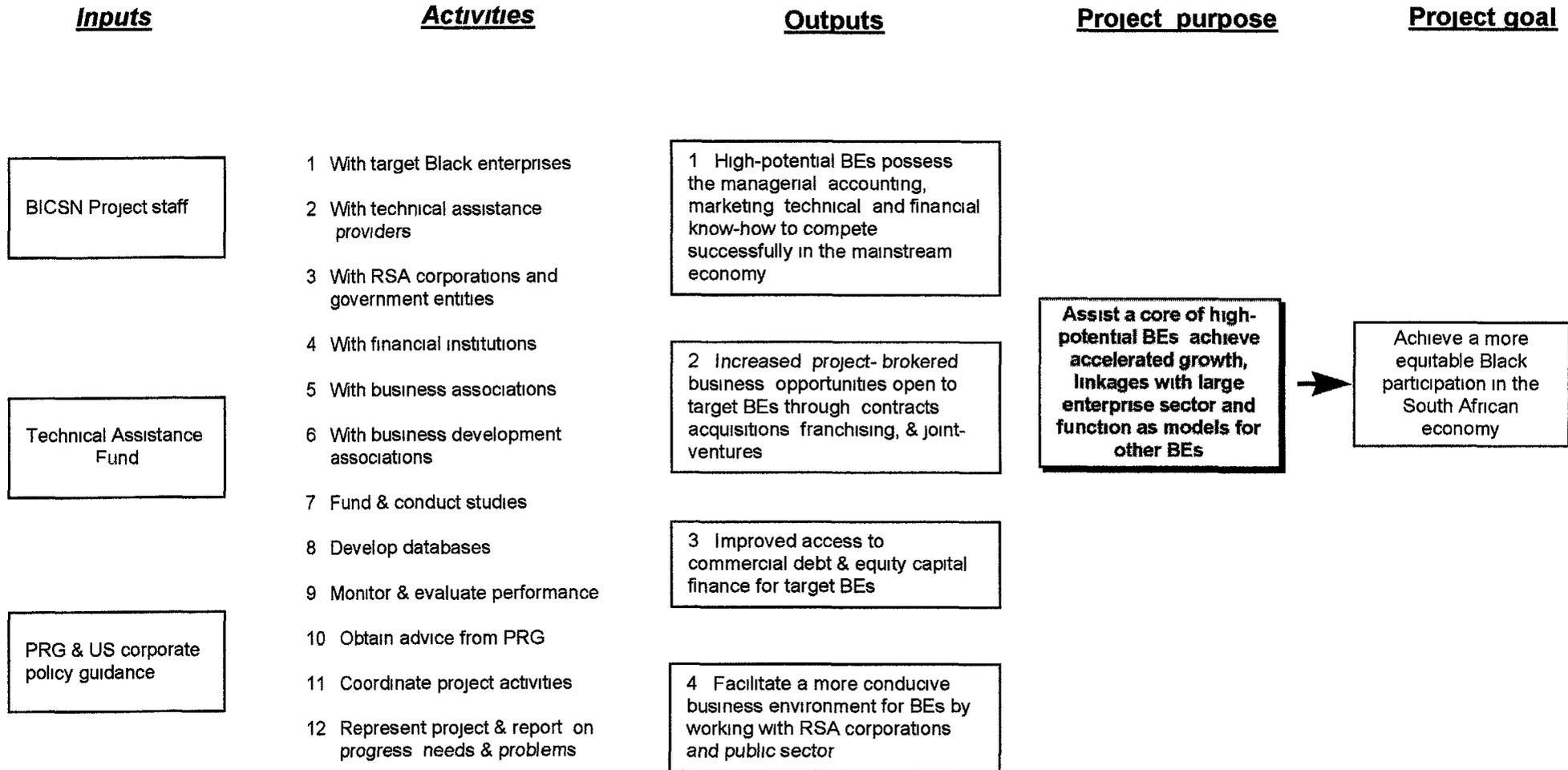
Consultant	Client	Scope of Work	TAF Contract Start Date	TAF Contract End Date	Total Contract Value In Rand	TAF Contract Value In USD
33 Markinor	The Voice of Soweto	Conduct a survey to establish listenership profile and demographics	27-Nov 95	10-Jan 96	27 816	7 727
34 Deloitte & Touche	NABFRA	Conduct a feasibility study and prepare a business plan	15-Jul-95	02 Feb 96	18 725	5 201
35 Business Acquisition & Dev Strateg	Naledi Oil Holdings	Provide guidance and negotiations on behalf of the client	01 Feb-96	30-Apr 96	82 080	22 800
36 Dundee Financial Consultants	Naledi Oil Holdings	Provide expert advice on the suitable structure to be formed	01 Feb 96	31-May-96	90 972	25 270
Total - GM&A					1,856,593	545,649

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 Updated 4-Mar 96

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APPENDICES

Appendix A: BICSN Project logframe diagram



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APPENDIX B BICSN PROJECT LOGICAL FRAMEWORK

**BICSN PROJECT
LOGICAL FRAMEWORK**

LEVEL ONE GOAL

OBJECTIVES	INDICATORS	SOURCES OF INFORMATION	ASSUMPTIONS																												
1 More equitable black participation in SA economy (as owners managers and/or employees)	1 Black ownership in mainstream economy % of businesses with black majority ownersh	1 SBDC economic research	1 No breakdown in the negotiation process 2 Government which emerges from elections is supportive of private enterprise 3 Instability and violence are contained 4 Economy continues to grow																												
	<table border="1"> <thead> <tr> <th>Type of Business</th> <th>Number In 1993</th> <th>% In 1993</th> <th>% In 1996</th> </tr> </thead> <tbody> <tr> <td> Holding companies</td> <td>85</td> <td>0 00%</td> <td>0 00%</td> </tr> <tr> <td> Listed companies</td> <td>655</td> <td>0 30%</td> <td>0 00%</td> </tr> <tr> <td> Regular unlisted companies</td> <td>175 000</td> <td>1 50%</td> <td>0 00%</td> </tr> <tr> <td> Close corporations</td> <td>240 000</td> <td><10 00%</td> <td>0 00%</td> </tr> <tr> <td> Sole proprietors & partnerships</td> <td>430 000</td> <td><20 00%</td> <td>0 00%</td> </tr> <tr> <td> Informal sector</td> <td>2 500 000</td> <td><80 00%</td> <td>0 00%</td> </tr> </tbody> </table>			Type of Business	Number In 1993	% In 1993	% In 1996	Holding companies	85	0 00%	0 00%	Listed companies	655	0 30%	0 00%	Regular unlisted companies	175 000	1 50%	0 00%	Close corporations	240 000	<10 00%	0 00%	Sole proprietors & partnerships	430 000	<20 00%	0 00%	Informal sector	2 500 000	<80 00%	0 00%
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**BICSN PROJECT
LOGICAL FRAMEWORK**

LEVEL TWO PURPOSE

OBJECTIVES	INDICATORS	SOURCES OF INFORMATION	ASSUMPTIONS												
<p>1 A core of high potential black businesses achieve accelerated growth are linked to the SA or US large enterprise sector and function as models for other black firms</p> <p>At end of project businesses assisted by BICSN show the following characteristics</p> <p>*Apply non traditional business technologies such as franchises joint ventures licenses LBOs in many cases as well as traditional structures such as free standing businesses and subcontracts</p> <p>*Compete in the mainstream economy without subsidized technical assistance</p> <p>*Function as role models to other black businesses</p> <p>*Have linkages to US companies South African corporations or South African Government entities</p> <p>*Are replicable by other black businesses in the same sector or use the same business technology</p> <p>This purpose statement signifies that BICSN focuses on businesses rather than on transactions and on activities which have a trail blazing role for black South African firms The number of deals completed and of business people given cursory training are side effects to the central purpose of achieving a permanent change in the performance of leading black enterprises</p>	<p>1 High potential black businesses the following numbers of BICSN assisted businesses apply new technologies compete in mainstream economy are connected with modern SA or US economic organizations, and function as role models</p> <table border="1"> <thead> <tr> <th></th> <th>Sep 93</th> <th>Sep 94</th> <th>Sep 95</th> <th>Sep 96</th> </tr> </thead> <tbody> <tr> <td>Number</td> <td>5</td> <td>9</td> <td>9</td> <td>8</td> </tr> </tbody> </table>		Sep 93	Sep 94	Sep 95	Sep 96	Number	5	9	9	8	<p>1 BICSN s performance based tracking systems (PBTS) client files</p> <p>2 For control national statistics of sector industry & regional trends</p>	<p>1 There exist owners of high potential black firms who are interested in expansion</p> <p>2 High potential firms are interested in working with BICSN (THIS IS BICSN s KEY ASSUMPTION)</p> <p>3 There exist corporations interested in subcontracting joint venturing licensing franchising etc arrangements with the BICSN assisted enterprises</p> <p>4 There exist sources of capital interested in investing in high potential black firms</p> <p>5 Assisted businesses do not become dependent on BICSN and are able to continue growing after the project is over</p> <p>6 Other black businesses are able to replicate without subsidized technical assistance what successful black businesses achieve with BICSN technical assistance i e the interventions have a positive B/C ratio at market costs of technical assistance</p> <p>7 Eventual failure of some of the businesses assisted by BICSN does not discredit BICSN</p>		
		Sep 93	Sep 94	Sep 95	Sep 96										
	Number	5	9	9	8										
	<p>1 2 Greater market access turnover of target businesses grows as identified below in millions of Rands</p> <table border="1"> <thead> <tr> <th></th> <th>Sep 93</th> <th>Sep 94</th> <th>Sep 95</th> <th>Sep 96</th> </tr> </thead> <tbody> <tr> <td>Value</td> <td>1 848</td> <td>154 412</td> <td>161 396</td> <td>168 380</td> </tr> </tbody> </table>		Sep 93	Sep 94	Sep 95	Sep 96	Value	1 848	154 412	161 396	168 380				
		Sep 93	Sep 94	Sep 95	Sep 96										
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<p>1 3 Growth of net equity of target businesses in millions of Rands</p> <table border="1"> <thead> <tr> <th></th> <th>Sep 93</th> <th>Sep 94</th> <th>Sep 95</th> <th>Sep 96</th> </tr> </thead> <tbody> <tr> <td>Value</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Sep 93	Sep 94	Sep 95	Sep 96	Value									
	Sep 93	Sep 94	Sep 95	Sep 96											
Value															
<p>1 4 Improved profitability of target enterprises (percent of profitability growth)</p> <table border="1"> <thead> <tr> <th></th> <th>Sep 93</th> <th>Sep 94</th> <th>Sep 95</th> <th>Sep 96</th> </tr> </thead> <tbody> <tr> <td>Percent</td> <td>133 18%</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Sep 93	Sep 94	Sep 95	Sep 96	Percent	133 18%								
	Sep 93	Sep 94	Sep 95	Sep 96											
Percent	133 18%														
<p>1 5 Improved target enterprise management capacity Target businesses have</p> <p>(1) business plans (2) computerized cost accounting systems (3) production budgeting (4) marketing plans</p>															

**BICSN PROJECT
LOGICAL FRAMEWORK**

LEVEL TWO PURPOSE

OBJECTIVES	INDICATORS	SOURCES OF INFORMATION	ASSUMPTIONS																																																							
	<p>(5) inventory control systems (6) management reporting systems</p> <table border="1" data-bbox="580 456 1465 586"> <thead> <tr> <th></th> <th>Sep 93</th> <th>Sep 94</th> <th>Sep 95</th> <th>Sep 96</th> </tr> </thead> <tbody> <tr> <td>Number</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>1 6 Increased access to finance Total bank credit to target enterprises in millions of Rands</p> <table border="1" data-bbox="580 691 1465 821"> <thead> <tr> <th></th> <th>Sep 93</th> <th>Sep 94</th> <th>Sep 95</th> <th>Sep 96</th> </tr> </thead> <tbody> <tr> <td>Value</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>1 7 Increased long term sustainability of target enterprises</p> <p>(1) bankable assets of firm and of firm owners (2) depth of management team and delegation of responsibilities (3) use of management systems installed by technical assistance advisors (4) number of key clients</p> <table border="1" data-bbox="580 1032 1465 1243"> <thead> <tr> <th>Description</th> <th>Sep 93</th> <th>Sep 94</th> <th>Sep 95</th> <th>Sep 96</th> </tr> </thead> <tbody> <tr> <td>Assets</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Delegation</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Management Systems Used</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Key Clients</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>1 8 Role model effect of target enterprises number of articles about target firms in general and in the black business press</p> <table border="1" data-bbox="580 1349 1465 1479"> <thead> <tr> <th></th> <th>Sep 93</th> <th>Sep 94</th> <th>Sep 95</th> <th>Sep 96</th> </tr> </thead> <tbody> <tr> <td>Number</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>1 9 Linkages with South African and/or American large enterprise sector number of South African or US corporations in South Africa or SAG entries which</p>		Sep 93	Sep 94	Sep 95	Sep 96	Number						Sep 93	Sep 94	Sep 95	Sep 96	Value					Description	Sep 93	Sep 94	Sep 95	Sep 96	Assets					Delegation					Management Systems Used					Key Clients						Sep 93	Sep 94	Sep 95	Sep 96	Number						
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**BICSN PROJECT
LOGICAL FRAMEWORK**

LEVEL TWO PURPOSE

OBJECTIVES	INDICATORS	SOURCES OF INFORMATION	ASSUMPTIONS															
	<p>a establish an SBU or name a "champion" for working with black enterprises b analyze their business to determine which activities can be contracted out c establish targets for contracting with black enterprises and report on those targets</p> <table border="1" data-bbox="573 477 1458 634"> <thead> <tr> <th data-bbox="573 477 977 529"></th> <th data-bbox="977 477 1113 529">Sep 93</th> <th data-bbox="1113 477 1226 529">Sep 94</th> <th data-bbox="1226 477 1340 529">Sep 95</th> <th data-bbox="1340 477 1458 529">Sep 96</th> </tr> </thead> <tbody> <tr> <td data-bbox="573 529 977 581">Number of Corporations</td> <td data-bbox="977 529 1113 581"></td> <td data-bbox="1113 529 1226 581"></td> <td data-bbox="1226 529 1340 581"></td> <td data-bbox="1340 529 1458 581"></td> </tr> <tr> <td data-bbox="573 581 977 634">Value of Contracts with Black Firms</td> <td data-bbox="977 581 1113 634"></td> <td data-bbox="1113 581 1226 634"></td> <td data-bbox="1226 581 1340 634"></td> <td data-bbox="1340 581 1458 634"></td> </tr> </tbody> </table>		Sep 93	Sep 94	Sep 95	Sep 96	Number of Corporations					Value of Contracts with Black Firms						
	Sep 93	Sep 94	Sep 95	Sep 96														
Number of Corporations																		
Value of Contracts with Black Firms																		

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**BICSN PROJECT
LOGICAL FRAMEWORK**

LEVEL THREE OUTPUTS

OBJECTIVES	INDICATORS	SOURCES OF INFORMATION	ASSUMPTIONS																				
<p>1 High potential black firms possess the managerial accounting marketing technical and financial know how necessary to compete successfully in the mainstream economy</p> <p>The target enterprises assisted by BICSN share the following characteristics</p> <ul style="list-style-type: none"> *Are established businesses which includes changing the OWNERSHIP of an existing business through a leveraged buy out *Have a demonstrated ability for growth and market penetration *Have a certain minimum turnover of around R 45 000 per month *Are situated in a market sector where there is growth potential preferably in a non traditional sector for black business *Have significant black ownership and management *Management has a certain level of expertise <p>These criteria signify that small businesses and ideas to start up businesses are not BICSN s target audience</p> <p>(An exception is assisting established black business people to start a new venture such as acquiring an IMA or black management leveraged buy out of a part of a corporation</p>	<p>1 Direct intervention Target businesses obtain a full range of technical assistance services through BICSN including as necessary</p> <ul style="list-style-type: none"> *Diagnosis *Identification of opportunities *Feasibility studies *Introduction to new forms of doing business *Strategic plan *Business plan *Proposals to sources of financing *Management training *Identification of joint venture partners franchisors etc *Market research especially for International Master Franchise Agreements *Accounting systems *U S connections *Improved production processes *Asset valuations *Due diligence reviews <p>1 Enterprises that benefit from the preliminary package of interventions on the most critical constraints such as accounting market research product planning etc</p> <table border="1" data-bbox="562 980 1446 1114"> <thead> <tr> <th></th> <th>Sep 93</th> <th>Sep 94</th> <th>Sep 95</th> <th>Sep 96</th> </tr> </thead> <tbody> <tr> <td align="center">Number</td> <td align="center">2</td> <td align="center">3</td> <td align="center">3</td> <td align="center">2</td> </tr> </tbody> </table> <p>1 Enterprises that benefit from the comprehensive package of interventions which means that all management aspects are brought up to or above current sector standards</p> <table border="1" data-bbox="562 1219 1446 1352"> <thead> <tr> <th></th> <th>Sep 93</th> <th>Sep 94</th> <th>Sep 95</th> <th>Sep 96</th> </tr> </thead> <tbody> <tr> <td align="center">Number</td> <td align="center">3</td> <td align="center">4</td> <td align="center">4</td> <td align="center">4</td> </tr> </tbody> </table>		Sep 93	Sep 94	Sep 95	Sep 96	Number	2	3	3	2		Sep 93	Sep 94	Sep 95	Sep 96	Number	3	4	4	4	<p>1 PBTS and TAF client databases</p>	<ul style="list-style-type: none"> 1 Confidence in the business community about the success of the type of ventures promoted by BICSN 1 There is a sufficient number of high potential black businesses & they can be identified 1 BICSN is able to overcome current negative perceptions reposition itself in the market and convince such high potential businesses to enter its program 1 In particular enough business people with the required profile agree to be the first to accept BICSN technical assistance 1 Assisted businesses are willing to cooperate and to share financial information 1 BICSN can maintain the interest of assisted businesses long enough to achieve results 1 BICSN is not subjected to inadmissible pressures for focussing on established high potential black entrepreneurs such as charges of assisting those who are already well off
	Sep 93	Sep 94	Sep 95	Sep 96																			
Number	2	3	3	2																			
	Sep 93	Sep 94	Sep 95	Sep 96																			
Number	3	4	4	4																			

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**BICSN PROJECT
LOGICAL FRAMEWORK**

LEVEL THREE OUTPUTS

OBJECTIVES	INDICATORS	SOURCES OF INFORMATION	ASSUMPTIONS																				
<p>2 Opening of opportunities for target enterprises Contracts joint ventures licenses franchises IMAs agreements with US firms technology transfers and/or leveraged buy outs facilitated for target firms</p>	<p>2 Number of contracts for joint ventures licenses franchises IMAs agreements with US firms technology transfers and/or leveraged buy outs entered into by target enterprises</p> <table border="1" data-bbox="569 451 1442 634"> <thead> <tr> <th></th> <th>Sep 93</th> <th>Sep 94</th> <th>Sep 95</th> <th>Sep 96</th> </tr> </thead> <tbody> <tr> <td>South African corporations</td> <td>6</td> <td>1</td> <td></td> <td></td> </tr> <tr> <td>US corporations</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Other</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Sep 93	Sep 94	Sep 95	Sep 96	South African corporations	6	1			US corporations					Other					<p>2 PBTS and TAF client databases</p>	<p>2 There exist a sufficient number of South Africa corporations American corporations and South African Government entities interested in having subcontracting joint venturing licensing franchising technology transfer or spin off relationships with black firms Opportunity gaps exist</p>
	Sep 93	Sep 94	Sep 95	Sep 96																			
South African corporations	6	1																					
US corporations																							
Other																							
<p>3 Access to finance facilitated for target enterprises</p>	<p>3 Value of financing facilitated by BICSN for target enterprises in millions of Rands</p> <table border="1" data-bbox="569 711 1442 841"> <thead> <tr> <th></th> <th>Sep 93</th> <th>Sep 94</th> <th>Sep 95</th> <th>Sep 96</th> </tr> </thead> <tbody> <tr> <td>Value</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Sep 93	Sep 94	Sep 95	Sep 96	Value					<p>3 PBTS database</p>	<p>3 A sufficient number of sources of loan and equity capital are willing to loan/invest in black firms</p>										
	Sep 93	Sep 94	Sep 95	Sep 96																			
Value																							
<p>4 Creation of an enabling environment</p> <p>4 Corporations have necessary know how for contracting with black firms</p>	<p>4 Number of corporation purchasing departments or SBUs which</p> <p>(1) obtain manual of procedures for contracting with black suppliers (2) are introduced to BICSN s target enterprises (3) are introduced to entrepreneur databases maintained by organizations such as NEI & NIC (4) enter relationships with business development organizations such as IESC and USSALEP to mentor their black suppliers if necessary</p> <table border="1" data-bbox="569 1154 1442 1284"> <thead> <tr> <th></th> <th>Sep 93</th> <th>Sep 94</th> <th>Sep 95</th> <th>Sep 96</th> </tr> </thead> <tbody> <tr> <td>Number</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Sep 93	Sep 94	Sep 95	Sep 96	Number					<p>4 SBU (Satellite Black Undertakings) database</p>	<p>4 A sufficient number of corporations is interested in contracting with black suppliers</p> <p>4 Successor corporations do not reverse policy of supporting black subcontracting initiated by mother corporations during the process of "unbundling"</p>										
	Sep 93	Sep 94	Sep 95	Sep 96																			
Number																							
<p>4 South African Government purchasing organizations have know how for contracting with</p>	<p>4 Number of purchasing departments of South African Government organizations such as ESKOM TRANSNET and SADF that are able to apply procedures for procurement from black firms or have black set aside programs</p> <table border="1" data-bbox="569 1414 1442 1568"> <thead> <tr> <th></th> <th>Sep 93</th> <th>Sep 94</th> <th>Sep 95</th> <th>Sep 96</th> </tr> </thead> <tbody> <tr> <td>Number</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Sep 93	Sep 94	Sep 95	Sep 96	Number					<p>4 SBU database</p>	<p>4 South African purchasing organizations are willing to do more contracting with black suppliers</p>										
	Sep 93	Sep 94	Sep 95	Sep 96																			
Number																							

**BICSN PROJECT
LOGICAL FRAMEWORK**

LEVEL FOUR ACTIVITIES

OBJECTIVES	INDICATORS	SOURCES OF INFORMATION	ASSUMPTIONS
<p>1 Direct BICSN activities with enterprises</p> <p>1 Establish selection criteria</p> <p>1 Market BICSN services to target group</p> <p>1 Provide on the job training for enterprise management</p> <p>1 Introduce enterprises to financing sources</p> <p>1 Conduct workshops and seminars</p> <p>2 BICSN activities with technical assistance sources</p> <p>3 BICSN activities with corporations and South African Government entities</p>	<p>1 Selection criteria for BICSN clients established AUG 93</p> <p>1 Contacts with potential BICSN clients through independent networking and through groups such as NIC NEI and Job Creation</p> <p>1 Number of managers trained on the the job and duration of training</p> <p>1 Number of referrals to financing institutions and number of financing transactions concluded</p> <p>1 Workshops for CEOs/finance managers of target firms on subjects such as</p> <p>(1) capital raising</p> <p>(2) capital structure</p> <p>(3) legal structure</p> <p>(4) tax aspects</p> <p>(5) planning</p> <p>(6) personnel management</p> <p>* Workshops for potential black franchisees</p> <p>• Annual IFA conference</p> <p>• Workshops to discuss results of studies</p> <p>• Workshops to disseminate experiences of BICSN assisted businesses to other black firms</p> <p>2 Specify contents of each technical assistance product through the standard terms of reference</p> <p>2 Pre qualify technical assistance providers</p> <p>2 Implement technical assistance contracts</p> <p>2 Monitor and evaluate technical assistance contracts</p> <p>3 Define criteria for working with corporations and South African Government entities</p>	<p>1 BICSN files</p> <p>1 MAXIMIZER contact database</p> <p>1 MAXIMIZER & PBTS</p> <p>1 MAXIMIZER & PBTS</p> <p>2 BICSN TAF tender terms of reference and TAF files</p> <p>2 Bid submissions and evaluations</p> <p>2 PBTS and TAF files</p> <p>2 PBTS and TAF databases</p> <p>3 BICSN files</p>	<p>1 A sufficient number of black enterprises meeting BICSN criteria are interested in working with BICSN</p> <p>2 BICSN is able to find consultants who can deliver the required technical assistance at satisfactory quality</p> <p>2 Consultants have credibility with the high potential black firms</p> <p>3 A sufficient number of corporations and South African Government entities are interested in working with BICSN</p>

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**BICSN PROJECT
LOGICAL FRAMEWORK**

LEVEL FOUR ACTIVITIES

OBJECTIVES	INDICATORS	SOURCES OF INFORMATION	ASSUMPTIONS
	3 Operational guidance for establishing procurement programs including a manual on subcontracting to black firms	3 Manuals/conference materials	
	3 Individual contacts with corporate top and middle management	3 MAXIMIZER	
	3 Group contacts with corporate management such as Chamber of Commerce breakfasts for selected audiences to promote BICSN and subcontracting to black businesses	3 MAXIMIZER	
	3 RSA/USA workshops on models of procurement from black businesses	3 MAXIMIZER	
	3 Workshop for South African Government organizations on US government practices of affirmative action and set aside procurements	3 MAXIMIZER	
4 BICSN activities with financing sources	4 Generate contacts with South African and eventually with US and other sources of eq capital and credit	4 MAXIMIZER	4 A sufficient number of financing sources are interested in working with BICSN
	4 Present financeable projects of BICSN client firms and facilitate negotiations	4 PBTS database	
5 BICSN activities with business associations such as FASA ABASA ABASA SACOB AMCHAM and	5 Use FASA to identify South African franchisors suitable for black franchisees	5 MAXIMIZER	
	5 Use ABASA to market BICSN and advertise successful case studies	5 MAXIMIZER	
	5 Use SACOB as a venue for workshops and for selling to corporations the idea of subcontracting to black firms	5 MAXIMIZER	
	5 Use AMCHAM to identify target corporations	5 MAXIMIZER	
6 BICSN activities with business development organizations such as NEI NIC and IESC	6 Sign memoranda of understanding with organizations such as NEI and IESC regarding their activities with BICSN	6 BICSN files	6 Business development organizations are willing to cooperate with BICSN and able to deliver the required services
	5 Identify their high potential clients and start providing them with BICSN assistance	6 TAF database	
	6 Use NEI for matchmaking BICSN identifies corporate opportunities and NEI identifies t entrepreneurs	5 TAF database	
	6 Use IESC for matchmaking and for mentoring BICSN clients	6 TAF database	
	6 Use Job Creation to identify BICSN clients	6 TAF database	
	6 Assist a business development organization to build a database of black entrepreneurs	6 TAF database	

**BICSN PROJECT
LOGICAL FRAMEWORK**

LEVEL FOUR ACTIVITIES

OBJECTIVES	INDICATORS	SOURCES OF INFORMATION	ASSUMPTIONS
7 Conduct studies on subjects of interest to target entrepreneurs and present results in workshops	7 Contracts for studies on subjects such as * characteristics and practices of successful black entrepreneurs * South African needs for US franchisors * Black firms need for business services	7 TAF database	7 There are organizations qualified to conduct the studies
8 Develop databases	7 Arrange workshops with relevant audiences to disseminate results of studies 8 Database of entrepreneurs 8 Database of technical assistance providers 8 Database of franchisors 8 Database of corporations 8 Database of capital sources	7 MAXIMIZER 8 BICSN databases	8 Entrepreneurs corporations and other organizations provide timely and reliable information
9 Monitor & evaluate performance	9 Establish computerized systems to monitor (1) enterprises (2) technical assistance providers (3) franchisors (4) corporations 9 Evaluate enterprises technical assistance providers franchisors and corporations through (1) end of TAF contract evaluations (2) case studies	9 PBTS & quarterly progress reports 9 PBTS & TAF files	
10 Maintain Policy Reference Group	10 PRG meets quarterly to advise on policy issues	10 PRG meeting minutes	10 PRG interest in BICSN can be rekindled 10 PRG has the right membership mix and especially enough business people
11 Coordinate BICSN activities	11 Functioning coordination with * All BICSN project programs * Target enterprises * Technical assistance sources * Corporations * Financing sources * USAID/South Africa	11 BICSN files and databases	11 The organizations involved in BICSN activities are willing to coordinate

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APPENDIX C TERMS OF REFERENCE FOR THE EVALUATION

Introduction

These Terms of Reference are issued to organize and manage a process of evaluation of the *Black Integrated Commercial Support Network* (BICSN), a private sector development project funded by the Agency for International Development (USAID) under Contract No 674-0303-C-00-1064-00, with Chemonics International Inc as the main implementing Contractor

In addition to this Introduction, the terms of reference of the assignment provide

- 1 a summary background of the project,
- 2 an overview of the project components,
- 3 the purpose and objectives of the evaluation,
- 4 the desired composition and qualifications of the evaluation team,
- 5 a set of indicative tasks to be performed by the evaluation team,
- 6 a summary of expected deliverables,
- 7 a summary of the estimated level of effort,
- 8 a projected schedule,
- 9 logistics and support to be provided to the evaluation team,
- 10 a selected list of documents relevant to the evaluation

The assignment involves work to be performed in Washington, DC, and in the Republic of South Africa, the BICSN Project site, during February and March 1996. The evaluation team will work under the supervision of the Chief of the Private Sector Division of USAID/South Africa, or his designate, and co-ordinate its work closely with relevant USAID/W officers, and the Contractor staff assigned to the project (both in Washington, DC, and in Johannesburg, South Africa)

Background of the Project

BICSN was designed to "assist a core of high-potential black enterprises (BEs) achieve accelerated growth, linkages with the large enterprise sector, and function as models for other BEs." The basic project design included a Technical Assistance Fund (TAF), administered by the Contractor, to provide access to technical expertise and make it available to BEs. The "life-cycle" of the project has gone through three distinct stages: an initial implementation phase, a re-structured phase, and an institutionalization phase. This section provides a brief synopsis of these phases as a background.

After a series of protests and stop-work orders, full implementation of the project began in South Africa in April 1992 with the fielding of the Contractor's team. The first annual work plan, covering the period ending March 31, 1993, was written shortly thereafter and approved by USAID. The second annual work plan was drafted in April 1993 covering

the year ending March 31, 1994 USAID did not approve this second work plan. Rather, it asked that the document be withdrawn while the design of the BICSN project and its implementation experience were re-evaluated.

The Contractor initiated a reformulation of the BICSN strategy which focused on

- an analysis of the field implementation problems to date, including feedback from USAID, clients, and advice from the Policy Reference Group (PRG),
- the comparative advantage of the project relative to the diverse support infrastructure for business development assistance put in place in South Africa by advocacy groups,
- the need to "add value" to the process of business development assistance and not compete with other advocacy and agency groups,
- the unifying concept of BICSN as an "opportunity broker" for its clients,
- the need to seek for project interventions with high leverage or gear-ratio in order to achieve a high-multiplier for the technical assistance rendered and improve margins on the ratio of transaction value over administrative costs,
- a 90-day *interim* plan of high programmatic visibility (the U S Corporate Procurement, *pro bono* Mission was designed then) and the strengthening of internal accounting and management controls, particularly in view of the absconding of funds which occurred during the last quarter of 1992 and first quarter of 1993 under the previous field project management, and
- additional exploration of alternative project management structures, along a strong "product line" that would highlight the role of BICSN as a "front window" of a bank, as advised and recommended by the PRG

After the formal resignation of the former Chief of Party, USAID approval of the new field project director as Chief Operating Officer (COO) and arrival of the COO in South Africa, USAID requested the Contractor to conduct a thorough revision of the original project design and implementation experience in order to assess whether the contract objectives and project purpose were achievable. USAID and the Contractor, through its BICSN field team and with the assistance of external independent consultants, conducted a series of workshops beginning in mid-August 1993 to re-visit the original project design and prepare a project logframe--AID's standard project design methodology.

The consulting team reviewed the design and implementation experience of BICSN and wrote the project logframe for the project. The workshops explored intensively the diverse elements of a project logframe: the project goal, project purpose, project assumptions, project and contract objectives, project targets, means of verification, and observable indicators of achievement. In addition to writing the project logframe, the consulting team

arrived at the following main conclusions

- the original project design and contract objectives were sound and did not need to be changed,
- the lack of programmatic coherence and focus were problems of implementation, not of project design,
- properly directed, the project could achieve its purpose and contractual targets,
- the project needed to keep a sharp programmatic focus on assisting its core of high-potential Black enterprise clients (BEs) become viable competitors in the mainstream economy, not on transactions,
- all activities of the project, such as training, action research, fora, etc , needed to be responsive to this programmatic focus or project purpose,
- BICSN should concentrate its activities and technical assistance in areas complementary to those of existing advocacy groups by providing access, for example, to U S technologies and organizational know-how,
- the procurement component of BICSN, in particular, was an area where the project could make a substantive difference, and not simply a contribution, in the business environment for disadvantaged firms in South Africa,
- the operating procedures of the Technical Assistance Fund (TAF) component of the project needed revision to improve responsiveness to clients' needs,
- some forms of technical assistance to BEs should be codified into standard, modular "packages", and
- the project should work closely with other advocacy groups and provide value-added services not otherwise available to BEs

USAID's call for a re-examination of the BICSN design was prompted by two factors

- Plagued by personnel turnover, the contractor had not made the expected progress toward project goals, and
- USAID feared that the contract's emphasis on executing specified numbers of transactions would force a sacrifice of programmatic coherence

The re-examination of the project design resulted in the project's first logical framework. Consistent with BICSN's original design, the logframe called for BICSN to target

a small number of leading black-owned firms capable of competing in the mainstream economy. The logframe introduced two new themes

1. The project was to concentrate not on producing transactions but rather on assisting firms. "BICSN focuses on businesses rather than on transactions. The number of deals completed are side effects to the central purpose of achieving a permanent change in the performance of leading black enterprises."
2. Access to US business know-how was identified as BICSN's comparative advantage, making US know-how available to South African businesses was cited as its distinctive contribution.

The Contractor proposed a re-structure of the project along the following themes

A client focus provided by a new management structure along three line divisions that were accountable for implementation of the project's programs, i.e., Corporate Procurement, Growth, Mergers and Acquisitions, and Franchising. The program managers (BICSN's vice presidents) were the client's "relationship managers," responsible for pulling together BICSN resources, wherever they resided, for the benefit of the client.

The earlier project management organization, by contrast, mixed line and staff functions. The Technical Assistance Fund (TAF), for example, was given separate organizational identity, even though its role was to support line programs. This made it difficult to provide seamless service to clients as the program managers had difficulty placing TAF services at the clients' disposal.

Access to US business know-how The restructured project would more easily bring American experience and know-how to clients. Two of the three line divisions would have a senior expatriate member with extensive US business experience. Each would have links with leading associations and firms in the United States.

Capability of more sustained, more technical interventions The logframe called for concentration on a limited number of firms with the objective of nurturing the firms' health and growth. Interventions were to be more extended than those that would be undertaken if the goal had simply been achieving a certain number of transactions. The proposed restructuring called for a substantial upgrading of personnel so that project staff would be capable of providing the sustained, technical interventions required.

The **mission statement** of the project was re-defined as follows: *BICSN will contribute to a more equitable participation of blacks in the South African economy as owners, managers, and employees of healthy and competitive private-sector firms.*

The **objectives** of BICSN were *to help a core of high-potential black businesses to achieve accelerated growth and to compete in the mainstream South African economy. In so doing, these firms will function as models for other black firms.*

The **strategy** was to

- *promote interventions to link high-potential black firms to the large-enterprise sector of the South African economy,*
- *bring the expertise and the economic weight of large corporations to bear on the growth of black South African firms,*
- *promote American business models and know-how and make these available to South African black firms in an effort to sharpen their competitive advantages*

The **means of implementation** clustered around five areas

- Directing a greater share of the **procurement** by South Africa's major corporations to black-owned suppliers, making available the techniques forged for this purpose by US corporations,
- Creating opportunities for black companies to enter **partnerships and joint ventures with US firms engaged in trade or direct investment** in South Africa,
- Acquisition of **equity ownership through unbundling and restructuring** of South Africa's large enterprises,
- Increasing the flow of **commercial credit** to black firms,
- Opening **franchising** opportunities to black entrepreneurs through development of local franchises and encouragement of US franchisers to explore the South African market

Project Components

After the re-structuring, BICSN operated along three main divisions

- Corporate Procurement,
- Growth, Mergers and Acquisition, and
- Franchising and Licensing

Managers in charge of the divisions accessed TAF resources as needed to serve their clients. The mission, objectives, strategies, and means of implementation of each division are summarized below

Corporate Procurement

Mission To promote the growth and competitiveness of BEs (BICSN client firms) through the establishment of successful supplier relationships with South African private and public corporations

Objectives

- 1 Assist BEs in becoming reliable, competitive, quality suppliers of products and services

to South African corporations

- 2 Assist in the development and strengthening of procurement programs from disadvantaged businesses among South African corporations
- 3 Disseminate through the business environment the information, 'tools' and 'know-how' to induce successful, long-term, relations between vendors and disadvantaged businesses

Strategy

- 1 Work with South African corporations, service providers, and advocacy groups in the achievement of these objectives, seeking to add value and reduce transaction costs in the process
- 2 Provide access to the U S experience and 'lessons learned' on procurement from disadvantaged suppliers

Means of Implementation

- 1 Technical assistance provided to BEs by BICSN through Technical Assistance Fund (TAF) engagements of consultants, as agreed upon and required by BICSN and the BE
- 2 Preparation and dissemination of manuals and workshop training materials on procurement for vendors and suppliers, business plan manuals and skills for BEs
- 3 Targeted seminars, fora, and workshops offered through BICSN to client enterprises, corporate executives, and advocacy groups on procurement from disadvantaged suppliers to define problem areas, seek solutions, diffuse information, and provide skills
- 4 U S corporate internship program on procurement from disadvantaged suppliers offered to South African executives managing procurement from small firms within their corporations
- 5 Standard technical assistance packages on procurement targeted to vendors and suppliers
- 6 Close working relationships with a few corporations to develop and implement a "pull strategy "

Growth, Mergers and Acquisitions

Mission To promote the development and competitiveness of Black mainstream enterprises through equity ownership and joint ventures and, by drawing on appropriate U S models and experience, to improve access of BEs to commercial bank credit

Objectives

- 1 To promote growth of BEs through the provision of technical assistance to develop and carry out financial plans that are 'bankable'
- 2 To foster competitiveness of BEs through linkages with mainstream enterprises with advantages in product, process, and management skills
- 3 To develop Black majority equity and Black management skills in mainstream enterprises through selected corporate acquisitions
- 4 To assist high potential, selected Black consulting firms in developing skills in financial and legal structuring of mergers and acquisitions transactions
- 5 To support loan guarantee schemes, cash flow-based lending, and working capital lending offered on a commercial basis by assisting in loan pre-qualification and monitoring of BICSN client enterprises
- 6 To expose selected, progressive South African bankers to current U S banking practices in lending to disadvantaged businesses

Strategy

- 1 Develop working relationships with commercial lending institutions and programs, including loan-guarantee schemes, and assist in loan pre-qualification and loan monitoring
- 2 Develop working relationships with mainstream corporations willing to participate in joint ventures
- 3 Develop linkages with IESC, USSALEP and other donors' programs designed to provide management and industry-specific technical skills
- 4 Recover transaction costs of mergers and acquisitions through the operation of TAF as a revolving loan fund
- 5 Involve Black consulting and legal firms, teaming them up with mainstream firms as needed

Means of Implementation

- 1 Technical assistance provided to BEs by BICSN through Technical Assistance Fund (TAF) engagements of consultants, as agreed upon and required by BICSN and the BE
- 2 Workshops for BEs, carried out jointly with lending institutions and programs, on financial requirements for loan applications
- 3 Preparation and dissemination of sample templates and models of agreements,

- instruments, letters of engagement, business plans, and similar documents
- 4 Conferences, seminars, and case study workshops, organized jointly with mainstream firms, on joint ventures and acquisitions targeted to Black consulting firms and/or BEs
 - 5 Corporate internship programs, sponsored by other agencies and with which BICSN has developed relationships, for the Black management of newly acquired BEs to acquire industry-specific knowledge and skills
 - 6 BICSN participation in loan guarantee schemes and cash flow-based lending programs
 - 7 Corporate internships and programs on U S banking practices on lending to disadvantaged businesses

Franchising and Licensing

Mission To promote the development and competitiveness of Black mainstream enterprises (BEs) through franchising and licensing

Objectives

- 1 To develop BEs as mainstream franchisers in the South African market through the
 - systems development or 'engineering' of new franchise operations,
 - the 'conversion' of current black businesses into franchise operations,
 - the acquisition and support of international master franchise agreements
- 2 To identify and promote licensing agreements for products, processes, and technologies offering a competitive advantage to BEs
- 3 To assist Black consulting and legal firms in developing skills and expertise in franchising
- 4 To support programs and activities promoting entry of BEs as franchisees

Strategy

- 1 Leverage technical assistance through franchise systems development, conversions of existing BEs into franchise formats, and international master agreements to reach a large number of viable BEs, offering employment and equity opportunities
- 2 Promote entry and development of BEs and black entrepreneurs into franchising and licensing by developing working relationships with selected U S and South African franchisers, trade organizations, and licensors
- 3 Recover full transaction costs of franchise development (engineering and conversions) and licensing through the operations of the TAF as a revolving loan fund
- 4 Reduce transaction costs of franchise development through the use of short-term

student internships

- 5 Promote affirmative action plans and policies among FASA and RSA franchisers through exposure to U S associations' programs

Means of Implementation

- 1 'Manualization' of trading, systems, and procedures for franchise operations
- 2 Technical assistance on franchise and license development (feasibility, marketing, business plans, legal agreements, financial structuring, etc) provided to BEs and prospective BEs through the Technical Assistance Fund (TAF) engagements of consultants, as agreed upon and required by BICSN and the BE
- 3 Preparation and dissemination of sample templates and models of license and franchise agreements, manuals, business plans, financial structuring, and similar documents
- 4 Skills-based workshops for BEs, prospective Black franchisers, franchisees or licensees, carried out jointly with franchisers, trade groups, or lending institutions and programs, using sample documents described in #1 and #2, above
- 5 'Syndicated', largely self-sustained conferences, seminars, and fora to demonstrate licensing and franchising and disseminate information
- 6 Agreements with universities and similar institutions administering student internship programs

The Technical Assistance Fund (TAF)

Although the TAF was not a separate division, its mission, objectives, strategy, and means of implementations were also defined as follows

Mission To increase the competitiveness of Black enterprises by providing them with access to specialized technical expertise

Objectives

- 1 Develop BEs capabilities in key functional areas such as formulation and implementation of business plans, marketing, accounting, and management control systems
- 2 Engage consulting firms capable of delivering quality and cost-effective services to BEs in a timely fashion
- 3 Provide Black consulting firms with the access to 'know-how' and technologies to improve their competitiveness in the consulting services market
- 4 Leverage resources by managing the TAF along commercial, market-driven lines while

preserving its developmental nature

Strategy

- 1 Deliver intensive technical assistance to a 'core' set of BEs through repeated TAF consulting engagements
- 2 Invest in skills-based, replicable training materials to provide, *inter alia*, models for business and marketing plans, corporate capability and financial statements, and loan application documents
- 3 Develop linkages with, support, and assist local Black consulting firms with the potential to deliver quality and cost-effective services to BEs in the Transvaal, Cape and Natal regions

Means of Implementation

- 1 Develop and periodically update corporate profiles of BEs targeted and/or served by the project, to assist BICSN's marketing and evaluation
- 2 Adapt and/or develop and disseminate through workshops standard, modular, 'hands-on', skills-based, replicable business training packages and materials suitable for BEs
- 3 Implement TAF resource-leverage and cost-recovery of its direct contract engagements (contracts assisting or directly benefiting a BE) through
 - a flexible client co-payment scheme for TAF external, out-of-pocket expenses,
 - a revolving loan fund for full recovery of out-of-pocket expenses on mergers, acquisitions, franchise conversions and development,
- 4 Develop task-order system for consulting services with pre-qualified firms and through agreements with other advocates' programs

From the last Contract Amendment onwards, BICSN entered its institutionalization phase. Project work in the franchising component finished, as scheduled, in June 1995. The corporate procurement program ended its activities in August 1995 and the M&A component, since January 1996 directly under the management of the Chief Operating Officer is working on selected pending transactions.

Through the remainder of the anticipated end of the contract, 30 September 1996, the two remaining professional staff will concentrate on

- assisting the National Industrial Chamber (NIC), as the successor BICSN entity in the procurement program, in the start-up and implementation of its program,
- designing and attempting to start up a private equity fund to assist black entrepreneurs in gaining equity positions in mainstream firms,
- designing commercially-viable successor entities to assist black entrepreneurs gain equity and management experience in mainline businesses,

- effecting an orderly close down of the project

Purpose and objectives of the evaluation

The purpose of this evaluation is to perform an impact assessment of BICSN in terms of the revised project logframe achievement of the project purpose, the suitability of delivered project outputs, and adequacy and efficiency of inputs. Specific objectives to be fulfilled are

- 1 Examine the adequacy of the project design in relationship to the business and social environment in South Africa in order to summarize the 'lessons learned' and provide recommendations for possible future private sector development project designs,
- 2 Examine the implementation strategies developed by the Contractor and their effectiveness and suitability to the environment,
- 3 Document, for the record, the potential impact of the project

Team composition and qualifications

It is anticipated that to obtain the mix of talents and skills to carry out the terms of reference of this assignment within the proposed schedule, the team will require three persons from the U S and one team member based in South Africa

In addition to covering at least one of the substantive areas of evaluation, the Team Leader will have ample experience in the successful performance of similar assignments. He or she shall be responsible for coordinating team members' efforts to achieve the timeliness and quality of the deliverables specified herein

The composition and qualifications of the evaluation team members shall, in combination, combine the following areas of expertise

- documented experience in project monitoring and evaluation, impact assessment, and logframe methodology, with special emphasis in private sector development,
- documented professional experience in the franchising industry as a franchise developer, franchise company manager, or consulting services provider to private sector franchise systems,
- documented experience in any or several of the following areas merchant banking, investment banking, mergers and acquisitions, financial structuring, or venture capital,
- private sector experience in any of the following areas subcontracting, corporate procurement, corporate re-structuring, re-engineering of supply chains, etc
- knowledge of the business environment in South Africa,
- ability to conceptualize and excellent written and verbal communication skills

Indicative tasks

The evaluation team shall perform the following indicative tasks

Task 1 Documentary review and briefings

Prior to their departure to South Africa, the U S -based evaluation team consultants shall

- perform a review of project documents and materials available at the contractor's office in Washington, DC,
- obtain briefings from contractor and subcontractor personnel involved in the project,
- conduct selected interviews with individuals who have been involved with BICSN from U S -based organizations and corporations

The objectives of this task are for the team to become as familiar as possible with the project and to elicit and incorporate input from the contractor. The estimated level of effort for this task is 3 work days.

Task 2 USAID/SA briefing and input into the evaluation process

Upon arrival in South Africa, the U S -based team shall meet their South African counterpart team member, obtain briefings from the USAID Private Sector Chief and the BICSN Chief Operating Officer, and finalize the work schedule of the assignment. The team shall

- finalize the Terms of Reference of the assignment, as necessary,
- develop and submit a framework for the evaluation, including a set of proposed impact assessment indicators suitable for the project and the environment in South Africa (such framework should be responsive to the project logframe and be supported by clear, effective and efficient methodologies to evaluate the project activities and outputs in achieving the project purpose),
- develop and submit a detailed draft outline of the evaluation report,
- develop and submit a proposed work plan for the assignment, which shall include a list of prospective informants and/or interviewees, travel plans (if necessary), proposed dates for interim progress reports submissions, and date of presentation to USAID/SA of the draft evaluation report
- participate in a roundtable discussion on BICSN with the contracting officer, the Chief/Private Sector Office, the REDSO/Private Sector Officer, and the relevant Program Officer

USAID/SA will provide input to the team and, through the BICSN Project staff, supply assistance and logistical support. The team will have office space, secretarial and logistical assistance provided by the Contractor at the BICSN Project offices. The **deliverables** of this task are

- the detailed outline of the evaluation report which shall contain the framework for the evaluation, the impact indicators proposed, and the methodology to be used,
- a proposed work plan for the assignment, satisfactory to the requirements specified above

The estimated level of effort to complete this task is 4 work days.

Task 3 Data collection interviews, documentary analysis, "focus groups," etc.

The team shall implement its proposed evaluation methodologies, and collect the information necessary for impact assessment. It is expected that the team shall, at a minimum, conduct structured interviews with BICSN current and past client firms, project and client technical assistant suppliers (consultants), representatives of business organizations and financial institutions familiar with the project, selected BICSN Policy Reference Group members. The team may also elect to conduct focus group discussions with BICSN clients, as necessary.

The team shall also examine and analyze information contained in the BICSN client databases, progress reports, sample BICSN technical assistance contracts, program/training manuals, and the project training database to obtain additional information and quantitative indicators of operations and impact.

Estimated level of effort of this task is 10 work days.

Task 4 Interim progress reports

During its field work in South Africa, the evaluation team shall prepare and present to the USAID Private Sector Chief, or his designate, brief weekly reports on progress made, preliminary impact findings, methodological, design, and implementation issues that need discussion.

The **deliverables** of this task are the brief weekly progress reports submitted to USAID/SA. The estimated level of effort of this task is 2 work days.

Task 5 Presentation and discussion of draft evaluation report to USAID/SA

The team shall prepare, produce, and distribute copies of their preliminary evaluation report to USAID/SA and the Project team in advance of a presentation. The evaluation team shall present its main findings and recommendations to the Mission and incorporate comments and feedback provided to the team, if needed, in the final version of the report.

The **deliverable** of this task is the draft evaluation report submitted to USAID/SA. The estimated level of effort of this task is 3 work days.

Task 6 Preparation of final report and presentation to USAID/SA, USAID/W, and Contractor's home office staff

The evaluation team shall organize and deliver a presentation of their findings and recommendations to relevant USAID/SA and USAID/W officers. The major objective of the presentation is to provide feedback to USAID/SA and USAID/W on 'lessons learned' from the

BICSN project design and how to incorporate these in future designs for private sector development projects

It is highly desirable that, in addition to the written evaluation report, the team prepare a summary "electronic slide presentation" using commercially available software

The **deliverables** of this task are

- five copies of the final evaluation report submitted to USAID/SA,
- five copies of the report submitted to USAID/W,
- electronic copy of the report in a standard commercially available word-processing software,
- electronic copy of the "slide presentation "

The estimated level of effort of this task is 4 work days. The main contractor will be directed by the Mission to provide additional copies of the report to USAID information repositories, as well as provide additional copies to the Mission in South Africa

Summary of deliverables

The following is a summary of expected deliverables, their target audience and location

	<i>Deliverable</i>	<i>Target audience</i>	<i>Location</i>
1	Framework for impact assessment indicators	USAID/W & Chemonics	Washington, DC
2	Draft outline of evaluation report	USAID/SA	Pretoria SA
3	Draft work plan for field work in South Africa	USAID/SA	Pretoria SA
4	Revised framework & evaluation report outline	USAID/SA	Pretoria SA
5	Revised and detailed work plan	USAID/SA	Pretoria SA
6	Interim progress reports to USAID/SA	USAID/SA	Pretoria SA
7	Draft evaluation report & presentation to USAID/SA	USAID/SA	Pretoria SA
8	Final evaluation report & presentation to USAID/SA	USAID/SA	Pretoria SA

The final version of the evaluation report shall be also delivered in electronic form (HD, 3 5" diskettes), using a standard, commercially available word-processing package. Similarly, copies of "electronic slide" presentations shall also be made available

Summary of estimated level-of-effort

Exclusive of international travel time, a summary of the estimated total and per task level of effort is as follows

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<i>Evaluation Task</i>	<i>Estimated work days</i>	<i>Team members</i>	<i>Person/days</i>
Task 1	3	3	9
Task 2	4	4	16
Task 3	10	4	40
Task 4	2	4	8
Task 5	3	4	12
Task 6	4	4	16
Travel days	2	3	6
Totals	28		107

Projected schedule

The projected summary schedule of key activities to conduct the evaluation is as follows

<i>Key activity</i>	<i>Begin date</i>	<i>End date</i>
Task 1	29-Feb-96	1-Mar-96
Travel to SA	1-Mar-96	2-Mar-96
Task 2	4-Mar-96	7-Mar-96
Task 3	8-Mar-96	19-Mar-96
Task 4	20-Mar-96	21-Mar-96
Task 5	22-Mar-96	25-Mar-96
Task 6	26-Mar-96	29-Mar-96
Travel to USA	30-Mar-96	30-Mar-96

Logistics and support

The contractor offices in Washington, DC, and in Johannesburg, SA, will provide logistical support traveling arrangements, office space, access to computer facilities, introductions to parties, etc , as necessary

Selected list of relevant documents

These documents will be made available to the evaluation team by Chemonics prior to their Washington TDY

- BICSN Contract Scope of Work
- Chemonics Proposal
- Project Work Plans
- Project Logframe
- Project Progress Reports
- Project Bibliography

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