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FINAL REPORT
An Assessment of A.I.D. Assistance to the SADCC BUSINESS COUNCIL

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EXECUTIVE SUMMARY

A. OVERVIEW

A substantial growth in the influence of regional and national business associations in Southern Africa in coming decades seems virtually inevitable. The future of business institutions in the region is closely bound to the emerging power of the private sector. That power in turn is fueled by policy reforms, macroeconomic imperatives, growing reliance on market forces, the spread of democratic forms of governance, and an expected quadrupling of urban populations in Sub-Saharan Africa by 2025

The Agency for International Development has provided assistance to private sector business associations in the Third World because these associations can have a salutary influence of enterprise development and government policy and because private sector resources are often quite scarce at the time when the emergence of business associations could be of greatest benefit A I D 's assistance to business associations provides a means of leading a growth curve by responding with vision to felt needs

In other regions of the world, A I.D 's assistance to regional business associations has emerged from direct collaboration between business leaders and A I D regional Missions In Southern Africa, by contrast, the original initiative for the creation of a regional business association came from a public sector international body, the Southern African Development Coordination Conference (SADCC)[1], which worked with business leaders in the region to create a new institution representing enterprises, and it bore the name of SADCC Regional Business Council[1] from the start

A I D entered into a triangular relationship with SADC and the SADCC Business Council (SBC) as the new institution was about to be launched Working together has proved a difficult task for all three parties, particularly in the project's most recent years. There have been setbacks and disputes which will require patience and understanding to overcome. Nevertheless, A I D 's funding of the SADCC Business Council has helped to create a platform from which more effective efforts at regional business association can be launched. Such efforts will require renewed mutual commitments by each of the parties in order to succeed.

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[1] In August, 1992, the Southern African Development Coordinating Conference (SADCC) became the Southern African Development Community (SADC), a treaty organization In November, 1992, the SADCC Regional Business Council (SRBC) changed its name to the SADCC Business Council (SBC), retaining the original "SADCC" but dropping "Regional " To avoid confusion, we have used the new acronyms, except in quotations and at points in the text where the use of an old name is clearly required for accuracy

B THE PROJECT ENVIRONMENT

A number of circumstances converged to make this project a particularly difficult one for USAID/Zimbabwe to manage, including

- The unique three-way relationship between SBC, USAID/Zimbabwe, and the SADC Secretariat
- SADC's "exclusive distributorship" as a channel for U S foreign aid (supported by Congressional earmark) which provided significant leverage to the SADC Secretariat in its dealings with USAID/Zimbabwe
- A general cooling in the relationships between USAID/Zimbabwe and the SADC Secretariat in 1991 and thereafter
- The presence of an institutional history in which the business community had "bonded" to SADC rather than to A I D
- The absence of an A I D project design
- The presence of a well-considered SADC project design
- The reassignment of USAID/Zimbabwe's SADC Liaison Officer (project manager for the SBC sub-grant) from Botswana to Zimbabwe at a critical stage in the project
- The shift of project management responsibilities to an executive with other pressing duties in USAID/Zimbabwe Mission
- The remoteness of USAID/Zimbabwe from SBC and the SADC Secretariat in Botswana
- Insufficient consulting support for the SBC staff
- The split within the Southern African region engendered by Zimbabwe's "large firm, large business association" image and the "smaller firm, smaller business association" images attached to most other countries in the region
- A perception that SBC was principally interested in the "smaller firm, smaller business association" matters, rather than all business interests in the region
- Differences in Mission objectives for the project and perceptions of SBC performance before and after early 1991

Many of these difficulties affected the SADC Secretariat and SBC as well, but in different ways The SADC Secretariat was the primary originator of SBC and felt itself responsible for SBC's performance under the terms of the grant agreement with A I D It had entered into a set of mutual undertakings with the region's business community and felt obligated to them as well It saw SBC as an instrument of the enterprise community that had been founded to work in the SADC region with SADC as an institution It had a different view of what "independence" meant for SBC than did USAID Zimbabwe

SBC felt caught in a war between giants It viewed SADC as a strong public sector institution in a region in which the public sector is not to be trifled with It knew of SADC's enviable record as a regional grantsman It also knew that SADC's initiative in setting up SBC had given a form of recognition and status to enterprise in the region which had not been accorded to business in the recent past By the same token, SBC's money was coming from USAID/Zimbabwe It knew USAID had not been a passive donor, having seen both carrot and stick SBC knew it needed both its "parents" to survive and did not want to choose between them if it could avoid doing so

C THE ASSESSMENT IN BRIEF

In 1991, Mission management examined the sub-grant to SBC and made three basic judgments

(1) the status quo was not satisfactory,

(2) substantial change was required, and

(3) the Mission should take actions required to make needed changes happen

The Assessment Team agrees with the first two of these judgements, and with the remedial intent of the third But when the Mission did take action, the real-world outcomes suggest that the parties were going through the lower end of a learning curve in their dealings with each other In this, the three institutions joined company with numerous other A I D Missions and private sector organizations around the world that have experienced serious difficulties in their relationships in early project years

The history of this project underlines a worldwide lesson almost all business associations working with A I D are destined, sooner or later, to struggle with their benefactor The greater their sources of independent support, the more intense the struggle can be In contrast with implementing institutions whose purposes and operating styles are essentially designed to fit in with donor culture and expectations, business organizations often prove very difficult for A I D personnel to understand and to handle The great advantage of business association projects is that they can provide a lever on the real world, aligning private sector initiative and resources with A I D objectives But managing these projects can be time consuming projects and distressing A I D 's lever on the real world in fact operates in both directions

The views of the Assessment Team on the principal issues of concern are as follows

1 Project Performance

SBC, the SADC Secretariat, and USAID/Zimbabwe together have made a modest start on establishing a regional business association in Southern Africa SBC's past performance has been average at best and well short of the potential of a business association in the region

The principal reasons that SBC has not been able to achieve its full potential are as follows

- SADC/SBC recruited as its Executive Director a person who lacked the regional stature and in-depth experience normally found in the chief executive of a regional business organization

- The SBC staff did not receive the sustained guidance, high-level technical assistance, and moral support it required for successful performance This treatment contrasts sharply with the attention and support given to regional business associations which USAID has funded in other parts of the world

- SBC and its Executive Director have been caught between the conflicting instructions, priorities, and objectives of important SBC "constituencies", particularly those of USAID/Zimbabwe and the SADC Secretariat

- The SADC Secretariat, USAID/Zimbabwe, and SBC have been locked into a too-tight and overly rigid mutual embrace An orderly and gradual process of disengagement from an unsatisfactory three-way marriage is now appropriate

2 Need for a Basic Restructuring of Relationships

This project requires a basic restructuring of the relationships among the three parties That is a substantial undertaking, requiring each party to determine whether it is worth while to continue in the relationship and, if so, how USAID can start this process by acknowledging that its own objectives have changed, by laying out its requisites for providing future support of regional business associations in the region, and by funding a process that will enable each of the others to develop and present their own positions effectively

3 Need for "Super-Board" Norms of Behavior

The Executive Director of SBC has had to deal with the equivalent of three Boards of Directors, his own Governing Council, the staff of the SADC Secretariat, and USAID/Zimbabwe If these institutions are considered as members of a "Super-Board," it has been a governing establishment operating without the sense of collective responsibility The "Super-Board" members have acted unilaterally when instead they should have acted

collaboratively -- discussing decisions affecting the association together as equals, and giving due consideration to the long-term interests of the business association If the tripartite structure of the project is to continue, all parties should address important issues collectively and seek to carry discussion to the point of agreement, if there is any reasonable way to do so At a minimum, each member of the Super-Board should owe the other members full opportunity to consider in advance important actions affecting the future of the association which one party proposes to undertake unilaterally

4 Actions on Key Personnel

Selection of personnel, particularly of an Executive Director, is critically important to the future of the association In 1989, the SADC Secretariat chose an Interim Executive Director, knowing full well it was likely that he would be selected to occupy the post on a permanent basis That critical choice, made at the start, should have been thoroughly reviewed by all three parties before it was made Such review would have strengthened the position of the chief executive staff officer from the beginning and established a tradition of collaborative "Super-Board" responsibility that would have served everyone well in times of difficulty

In 1991, USAID/Zimbabwe made a judgement that the Executive Director had not been performing well The Assessment Team believes the Mission did not apply its own performance standard properly and that its judgement was incorrect according to that standard Had "Super-Board" norms of behavior been observed at the time the Mission was considering its action in this matter, an error of this kind would have been far less likely to occur

Approval of key personnel and personnel actions affecting them is an appropriate function for a "Super-Board" as is consideration of standards which should apply in the selection and compensation of business association personnel

5 Work Plans

A provision included in the July-August 1990 Grant Agreement Amendment gave the Mission the right to concur in SBC annual work plans submitted to the USAID/Zimbabwe SADC Liaison Officer through the SADC Secretariat This concurrence was to provide an additional measure of objectivity and review before funds were committed to activities in any given year Extended delays in SADC reviews of SBC work plans and USAID/Zimbabwe's linking of a long delayed work plan to strategic planning requirements, misused the work planning process and adversely affected SBC

6 Support

The SADC Secretariat passed responsibility from one overburdened staff officer to the next, limiting both continuity and responsiveness of oversight At the same time, the Secretariat's staff became overly involved in the details of SBC's operation USAID/Zimbabwe withdrew its SADC Liaison officer from Botswana at a critical juncture after he had established

a very good working relationship with the Executive Director Thereafter the Mission devoted only modest resources to oversight Neither the SADC Secretariat nor USAID/Zimbabwe nor SBC's own governance structure focussed sufficiently on the business association's need for consulting support or on the Executive Director's need for a program of professional development The modest resources devoted to consulting support contrast sharply with A I D practice in rendering assistance to regional business associations in Central America and the Caribbean Creating a program of professional development for an Executive Director is a recommended practice in the United States, and it is one which should have been given substantial attention at the outset of this project

D CHOICE AMONG ALTERNATIVES

The Assessment Team identified six principal alternatives concerning future USAID/Zimbabwe support of business associations

ALTERNATIVE ONE	USAID/Zimbabwe would terminate the Sub-Grant at its presently scheduled completion date (PACD) and provide no further support to business associations in the region
ALTERNATIVE TWO	USAID/Zimbabwe would provide a limited amount of assistance to SADC to enable the Secretariat Staff to work directly with the business community
ALTERNATIVE THREE	USAID/Zimbabwe would fund A I D assistance to national and regional business associations through the International Executive Service Corps (IESC) and/or Center for International Private Enterprise, associated with the U S Chamber of Commerce (CIPE)
ALTERNATIVE FOUR	USAID/Zimbabwe would provide regionally- oriented bilateral support to business associations in Zimbabwe and encourage other USAID Missions in the region to provide similar support in each country
ALTERNATIVE FIVE	USAID/Zimbabwe would provide targeted assistance to SBC in the context of certain preconditions needed to effect major changes
ALTERNATIVE SIX	USAID/Zimbabwe would support the establishment of a new regional private sector business association whose core services would be financially self-sustaining from the start

With the exception of the first alternative, these choices are by no means mutually exclusive In theory, at least, alternatives TWO through SIX could be pursued simultaneously

The Assessment Team prefers one or more of the alternatives that will keep some form of regional association for Southern Africa alive In all probability, this will require a process of renegotiation, redesign, and "re-bonding" Such a process should take place in an atmosphere which encourages frank interchange and the rebuilding of mutual trust If, however, the parties cannot agree on the major changes needed to establish an effective regional association, the sub-grant should be brought to an end in a way that permits SBC reasonable opportunity to pursue alternative sources of funding

Eventually more than one regional business association will be required in Southern Africa More than one channel for distributing donor funds to business associations also would be highly desirable Limiting the region to a single business association or a single channel for funds tends to promote struggles over which elements of a diverse business community are to control that single association Donors could be drawn into the resulting contention Zimbabwe provides a national example of a system of loosely configured alliances among business associations which could serve as a model for the region With more flexible arrangements in place, donors could stand somewhat above the fray, giving positive support to those regional associations whose objectives are compatible with their own at any given point in time

Above and beyond the choice of means, stands the great potential of business associations to contribute to the region at a critical juncture in its development What counts is fulfilling that potential The key question for all concerned is not so much who funds or who "owns" Southern Africa's business associations, but rather how these institutions can best be readied to grapple with the difficult problems the region faces now and will surely face in the future

Chapter 1

INTRODUCTION

A ASSESSMENT BACKGROUND

This report provides an assessment of assistance to the SADC Business Council (SBC)[2] which A I D is funding through the Southern African Development Community (SADC) [3] The assessment was carried out under Delivery Order Number 26 of IQC Contract Number PDC-0095-I-00-9096-90 between the Agency for International Development (A I D) and Louis Berger International, Inc (LBII)

SBC is an apex regional business association, the members of which are umbrella national business associations in each of the ten SADC states [4] Nine of the SADC states (all but Botswana) also are members of the Preferential Trade Area (PTA) [5] PTA has its own apex regional business association, the Federation of Chambers of Commerce, Industry, and Agriculture (FCCIA) There presently is a degree of overlap between these two regional apex organizations FCCI A has voted to merge with SBC In December, SBC completed an Options Paper which, among other things, analyzed the pros and cons of merger

The principal purpose of this report is to provide advice to the United States Agency for International Development Mission in Zimbabwe (USAID/Zimbabwe) concerning decisions it may make in the future concerning assistance to SBC A I D funding is channeled to SBC by

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[2] In November 1992, the name of the SADCC Regional Business Council was changed to SADCC Business Council (SBC) In this report, the newer acronym "SBC" is used except in quotations and at points in the text where the use of an old name is clearly required for accuracy in meaning Note that while SBC has dropped "Regional" from its name, it has retained the acronym "SADCC" in its name, rather than using the more current "SADC"

[3] In 1992, representatives of the ten States constituting the Southern Development Coordinating Conference (SADCC), signed an agreement establishing the organization as the Southern African Development Community (SADC) In this report, the new acronym "SADC" is used except in quotations and at points in the text where the use of an old name is clearly required for accuracy in meaning

[4] The ten SADC member States are Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia, and Zimbabwe

[5] PTA has 21 member states

means of a sub-grant to SADC [6] From the viewpoint of the Zimbabwe Mission, the SBC activities funded by the sub-grant are a part of the Mission's Southern African Regional Program (SARP) and, more particularly, of its regional private sector program

The assessment was carried out by Harvey A Lerner (Team Leader) and James S (Jason) Brown (Senior Consultant) of Louis Berger International, Inc , with research assistance from Barbara Phillips of LBII Mr Lerner and Mr Brown participated in field surveys in Southern Africa Brief descriptions of the authors' backgrounds are contained in Appendix 2

B ORGANIZATION OF THIS REPORT

This report has an Executive Summary, eight chapters, and eleven appendices

The Executive Summary summarizes the background, worldwide experience, history, alternatives, conclusions and recommendations

Chapter 1 (the present Chapter) provides an introduction to the report

Chapter 2 describes the institutional context of the project

Chapter 3 provides an issues-oriented history of USAID/Zimbabwe's sub-grant to SADC for SBC

Chapter 4 summarizes of lessons learned from world-wide assistance to regional business organizations

Chapter 5 contains an assessment of the project issues

Chapter 6 discusses issues affecting the Mission Regional program and provides suggestions of the Assessment Team concerning the private sector portion of that program for consideration by USAID/Zimbabwe

Chapter 7 identifies alternatives concerning the future of SBC and international assistance to the organization

Chapter 8 presents the Assessment Team's principal conclusions and recommendations

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[6] Formally, this report represents an assessment of the SBC Sub-Grant Component of SADC Technical Support Grant 690-0215 33

This report has ten appendices as follows

Appendix 1 List of Acronyms

Appendix 2 The Assessment Team

Appendix 3 Issues for Consideration by the Assessment Team

Appendix 4 List of Persons Contacted

Appendix 5 List of Assessment Team's Initial Premises/Hypotheses

Appendix 6 July-August 1990 Grant Agreement Amendment

Appendix 7 Private Sector Projects in the SADC Region

Appendix 8 Mission's Draft on Project Chronology and Background

Appendix 9 SBC Performance Chronologies

Appendix 10 Worldwide Assistance to Regional Business Associations

C OBJECTIVE OF THE ASSESSMENT

The objective of this assessment is to examine the effectiveness of SBC in meeting the objectives of the A I D sub-grant to SADC and SBC's own mandate More specifically, the assessment is to

- Provide detailed guidance to USAID/Zimbabwe as to the nature, scope, and level of assistance to SBC for the remaining life of the sub-grant, and for any other assistance that might be contemplated

- Provide guidance, through USAID/Zimbabwe, as to appropriate modifications of SBC activities in the areas of organization, membership relations, programming, fund-raising, and implementing activities, without reference to source of funding

- Provide guidance to USAID/Zimbabwe as to the need for and nature of assistance to regional associations serving the private sector in Southern Africa

- Provide input into the development of an A I D Southern African regional private sector strategy, which specifically analyzes regional initiatives

An Annex to LBII's Delivery Order contained a list of twelve issues raised by USAID for consideration by the Assessment Team This Annex is reproduced in Appendix 3 of the present report

D METHODOLOGY

Work on the assessment was initiated in mid-August, 1992 with a review of assistance to regional business associations elsewhere in the world The findings of evaluations of two key A I D projects which provided support to the Caribbean Association of Industry and Commerce (CAIC) and Federation of Private Entities for Central America and Panama (FEDEPRICAP) were updated through telephone interviews Donor support to other regional business associations and activities also was briefly investigated

A field survey was undertaken from August 21 through October 9, 1992 with visits to Botswana, Malawi, Tanzania, Zambia, and Zimbabwe Discussions were held with business people and business association officials from several other countries during the course of a regional conference held in Zimbabwe in late September, including persons from Lesotho, Mauritius, Mozambique, Namibia, and South Africa

The Team's field work started with an orientation in Harare An initial review of Mission files was conducted and a work plan and outline of the assessment report were submitted A briefing for USAID/Zimbabwe officials, held in late August, examined principal lessons learned from A I D assistance to other regional business associations, the Team's initial premises and hypotheses concerning the subject matter of the study, and its plans for carrying out country studies Appendix 5 contains the list of initial premises and hypotheses distributed at that meeting

The Team returned to Harare from visits to other countries during the third week of September During its field visits, the Team met with all members of the SADC professional staff, except the Executive Secretary, met with all the SBC professional staff and most of the SBC Council members, as well as a large number of businessmen A post-field survey briefing was held for Mission Director Morse and Office Chief Buckles shortly after the completion of these visits At this briefing, the Team presented its preliminary conclusions concerning the underlying problems faced by SBC It identified five alternative solutions and its preferred solution at that time Thereafter, as a result of Mission suggestions, the Team undertook a more intensive review of the files Preliminary findings based on this review and a detailed Project History containing extracts from the files which the Team believed to be pertinent to assessment issues were submitted to the Mission in late September

A summary assessment including the Team's recommendations, conclusions, and findings was submitted to the Mission shortly before the departure of the Team from Zimbabwe, together with a revision of the Detailed Project History An exit briefing for Mission Director Morse,

Office Chief Buckles, and the Project Manager, Donald Greenberg[7] was held at the end of the first full week in October

Upon the return of the team to Washington, the team cross-checked its work by means of telephone interviews with persons in the United States who had pertinent experience with the project and its context Further research was carried out and a Draft Final Report was prepared A copy of the Draft Final Report was submitted in early January, 1993 Louis Berger International received extensive Mission comments during the first week in March, 1993

E ACRONYMS

Because this assessment refers to business and other organizations in several parts of the world, the list of acronyms used is very extensive A full list of acronyms is contained in Appendix 1

In August, 1992, representatives of the ten member States of the Southern African Development Coordination Conference (SADCC) signed a treaty which would transform SADCC into the Southern African Development Community (SADC) In November, 1992, the SADCC Regional Business Council (SRBC) changed its name to the SADCC Business Council (SBC) **The reader thus should be aware that "SADCC" and "SADC" refer to the same organization and that "SRBC" and "SBC" also refer to the same organization**

[7] Mr Greenberg's formal title is that of "Trade and Investment Advisor"

Chapter 2

INSTITUTIONAL CONTEXT

A INTRODUCTION

This Chapter provides three brief perspectives on the institutional context of the project Section B recounts the origins of the institution now called the Southern African Development Community (SADC) Section C describes the business community in Southern Africa Section D deals with the history of business organizations in the region

During the historical periods prior to its name change, the original acronym, SADCC (rather than the current acronym, SADC) has been utilized to identify this organization in this Chapter

B SADCC BACKGROUND

In the late 1970's the Presidents of the "frontline states," Angola, Botswana, Mozambique, Tanzania and Zambia worked as a group to support the end of apartheid in South Africa and independence for Namibia and Zimbabwe [8] As the independence of Zimbabwe was achieved, a larger group of states in the region was organized Their objective was to reduce their economic dependence on South Africa as well as support achievement of majority rule throughout the region

In July, 1979, at Arusha, Tanzania, the heads of state and government from nine countries gathered to further explore this concept In April, 1980, they officially inaugurated Southern African Development Coordination Conference (SADCC) Its four objectives, as then enunciated in the Lusaka Declaration were

- a reduction in economic dependence, particularly, but not only on South Africa,
- the forging of links to create a genuine and equitable regional integration,
- the mobilization of resources to promote the implementation of national, interstate and regional policies, and
- concerted action to secure international cooperation within the framework of SADCC's strategy for economic liberation

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[8] The Presidents were Sir Seretse Kharma of Botswana, Julius Nyerere of Tanzania, Samaora Machel of Mozambique, and Kenneth Kaunda of Zambia Sir Seretse Kharma led the group

A central objective of SADCC at that time was increased development among the Southern African countries, individually and collectively New channels for trade and sources of investment were sought But the administrative organization was to be kept slim A brochure on SADCC describes the approach as follows

> Because the African political landscape is littered with the past debris of failed regional efforts, the founding fathers of SADCC knew that wholly new approaches would have to be devised for crafting their economic initiative One part of this new approach, which was to prove central to future success, was to build pragmatically and incrementally upon projects of demonstrated utility Thus the SADCC organization is not a garden variety supranational organization SADCC has only a small rudimentary staff [9]

SADCC was structured around nine technical units, each one headquartered in a member country Between annual meetings of the Council of Ministers' Consultative Conference, these units pursued their respective agendas by networking with counterparts in other member countries

During the past eleven years, SADCC has mobilized $3 5 billion from donors to advance the implementation of regional priorities In 1981 USAID began the Southern Africa Regional Program (SARP) In 1986, the U S Congress passed the Comprehensive Anti-Apartheid Act In the context of passage of this bill, bipartisan support for assistance to Southern Africa and, SADCC in particular, increased In December, 1987, Congress appropriated $50 million for SADCC Since then, Congress has appropriated $50 million each year for SADCC programs To date, the United States has provided $313 million to SADCC through SARP

SADCC's most important area of activity has been the rehabilitation and further development of the railroad and road networks in the region SARP's assistance has concentrated on this sector Other areas of USAID support have been agricultural research (through the Southern African Center for Cooperation in Agricultural Research) and training and education (through SADCC's Regional Training Center in Swaziland)

C THE BUSINESS COMMUNITY IN SOUTHERN AFRICA

The number of persons engaged in business may be regarded as a function of population growth and urbanization to a significant degree On the basis of World Bank population projections for nine of the ten SADC countries (Swaziland not included) the region's population will grow from 83 million in 1990 to 205 million in 2025, substantially more than double the 1990 population The Bank projects a similar rate of growth for Sub-Saharan Africa as a whole

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[9] Coralie Bryant, Southern African Development Conference (USIA, 1988), p 3

As shown in the chart on the following page, the Bank's projections show that urban populations in Sub-Saharan Africa will more than quadruple during the same period [10]

The composition of regional business in Southern Africa has changed rapidly over the last quarter century While specific circumstances differ substantially from place to place across the region, some generalizations are possible

- The management of larger companies has become more ethnically diverse in many countries where once it was almost exclusively white, Indian and Arab,

- The structure and ownership of medium-to-small scale business is quite broad in many countries, both ethnically and economically,

- There has been a very large upsurge of largely self-financed small/micro African entrepreneurs, 40-70% of whom (depending on the country) are women

- Increasingly, farming cannot provide the full income needed by a family and some part of family income (varying from 20% to 80%, depending on the country) must be earned from business

In these circumstances, an increasing proportion of the total population of the region can be expected to be engaged in business activities of some type during their lifetime The emergent business "community" is ethnically, economically and socially diverse There are enormous differences in scale, function, structure and markets which characterize the firms Individual perceptions of problems, needs and priorities are not necessarily compatible, at least not without a good deal of give and take

As the business community will be an increasingly important part of the electorate in Southern Africa, political leaders will have to attempt to find the common ground with and among them However, since the business people themselves will often have relatively little in common with each other, much less with government, this will be no easy task Business organization will increasingly emerge in the region to help find common ground among business people and to play an intermediation role between the public and private sector

Although there are some businesses with deep roots and great sophistication in the region, many people interviewed by the Assessment Team speak of themselves as relative novices in the world of business Again and again, the Assessment Team met people who had been only a few short years in business and whose parents and friends would not previously have considered a business career These emergent business people can obtain little support from their community, either in terms of experience or financing Emergent business people are experiencing the typical ups and downs which characterize the process of learning to be successful in business

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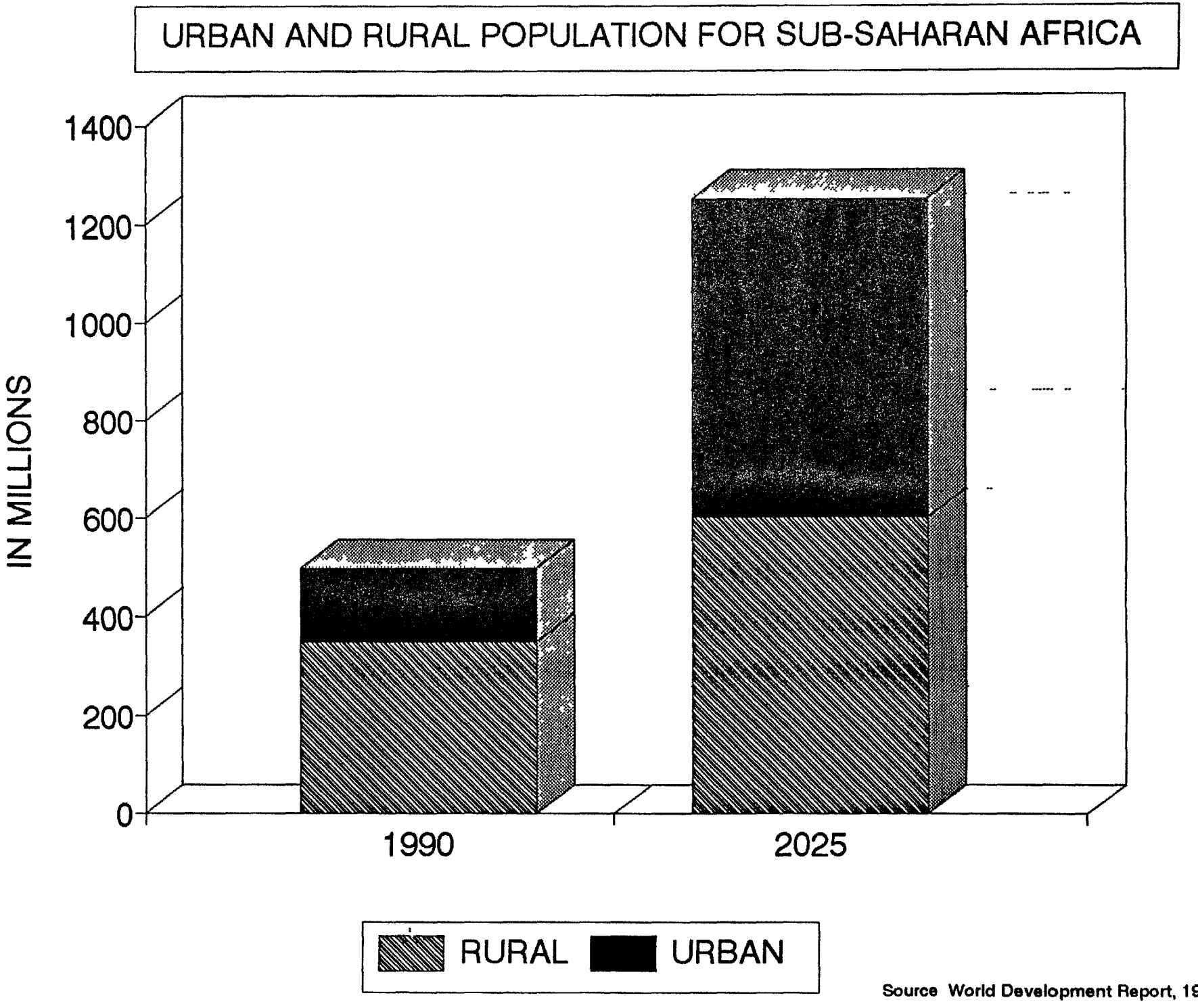
[10] World Development Report, 1992, pp 28, 268-269



Source World Development Report, 1992

In the United States, four out of five businesses fail in the first five years One can not reasonably expect the statistic to be much better in Southern Africa

Many of these people are struggling in the context of considerable adversity Their markets are often small and fragmented Not only are their financial resources limited, but their technical and managerial skills and information are extremely restricted Facing enormous problems and uncertainties, many of these business people are very unsure of themselves and their prospects

To add to their problems, many business people view their governments as determined to make things difficult for them The typical government official, they feel, seems bent on controlling and constraining rather than facilitating and supporting their activities

A reaction which one can expect in such circumstances is for the business community to become increasingly defensive and rigid And traditionally, there has been a good deal of rigidity and conservatism to business operations in Southern Africa Many businesses, especially in the politically unfavorable climate of the immediate past, have preferred to keep a low profile, innovate as little as possible, and wait for events to unfold

Perhaps because of the increasing adversity faced by business in recent years and perhaps also because of the many new entrants to business activities, bringing in fresh (if unsophisticated) ideas, a surprising number of the business people that we met are taking an outward-oriented and innovative outlook toward their business activity They are looking for new ideas from whatever direction they might be obtained

There is a keen interest in learning and in using the resources that are increasingly being made available in Southern Africa from a variety of sources When services are viewed as relevant to solving problems, they are being quickly utilized

The objective of business is to make money In this, Southern African business is no different than any other region of the world However, Southern African business is confronted by constraints which are much more severe than in many other parts of the world The Team's interviews indicate that the business people in Southern Africa are increasingly aware of the larger problems that have to be solved if their enterprises are to continue to grow and make money

Partly because of the more favorable political environment and the resulting room to maneuver that is emerging, business people are starting to think that they are, perhaps for the first time in many years, in a position to do something about the policy framework in which they operate

The result is that a growing number of business people are taking advantage of and actively participating in the increasing numbers of meetings, workshops and other vehicles that are emerging which offer them the opportunity to exchange ideas and seek common ground with

others They are talking and they are listening They are exploring the possibilities of regional trade and they are articulating their desires to reduce the barriers to travel across the region's borders

But there also is a tentativeness about all of this, the sources of which are several fold First, the very new entrepreneurs lack financial resources to commit to business organizations and advocacy Their participation in association activities usually requires some source of cross-subsidy or external support Their numbers promise significant political and economic potential once they are organized But the costs of organization are for them relatively high, while the payoffs are most uncertain Second, some firms have established relationships with their governments which yield them advantages which they would be loath to give up in return for what they may view as ephemeral advantages Third, some firms, ethnic groups, and individuals have received ill-treatment from their governments in the past and bear legacies of fear and distrust Fourth, the growing acceptability of South Africa in the region and the talk of regional integration raises questions concerning the prospective viability of businesses which have grown up behind trade barriers or which have prospered as a result of confrontation with South Africa

Unfolding events in South Africa project their images far to the North It is conceivable the region may experience a vicarious kind of second independence The relationships between government and business that emerge as South Africa's new multi-racial leadership comes to power could set a pattern for the region One could imagine that a movement not unlike that of the revitalized CAIC in the Caribbean (described in Appendix 10 of this report) could take shape in the SADC region once the dust has settled to the South However, it also is conceivable that no such movement will be able to gain substantial commitments of the funds and time of the large firms in the SADC region until a good many corporate home offices in South Africa, in London, or elsewhere decide that the time is right

D BUSINESS ORGANIZATIONS IN SOUTHERN AFRICA

Business organizations have well established roots in the region National chambers in Zambia, Zimbabwe and Tanzania can claim a long heritage Other private organizations representing business interests in the region have also been in existence for a considerable period Farmer's unions, cooperatives and ethnically-based business organizations, are well established in several countries

These organizations have much in common in the functions which they perform for their members

- Provide mechanisms through which to exchange views and information (including the newest technical information),
- Provide mechanisms for identifying and attempting to solve common problems,
- Provide mechanisms through which to voice common concerns to government

After independence, the fortunes of most of these organizations were closely tied to the attitudes of the new governments Some governments (notably Tanzania, Zambia, Angola, and Mozambique) initially viewed them as representing the interests of the old entrenched white or Asian minorities As a result, their influence generally waned In other countries, business organizations survived the transition to independence While some of them were weakened for a time as they adjusted to requirements to broaden their membership bases, a number emerged from this period with new strength Among these were organizations in Zimbabwe, Malawi and Namibia Yet others were able to mold themselves to the new political realities from the beginning BOCCIM in Botswana fits this mold and has been able to emerge as one of the strongest business organizations in the region

In the late 1980's as attitudes toward business began to change for the better, business organizations in Zambia and Tanzania, which had experienced earlier difficulties, began to re-emerge and struggle to find an identity in the new political, social and economic environment This has not been an easy task for them for several reasons

- It remained unclear what role political leadership would allow them to play in an emergent Southern Africa,

- The business community was far more ethnically, economically, and functionally diverse than the old one of colonial days and business people often viewed themselves as having less in common,

- The new business leadership, after long abeyance in the dynamic use of these organizational structures, often had little experience with the forms and functions of business organizations

- In many cases, political leadership was as interested in the <u>appearance</u> of business input as they were in genuine business participation

During the 1980's, business leaders adapted their involvement in business associations to individual national circumstances The nominal reasons for this were the same that had led to the creation of the original business organizations they wanted and needed a voice The reemergence of business organizations was encouraged by the recognition of the more progressive political elements in the region that having a business input to political decision-making was becoming increasingly important These political elements supported the emergence of national and regional business organizations and gave them forums through PTA/FCCIA and SADCC/SRBC

Both the political and business leadership in Southern Africa recognize the fundamental fact that once the decision was made to build the future on the basis of a strong business community, that business community would have to be organized There are two reasons that organization was inevitable

- So that the public sector would have a vehicle with which to communicate with the private sector, and

- So that the private sector could solve those problems, whether public or private, that extend beyond the purview of a single firm

Responding to the new economic urgencies, PTA and SADCC recognized the need for the private sector to have a voice at an early date It was for this reason that these two organizations, with the support of the more dynamic elements of the public sector at the national levels, supported formation of FCCIA and SRBC It was for this same reason that the few business leaders then active in the region supported that initiative and have continued (despite disillusionment on the part of some) to support development of the national and local-level organizations which must serve as a key element of business development in the region

PTA established the Federation of Chambers of Commerce, Industry and Agriculture (FCCIA) Under its wing, FCCIA was both to assist local chambers in their development and to provide a vehicle for developing both national chambers and FCCIA as vehicles for encouraging trade

The SADCC Secretariat's conception was the establishment of National Business Councils (NBCs) in each country, which would be apex organizations, articulating a national consensus on key policy issues The assumption of this approach was that such a single apex body would make it both easier for SADCC to communicate with and understand the point of view of national-level business and easier also for national-level business to find a common point of view

Chapter 3

PROJECT HISTORY

A INTRODUCTION

This Chapter provides an issues-oriented interpretive history of the SBC sub-grant The project history has been a very complex one, and there are many subjects of controversy While the account contained in this chapter attempts to interweave several viewpoints presented to the Assessment Team, it should be noted that there are significant differences of opinion among those concerned as to what subjects are important and concerning what details are relevant and accurate

During the historical periods prior to its name changes, the original acronyms, SADCC (rather than SADC) and SRBC (rather than SBC) have been utilized to identify the two organizations in this Chapter

Seven substantive sections of this chapter deal with the following subjects

Section B	The formation of SADCC Regional Business Council and USAID's/Zimbabwe's initial funding of SRBC
Section C	SRBC's objectives and evolving relationships among USAID, SADCC, and SRBC
Section D	Project support provided by Mission personnel and consultants
Section E	Appointment of Dr Bbenkele as Executive Director
Section F	Work Plans
Section G	Views of SBC performance

A short chronology of the project, prepared in draft by USAID/Zimbabwe, is reproduced in Appendix 8 to this report

B THE FORMATION AND INITIAL USAID FUNDING OF SRBC

This section discusses the process by which SRBC was organized, SRBC's objectives, a related USAID "umbrella" project then being designed by USAID/Zimbabwe, and A I D 's initial funding of the project through a sub-grant to SADCC

1 The SADCC/Secretariat's Organizing Role

A SADCC Industry and Trade Coordinating Division (SITCD) was established in Tanzania as part of the formal SADCC structure in 1980 However, it was not until 1983 that concerns with industry and trade assumed a prominent place on SADCC's agenda A paper on these subjects presented to the 1984 Annual Consultative Meeting was criticized by delegates because of the authors' failure to consult with the private sector, despite the fact that the bulk of industrial investment which it projected clearly would have to be sought from this source

Given the increasing recognition of the importance of the private sector to economic development in the region, the SADCC Secretariat came to believe that it needed some sort of mechanism for obtaining private sector input into SADCC decision-making In 1985, a meeting sponsored by the Swedish development agency brought together Chamber executives from nine countries on the subject of the role of the private sector Those attending concluded that the regional private sector business organizations (1) lacked professionalism, (2) did not know each other, (3) and did not have strong local organizational structures SADCC Secretariat began at this point to think seriously about a formal mechanism to strengthen business organizations and their input to SADCC

In the light of this background, the SADCC Secretariat organized a Seminar for Businessmen in Victoria Falls in Zimbabwe in October of 1986 This meeting for the first time provided an opportunity for businessmen to exchange views with the SADCC Secretariat and Government representatives and to discuss their relationships with Government and SADCC among themselves Most of the attendees represented sizeable firms, and most were favorably impressed The basic outlines of what became the SRBC/SNBC network were presented at that Seminar

After the Victoria Falls Seminar, the SADCC Secretariat assembled a steering committee of businessmen to work with it in setting up a conference for the following year to be held in Botswana, prior to the 1987 Consultative Meeting Two hundred businessmen reportedly met with officials to discuss their role in the program They endorsed the conclusion of the Victoria Falls Seminar regarding the establishment of national business councils that would in turn send representatives to a regional business council At the Consultative Meeting which followed, Ministers of Trade and Industry were charged to return to their own countries and establish umbrella national business councils

A follow-up meeting of an Advisory Group of Businessmen was held in Harare in November, 1987 SADCC's Secretary General reiterated his commitment to establishing the business council network at that meeting He recalled that the Victoria Falls and Gaborone Seminars had recommended the establishment of SADCC Business Councils

> as a vehicle for consultations among the region's business communities in the first instance and between the business communities and the SADCC member states on matters of production, enterprise and investment He added that the

national business councils could also propose projects through the relevant member States for inclusion in the SADCC Programme of Action, and the regional business council can send project proposals to the relevant Sector Coordinating Units

He recalled that the SADCC Council of Ministers, meeting in Gaborone on 3rd February, 1987, welcomed the proposal to establish business councils provided that they would "not be Government funded"' and that "any requests for external assistance should be cleared with the SADCC Secretariat "[11]

In early 1988, four SADCC National Business Councils had been formed in Zimbabwe, Zambia, Lesotho, and Malawi In each case, an existing organization was given responsibility for serving as the "apex" body In the case of Zimbabwe, the responsibility was to be rotated between two existing organizations which would each serve for a year In several countries, due to conflicting priorities, it proved difficult to convince other national-level organizations to join the National Business Council

The first SRBC General Council meeting was held in March of 1989 in Harare with the nine SADCC countries attending The meeting was organized and facilitated by the SADCC Secretariat The meeting (1) elected the SRBC officers, (2) amended and adopted the SRBC Constitution, (3) asked SADCC Secretariat to act as secretariat until SRBC had one of its own, (4) selected Gaborone as the home of SRBC, and (5) charged NBCs to submit bankable projects to the Secretariat The Constitution drafted by the SADCC Secretariat[12] contained a list of thirteen objectives for SRBC, several of which related to SADCC itself

In May of 1989, the first Board meeting of SRBC was held in Gaborone The budget and financing plan recommended by the SADCC Secretariat was approved as were the terms of service of the SADCC staff At this early stage, a substantial number of senior regional business people were keenly interested in SRBC and were actively involved in its early meetings Some of those gradually lost interest as time passed

2 SRBC Objectives

There are three principal contexts in which the "objectives" of SRBC are pertinent The first stems from the original design of the organization by the SADCC Secretariat which envisioned close ties to SADCC institutions The second context is in connection with the design of a regional private sector umbrella project by USAID in which it was for a short period

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[11] Report Meeting of the Advisory Group of Businessmen (Harare, November 3, 1987), pp 1-2

[12] An early draft of the Constitution had been prepared by David Long, then President of the Confederation of Zimbabwe Industries

envisioned that SRBC could become a SADCC-connected channel for delivering a variety of USAID-sponsored services to the region's private sector This context envisioned ties with both SADCC and USAID The third context has developed in connection with more recently articulated views within USAID/Zimbabwe to the effect that SRBC should distance itself from both the SADCC Secretariat and USAID, and become a more independent institution

a SRBC's Constitution

The Constitution of SRBC, adopted in March of 1989, set forth thirteen items in its section on objectives These were

- to exchange views on matters concerning regional economic development, investment and trade, and to make recommendations to the appropriate organs of SADCC,
- to coordinate the activities of the National Business Councils,
- to present the views of the business community through dialogue with Governments of member states and participation in the activities of the organs of SADCC,
- to consult with Governments of member states on economic policies on investment and intra-SADCC trade,
- to facilitate the promotion of investment within the SADCC region,
- to identify investment opportunities for the participation of enterprises of the member states, in trade, economic development and transfer of technology,
- to act as the vehicle for the promotion of the objectives, programs and activities of SADCC within the business community,
- to promote manpower training and development programs of regional relevance to the business community,
- to promote research and development and the transfer of technology into and within the region,
- to coordinate the participation of the business community in regional development projects in collaboration with appropriate SADCC sector coordinators and member states,
- to exchange information for the promotion of intra-regional trade and cooperation in the production of goods and services,

- to act as a vehicle for contact and cooperation between the regional business community and the international business community,

- to organize fairs, exhibitions, missions workshops, conferences and seminars for the promotion of investment, trade and regional cooperation, in collaboration with the relevant sector coordinators

Six of these 13 objectives explicitly mention SADCC [13] The second objective refers to the coordination of the activities of the National Business Councils and the eighth objective refers to manpower training and development programs of regional relevance to the business community However, supporting the development of national-level business associations is not, in itself, mentioned as a separate objective

David Long, who was then President of the Confederation of Zimbabwe Industries and prepared an early draft of the SRBC's constitution, reports told the Assessment Team that the founders believed that it was very important to involve and commit governments to the undertaking It was anticipated that the organization would work closely with SADCC's sector coordination apparatus and promote a views of larger regional objectives that would transcend narrow national interests

3 USAID's Umbrella Project Design

While the SADCC Secretariat was designing SRBC and drafting its constitution, both USAID/Zimbabwe[14] and the SADCC Secretariat also were involved in discussions concerning a larger Mission program of assistance to the private sector in the region into which USAID assistance to SRBC was supposed to fit In early 1989, the Mission undertook the design of an Export Enterprise Support (EES) Project which was to be the primary vehicle of its Southern African Regional Program (SARP) It initially envisioned that EES services would be delivered through a USAID contractor Consideration of the SRBC/SNBC network as an alternative became part of a discussion of "ownership" issues affecting relationships between the SADCC and the SARP programs as a whole

[13] Two of objectives refer to SADC as a region rather than as an institution After listing the thirteen objectives in Section 1 of Article IV, Section 2 states, "In furtherance of the foregoing objectives, the Regional Council shall maintain close liaison with the National Business Councils, the Organs of SADCC and international business organisations, and shall do such other things as may be necessary and desirable for the achievement of the said objectives "

[14] USAID/Zimbabwe has lead responsibility for A I D 's Southern African Regional Program (SARP)

In July of 1989, Mr Maphanyane, of the SADCC Secretariat, after review of a Project Identification Document (PID) prepared by the Mission for the EES, wrote to USAID objecting to this document on several grounds

> the Secretariat is very concerned that the proposal also seeks to by-pass established SADCC structures and approved programmes The proposal to have a central contractor with country offices represents a level of bureaucratization the Organization would find difficult to accept A number of the proposed activities are also not part of our programme Our view is that any assistance to SADCC must seek to strengthen the region's institutional structures and mechanisms however long it takes and only use external assistance for specific tasks as identified by regional organizations themselves The level of outside involvement contained in your proposal would simply overwhelm local institutions and smother their initiatives
>
> In the proposal there is a mix of regional and purely national projects The Secretariat has in the past advocated that regional and national assistance programmes should be mutually reinforcing To that extent the proposal is in line with Secretariat thinking However, this should not be interpreted to mean that we would support the use of resources earmarked for regional cooperation for national programmes Elements of the proposal which are national should be funded in the context of bilateral assistance programmes
>
> In summary, the Secretariat is unable to support the use of resources earmarked for SADCC for activities that have not been approved by the relevant SADCC organs in the normal way The proposal also involves a level of bureaucratization and outside intervention which is not conducive to the development of regional institutional capacity The use of a central contractor with country offices at a cost of US$5 million is especially unacceptable Although regional and national programmes should be mutually supportive the distinction between regional and bilateral budgets should be maintained
>
> In conclusion we would urge you to recast the proposal in order to ensure that USAID resources earmarked for SADCC are used for specific projects approved by the Organization We are always open to your views on how SADCC projects can be improved in order to most effectively achieve our shared objectives for this region [15]

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[15] Letter from E Maphanyane (SADCC/S) to Mission Director Allison Herrick (USAID/Zimbabwe) The Mission points out that SARP money was historically used to support national programs without a great deal of regional justification, and in these instances the SADC Secretariat raised no objections Mission Comments, p 10

A week later, Ms Allison Herrick, USAID/Zimbabwe Director, wrote the following to John Hummon, USAID/Botswana Director, concerning the Maphanyane letter and concerning a subsequent meeting she had with Dr Makone and Mr Maphanyane

> In essence, the Secretariat is expressing the view that the project should focus more narrowly on regional activities and use indigenous resources wherever possible to implement those activities From a procedural standpoint, the Secretariat insists that regional funds should be used to support only those activities which have been reviewed by the Council of Ministers and incorporated into the Programme of Action Their view is generally consistent with that of the Congress, which states in more general terms in the Appropriation Act that funds are made available, "only to assist sector projects supported by SADCC " I will be meeting soon with the Director of the SADCC Sector Coordinating Unit for Trade and Industry, to consider how best to accommodate SADCC concerns In the meantime, one approach which appears to have the potential at least to partially reconcile USAID and SADCC interests, would be to expand the role of the business organizations designated as the SADCC Business Council in each member-State, so that requests for sub-project assistance at the national levels are seen to come from these bodies The project as a whole might be conceived as a means of supporting the services of the Business Councils and strengthening their capabilities to carry out both their national and regional responsibilities It would therefore serve to develop the regional SADCC agenda, under the auspices of an identified priority of the SADCC Council of Ministers, without excluding national initiatives The project will also support the SADCC Regional Business Council and its Secretariat, to be established in Gaborone [16]

A Mission account of these transactions is as follows

> SADCC/S, after a review of the PID, strongly suggested to USAID/Zimbabwe that the SARP Export Enterprise Support (EES) project should utilize the SRBC/SNBC network instead of developing a contractor field office network [17]

It was clear that the Mission had energetic interchanges on the subject of SRBC's relationships to the Mission's plans well in advance of the initial funding of SRBC's activities by A I D This is true whether one sees the discussion in terms of the relatively narrow question of whether to use a contractor or SRBC for EES or the larger question of whether USAID's programs would have to be strained through substantive, organizational, and procedural filters established by SADCC program If the SARP Export Enterprise Support Project was to constitute an "envelope" for funding those elements of the formally established

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[16] July 25, 1989 Letter from Allison Herrick (USAID/Zimbabwe) to John Hummon (USAID/Botswana)

[17] Appendix 8, p 2

SADCC program which fit within the EES scope, then SADCC would set the objectives by passing these elements through its system

We believe that Ms Herrick saw the larger issue clearly Nevertheless, she thought that SADCC would agree to projects which could be seen to have come from within the business council network, even if these ideas actually originated within USAID/Zimbabwe In a later letter, she acknowledged that such an approach might pose complications within A I D 's own structure in which each bilateral mission has considerable independence and the regional Mission little real control [18] Nevertheless, the Mission apparently went forward with its planning for the EES Project on the premise it might utilize the SRBC/SNBC network, at least as one option

At the end of September, 1989, Donald Greenberg, then working with REDSO/EA in Nairobi, submitted a report on four national business councils (Botswana, Lesotho, Swaziland, and Malawi) to USAID/Zimbabwe [19] The report found that

> In general, the proposed strategy of using the SNBC's for EES project national activity implementation is feasible in those countries where the business council is part of a viable chamber of commerce or confederation of businesses

The assessment concluded, however, that the four business councils (Botswana, Lesotho, Swaziland, and Malawi) required additional assistance or restructuring before they could implement EES activities The assessment recommended that a thorough definition of institutional needs be undertaken during EES project paper preparation

Mr Greenberg's assessment also found that USAID Missions supported the concept of using the SNBCs to implement EES activities, with two qualifications

- Most activities directly in support of public sector agencies should be implemented through the mission, rather than the business council,

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[18] Ms Herrick wrote to John Hummon of USAID/Botswana on August 22, 1989 "I expect it will be a considerable challenge to work out an approach to project design and implementation which reconciles the SADCC Secretariat's concerns with the bi-lateral Missions' interest in retaining a measure of national specificity and autonomy in the development of project sub-component activities Not to mention the procedural issues raised in Maphanyane's letter of July 12th "

[19] Donald Greenberg, An Assessment of SADCC Business Councils and Their Host Institutions A Report for USAID/Zimbabwe (September 30, 1989)

o Some capacity at the mission level is necessary to administer and evaluate private sector activities, and to manage public sector-oriented activities and which cannot be delegated to the business councils Where necessary, the EES project should be able to fund part or all of a long term advisor at the USAID for that purpose

In the meantime, however, the design of the regional project was encountering difficulties Our understanding is that the SRBC activity was broken out and funded through the Mission's existing technical support grant to SADCC in order not to loose momentum on the formation of the business council network According to sources in the Mission, by this time, the Mission position had shifted It was no longer the intention to utilize the National Business Council network as a vehicle for implementation of the larger Mission project SRBC was being supported by USAID on its own merits

4 Status at USAID Funding

In November, 1989 USAID/Zimbabwe authorized by a letter to SADCC/S the use of up to $386,000 of the SADCC Technical Support Grant to establish a Secretariat for SRBC Of this letter, the Draft History prepared by the Mission (Appendix 8) states

> No substantive goals, objectives, or expectations for SRBC were specified in this letter, nor apparently in any other communications between USAID and the SADCC Secretariat

In summary, when Dr Edwin Bbenkele arrived in Gaborone to start his work as SRBC's Interim Executive Secretary in early November, 1989, the only formal substantive guidance concerning the SRBC's objectives then in existence were (1) the objectives set out in the SRBC Constitution and (2) purposes elaborated in other early documentation drafted or prepared by the SADCC Secretariat

USAID/Zimbabwe was still wrestling with the problems of designing a regional umbrella project Agreement had not been reached with the SADCC Secretariat or with USAID's bilateral missions concerning how the delivery mechanism would be reconciled to their respective views and requirements However, USAID/Zimbabwe and the SADCC Secretariat were perhaps attempting to forge a meeting of minds between themselves in practical terms

C EVOLVING TRIANGULAR RELATIONSHIPS AND SRBC OBJECTIVES

Whatever formal description may have been used to characterize the relationships between Zimbabwe Mission, the SADCC Secretariat, and SRBC at any given point in time, they essentially became triangular in nature and were deeply interwoven with differences of opinion concerning SRBC's objectives and with issues of control This section examines the way these relationships were viewed in several project-related documents and the emergence of differences among the three main parties

1 May, 1990 Project Paper Supplement

In May of 1990, a Project Paper Supplement was developed in connection an amendment to the SADCC Technical Support Project This Supplement stated

> The SADCC Regional Business Council was established in 1989 to serve as a central, coordinating office in support of National Business Councils from each SADCC member state The National Councils are private-sector oriented business organizations affiliated with Chambers of Commerce and Industry or similar bodies representing the interests of local manufacturers and traders
>
> The Regional Business Council serves as the primary advisory body to the SADCC Secretariat, providing a private-sector perspective and input into SADCC-initiated policy dialogue and project development

The Project Paper Supplement then quoted the objectives listed in the SRBC constitution verbatim [20] It went on

> The SADCC Regional Business Council is a nascent organization promoted by the SADCC Secretariat and founded by its constituent SADCC National Councils One of the principal justifications for continued USAID assistance to the Regional Council is the Secretariat's and USAID's desire to help the Council establish regional credibility and a proven track record of success in implementing regional activities to improve the performance of private-sector exporters in Southern Africa Without such a track record it is doubtful that the Regional Council could generate and maintain the level of support from its constituent National Councils necessary to achieve its broad objectives and attain eventual financial sustainability

On the matter of the relationships among SADCC and SRBC, and how USAID/Zimbabwe fit into this relationship, the Supplement said

> USAID recognizes that, because of the fledgling nature of the Regional Business Council, considerable monitoring and oversight will be necessary in the early years of its operation The Secretariat, by dint of its greater experience in managing regional activities and multi-lateral coordination on policy and other issues, is well-placed to monitor and advise the Regional Council in the implementation of its separate agenda The Secretariat is prepared to serve as advisor to the Council and to monitor the Council's financial accountability The USAID Project Manager, in the person of the SADCC Liaison Officer, will be the third actor in defining, approving and monitoring the Council's activities USAID/Zimbabwe believes that such effective collaboration among the three organizations is highly desirable and should be encouraged

[20] These objectives are quoted at the beginning of this Subsection

USAID/Zimbabwe makes the point that the Project Paper Supplement was a document required for internal A I D purposes, and while not insignificant, did not represent the negotiated understandings of SADCC/S, SRBC, and USAID Zimbabwe [21] The Grant Agreement Amendment is discussed in Subsection 4 below

2 June, 1990 A I D /Washington Cable

In early June, 1990, the Mission received a cable from A I D /Washington which raised questions about the mechanics of the sub-grant to SADCC for SRBC and the underlying nature of the relationship Commenting on the proposed SADCC Technical Support Amendment, the cable said

> As an aside, we would ask the Mission to consider a separate obligation mechanism for the business council activity If all activities are authorized in the umbrella PP Amendment, why is it better from Mission's perspective to obligate and fund the business council's activities through the SADCC Secretariat? Wouldn't a separate grant agreement with the Business Council make sense since it could be covered under the same authorizing document that the Mission now has to amend anyway? Since the Mission intends to manage funds separately anyway and not have them flow through the SADCC Secretariat, we fail to see the rationale for not having a separate agreement What does the SADCC Secretariat add to the development of a private sector business council? From our perspective, creating a dependency relationship between the private business council and the SADCC Secretariat appears to be contrary to the Mission's objectives with the private sector Under any circumstances, maximum responsibility for project implementation should be vested in the business council directly, including responsibility for studies that relate to the private/public sector policy dialogue

This cable is the first evidence that we found in the file that anyone in A I D had problems with the basic relationship between SADCC and SRBC [22]

3 August, 1990 Grant Agreement Amendment

In August 1990, the SADCC grant was amended to add $3,000,000, $1,920,000 of which was for SRBC The Grant Agreement Amendment[23] stated

> Except as otherwise provided herein or in writing by AID, all written communications pertaining to grant funds disbursed directly to the SRBC, including grant implementation and reporting correspondence, shall be made directly between AID and the SRBC A

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[21] Mission Comments dated 22 February 1993, p 10

[22] The cable was not binding on the Mission Mission Comments, pp 9-10

[23] The Grant Agreement Amendment is reproduced in full in Appendix 7

copy of all such written communication shall be provided to the Secretariat Written reports on the expenditure and utilization of AID funds by the SRBC shall be submitted by the SRBC to AID through the Secretariat "

Attachment A of the Amendment indicates that funds would be provided to

(1) support to the SADCC Secretariat for a series of twelve studies and corresponding seminars, workshops and conferences and (2) funding for institutional strengthening, studies, training and limited operational support to the SRBC and will assist that institution to become fully functional

The Amendment further states

The Secretariat shall ensure that the SRBC will maintain during the term of the Grant adequate financial and management practices, procedures and personnel to adequately administer and account for grant funds provided to the SRBC The SRBC will submit, through the SADCC Secretariat, an annual work plan to AID for its review and concurrence The work plan shall set forth the SRBC program of action to be financed with grant funds during the following year

Regarding AID oversight, the Amendment states

USAID/Zimbabwe will be responsible for oversight of the Grant on behalf of AID The SADCC/USAID Liaison Officer will be the responsible AID project officer for implementation of the Grant, including responsibility for the administrative approval of financial vouchers In addition to general implementation support, USAID/Zimbabwe is responsible for financial management of the Grant on behalf of AID, including the advancing and disbursing of funds

Attachment B to the Grant Agreement Amendment contained a section pertaining to an annual work plan

The SRBC will submit, through the SADCC Secretariat, an annual work plan to AID for its review and concurrence The work plan shall set forth the SRBC program of action to be financed with grant funds during the following year

We understand that the Mission's position is that the August 1990 Amendment provided it with a basis for challenging SRBC's close relationship with the SADCC Secretariat That amendment included language establishing a direct channel of communications between USAID and SRBC and a specific list of activities which SRBC was to carry out, but said nothing about SRBC's objectives If we understand the Mission position correctly, it believes that a purpose of institution strengthening can be read into the amendment and that institution strengthening meant a SRBC independent of both SADCC and USAID/Zimbabwe Another possible argument is that the Mission's right to review and approve SRBC's work plans extended to SRBC's

concept of its basic relationship with the SADCC Secretariat However, the first second rationale (based on A I D work plan review) does not seem first (based on the idea that SRBC was to become independent of both parties) According to the Mission, the language of this Amendment had been carefully negotiated between the Mission, SRBC and SADCC/Secretariat Also according to the Mission, it represented the consensus position at that time [24] The Assessment Team's views on the meaning of the Grant Agreement Amendment, which are different than those presented in the Mission's Comments, are presented in Section E-1-d of Chapter 5

4 Divergence of Views

The first evidence we can find in the record concerning divergence of views between the Mission and the SADCC Secretariat relating to the objectives of SRBC came in February, 1991 A note to the file from the Project Officer in late February, 1991 indicated serious disagreement on his part with the concept of SRBC's role expressed to him by a member of the Secretariat staff, who held the opinion that, "The goal of the SRBC should be to explicate SADCC initiatives to the SNBCs, get the private sector's comments, and feed them back to the SADCC/S for incorporation in project design " In August, 1991, an important comment on an SRBC work plan indicated that A I D required that SRBC prepare a complete Strategic Plan, of which an important part was to be "a strategy to disengage SRBC from USAID/Zimbabwe and the SADCC Secretariat " Revision of the work plan was to await completion of the strategic plan

The interviews with SRBC personnel carried out by the Assessment Team lead us to believe that, while SRBC wished to have as much independence as possible, it also sought to avoid offending either A I D or SADCC, organizations whose support it viewed as vital to its survival and to its future If allowed to follow their own preferences, SRBC staff would have liked to focus its activities on chamber development in the less advanced countries and on cross border networking for small and medium-sized business, but its primary objective was survival Hence, it was prepared to undertake a fairly wide range of activities -- whatever the donors and the members wanted, within reason -- as long as the donors and members were prepared to provide sufficient financial support to carry out these activities

D INTERMEDIATION

We use the term "intermediation" to refer to a combination of (1) the time and attention of a knowledgeable Mission personnel (principally the project manager) and (2) the availability of qualified senior consulting personnel to serve as advisors to the recipient institution

[24] Mission Comments, page 10

From the Mission's files

SADCC
REGIONAL BUSINESS COUNCIL
Private Bag BR 132 Gaborone Botswana
Telephone 353944/353932. Fax 356933. Telex 2857 BD

25 OCT 1990

OCT 24 1990

OFFICIAL FILE

SADCC/SUB-GRANT — SRBC COMPONENT
Correspondence
F.Y. 90
7.c.1

22nd October, 1990

Ms. Allison Herrick
Director
USAID/Zimbabwe
P.O.Box 3340
HARARE
Zimbabwe

Dear Ms. Herrick

I received Dr. R. Armstrong's indications that he will be leaving for a posting in USAID Harare at the beginning of next year, with mixed feelings. With the expertise and wisdom he has, I am sure he is the right person for the job.

However, his departure as the SADCC Liaison Officer will leave a vacuum that will be difficult to fill. His cooperation and determination to get things done was proving to be very beneficial to SRBC. In fact, I had no shadow of doubt that with him around, I would have got the necessary support in building the SRBC into a strong regional business organization.

Whilst being mindful of the higher responsibilities Dr R. Armstrong will be assuming in Harare, it would be of great benefit for us if we maintained official contacts with him concerning our activities. Such official consultations along with the expertise of the new officer would keep the SADCC Regional Business Council on an even keel during this critical formative stage.

I hope that you will give my suggestion some serious consideration given the circumstances that I find myself in, caused by the transfer of Mr. Armstrong.

I await to hear from you concerning the issues raised above.

I remain.

Yours Sincerely

B. Bbenkele
Executive Director

Members of SADCC Regional Business Council: Angola Botswana Lesotho Malawi Mozambique Namibia Swaziland Tanzania Zambia Zimbabwe.

BEST AVAILABLE COPY

1 Dr Armstrong's Oversight

USAID named Dr Robert Armstrong as its Liaison Officer, to the SADCC Secretariat shortly after SRBC undertook its initial operations in Botswana in November, 1989, but he actually came on board in early 1990 At that time it was thought that SRBC would be part of much larger SARP activity and that he would be concerned with all aspects of the Export Enterprise Support (EES) project An agriculturalist and career USAID employee, Dr Armstrong had considerable private sector and project management experience but no prior experience with business associations

Our impression is that Dr Armstrong, who was based in Gaborone, took the relatively inexperienced Executive Director under his wing, helping to orient him in the ways of USAID and the SADCC Secretariat bureaucracy [25] However, by October 1990 it became clear that Dr Armstrong's position in Gaborone would be terminated In October of 1990, Dr Bbenkele wrote to Ms Herrick expressing his appreciation for Dr Armstrong's assistance and requesting that he continue to be involved in the project This letter is reproduced on the previous page

The project files indicate satisfaction with the progress of the project on Dr Armstrong's part during his tenure as Project Officer In late September, 1990 he wrote

> Overall, I believe the project is progressing nicely and that by October 31st the SRBC/SADCC will have fulfilled the necessary condition precedent As an interesting side note, Ed Bbenkele has been invited to go to Johannesburg and talk to group of South African businessmen about potential future business developments in the SADCC region His costs are being paid by South African businessmen

In mid-October, Dr Armstrong acknowledged receipt of the first annual work plan

> You and your staff have very adequately laid out in a time frame sequence the proposed activities The plan would be clarified greatly by a series of short descriptive paragraphs identifying the activities indicated in the diagram including the dates in which you hope to accomplish these tasks I would also suggest that you expand this work plan so that your program of action for the first year of the Grant includes those non program activities such as the hiring of staff [26]

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[25] The Mission states "Dr Armstrong took the time to help Dr Bbenkele with the logistics of setting up an office, and in liaising with USAID, and this assistance was invaluable This was a support role consistent with the responsibilities of his position Dr Armstrong did not have the opportunity, given his short tenure, to provide the necessary intellectual leadership and tough criticism " Mission Comments, p 11

[26] The Mission states, "Dr Armstrong did give 'informal' approval of the workplan, but he explicitly deferred formal review of the workplan to Mr Greenberg" Mission Comments,

By January, Dr Armstrong was in Harare His memo of January 7, 1991 indicates a revised SRBC Work Plan had been submitted to USAID and that SRBC had been notified informally that the revised work plan was satisfactory [27] However, the SADCC Secretariat did not agree The Secretariat indicated it wanted a more strategic approach Dr Bbenkele agreed to postpone the Work Plan until an assessment of the needs of national business councils had been prepared and a workshop on this subject had been completed

2 Mr Greenberg's Oversight

Responsibility for the project within USAID/Zimbabwe was transferred to Mr Donald Greenberg in January, 1991 He was based in Harare Mr Greenberg had been brought to the Mission to design and manage private sector projects for both the bilateral and regional programs However, it was not originally anticipated that he would manage the SADCC Secretariat Technical Support Grant This shift in responsibility occurred only after Dr Armstrong's position in Botswana was eliminated and he arrived in Zimbabwe

We were informed by Mr Greenberg that, overall, he has spent 5-10% of his time on the project over the entire period from January, 1991 until the time of this assessment During the first six months of 1991, however, Mr Greenberg spent a great deal of time working with Dr Bbenkele and his staff on a wide range of issues including logistics, program development and personnel recruitment While his assistance to SBC on A I D procedural matters may have been minimal, other Mission staff members provided him with some input [28]

Overall, however, with the passage of project supervision responsibilities to an USAID officer who was located in Zimbabwe and who had many other responsibilities, the extent of the guidance provided decreased sharply and the Project Managers's role changed Within the time available for oversight of the sub-grant, Mr Greenberg appears to have devoted his primary attention to intensive analysis of the SRBC work plans, attending key meetings, and keeping

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p 11

[27] The Mission states "Dr Armstrong did give 'informal' approval of the workplan, but he explicitly deferred formal review of the workplan to Mr Greenberg The structure of the grant calls for a formal review of the workplan of SBC by SADC and USAID/Zimbabwe, after which SBC is allowed to get on with the job with minimal interference from USAID/Zimbabwe or SADC/S " Mission Comments, p 11

[28] Mission Comments, p 11

project records SRBC's work plans and Mr Greenberg's comments upon them are treated later in this chapter The supportive personal relationship which had characterized Dr Armstrong's tenure did not continue Indeed, it seems to have turned into a contentious one [29]

3 Expatriate Consulting Assistance

As far as we can determine, the only extensive expatriate consulting assistance actually received by SRBC prior to the time of this assessment was undertaken by a graduate student who had previously participated in a well-regarded study of business associations in Jamaica She had prior business experience in the United States in the field of law office support She had completed another assignment in the region and was available for short-term work She was retained for a period of six months (extended to eight) to perform a needs assessment of national business associations Her report, based on visits to countries in the SADCC region, subsequently became the subject of an SRBC Needs Assessment Workshop and she authored a well-written account of that Workshop [30]

Early in the project, it was anticipated that consulting activities would include an economist who would deal with policy issues on behalf SRBC This idea was apparently turned down by the SADCC staff on the grounds that they already had all the economists needed by SADCC or SRBC

We heard the view expressed within USAID/Zimbabwe that since the sub-grant provided funds from which consultants could be retained and the Mission did not have a direct supervisory relationship with SRBC, the responsibility of determining the need for consultants rested with SRBC and/or the staff of the SADCC Secretariat A view also was expressed that there may have been some reluctance on SRBC's part to pay the high costs of American or other expatriate consulting assistance

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[29] Mission comments state "Dialogue with Dr Bbenkele proved to be difficult, much of the assistance and advice given was not welcome " It also is the Mission's view that other interested and knowledgeable parties had similar experience Comments, p 11 The Mission further states "The sentence, 'The supportive personal relationship which had characterized Dr Armstrong's tenure did not continue Indeed it seems to have turned into a contentious one' is not accurate First, in general, an easy-going non-confrontational relationship may not provide the kind of tough-minded guidance that is necessary for a struggling organization Second, suggestions or criticism, no matter how delicately presented or well-meaning can often cause offense and strain " Mission Comments, p 12

[30] The Mission states "The graduate assistant discussed was chosen personally by Dr Bbenkele, and both the Trade and Investment Advisor and the Mission Director were deeply concerned that such an inexperienced person be chosen by SBC, especially considering the other potential consultants available As it turned out, he assessment was found to be surprisingly good by all accounts, including our own " Mission Comments, p 12

The Mission reports that Dr Armstrong, Mr Greenberg and members of the SRBC Finance and Management Committee had repeatedly urged the hiring of additional expatriate personnel Funding was available for this purpose in the budget This did not occur In December, 1992, SBC hired for an American who had been previously serving as a senior advisor to the Botswana Confederation of Commerce, Industry, and Manpower (BOCCIM)

E APPOINTMENT OF DR BBENKELE AS EXECUTIVE DIRECTOR

On November 11, 1989, Dr Edwin Bbenkele, seconded from his post at the Chamber of Commerce and Industry in Zambia (ZACCI), started work as Interim Executive Director, working out of the offices of the Botswana Confederation of Commerce, Industry, and Manpower in Gaborone It is our understanding that he was selected for this Interim position at the initiative of some of the members of the staff of the SADCC Secretariat Dr Bbenkele initially came on board as a consultant, having been seconded to SRBC from the Zambia Chamber of Commerce and Industry (ZACCI) At the time of his temporary appointment, the Acting Executive Director had three years experience in the then government-dominated ZACCI, of which he was Chief Executive His prior work experience was primarily in university-level teaching He holds degrees from the University of Zambia (B A , Business and Economics,1977), the University of Wisconsin (MBA, 1980), and the University of Stirling (Ph D, Business and Management,1986) While he was with ZACCI he served as a member of six statutory Boards, including the Export Board of Zambia, the International Trade Fair, and the Foreign Exchange Management Committee He had been actively involved in SADCC's early efforts to establish the SRBC/SNBC network

The circumstances of Dr Bbenkele's engagement are unusual In brief, the Mission challenged the appointment of the Executive Director more than a year after the fact on the grounds that it departed from SADCC's normal procedures for advertising and competition of such positions The SADCC Secretariat had formally, if reluctantly, ratified the appointment and SRBC had signed a long-term employment contract with Dr Bbenkele, apparently on the strength of this ratification

The Mission notified SADCC and SRBC that it required that the position be openly advertised and competed as originally prescribed by SADCC rules When this re-opening did not happen, USAID/Zimbabwe cut off funding of the Executive Director's position

The following account of Dr Bbenkele's appointment is drawn from a letter of September 19, 1991 to USAID/Zimbabwe Mission Director Morse from Mr Harry Thomson, Chairmen of SRBC's General Council

> I refer to your letter dated 4 September, 1991 which has just now been received, on the subject matter of the recruitment of key SRBC staff namely our Executive Director, Dr Edwin Bbenkele On the onset let me state that this appointment has been a subject of concern to many of us

When the Regional Business Council was constituted in Harare on the 14 March, 1989 the SADCC Secretariat offered to act as secretaries to SRBC until such time that SRBC were in a position to stand on its feet financially

However, at the beginning of November, 1989 I received a telephone call from Dr Bbenkele in Botswana informing me that at the request of the SADCC Secretariat he had been seconded to SRBC from his employers, namely the Zambia Confederation of Chambers of Commerce and Industries (ZACCI) This information was never disclosed to me by the SADCC Secretariat

Undoubtedly I was most pleased to have Dr Bbenkele in the SRBC Secretariat

Since SADCC Secretariat throughout did not make contact with us on this issue, nor indeed, did Dr Bbenkele bring to our notice the condition or duration of his secondment, a lot of issues were erroneously taken for granted and one such issue was the requirement of the Chairman of the Board to advertise the post widely in all member states to give an opportunity to all the regional nationals to apply for the post

What in fact happened was that as the period of Dr Bbenkele's secondment drew to a close towards May, 1990, Dr Bbenkele alerted us of this

There was at this point in time no possibility in advertising the post in time before the end of May, 1990 At this critical point of preparations for the 1990 Businessmen's Conference which were at an advanced stage, it would not have been advisable nor desirable to have the position of Executive Director vacant even for a month Furthermore we were advised that ZACCI was anxious to have a full time Chief Executive to run its affairs as soon as possible, and therefore, unlikely to agree to extend Dr Bbenkele's secondment to the SRBC Secretariat

Faced with the above circumstances, this anomaly had to be resolved taking into account the position Dr Bbenkele found himself in and the repercussions SRBC would be faced with To try and remedy the situation the Board which consists of the Chief Executives of the nine nations met and recommended to the Council which is made up of elected members of the nine states that Dr Bbenkele be appointed substantive Executive Director with effect from 1 November, 1989

This information was passed on to the SADCC Secretariat, who reluctantly accepted the recommendation in the light that the Secretariat, the Board and the Council had not adhered to the requirements of the constitution regarding the appointments of senior staff [31]

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[31] Letter from Mr Harry Thomson to USAID/Zimbabwe Mission Director, Theodore Morse dated September 19, 1991 The reference to "the constitution" is probably incorrect We

The Mission's files indicate that USAID's position to the effect that SBC must comply with SADCC procedures on recruitment (i e , that USAID/Zimbabwe did not accept the SADCC Secretariat's ratification of departure from its own rules) was initially raised with Mr Thomson at the SRBC Needs Assessment Workshop held in Harare in July of 1991 [32] The first written notification of this requirement was in early September, 1991 SRBC was notified of the potential of the cutoff of funds twice The first was in November, 1991, which gave a deadline of May, 1992 to resolve the situation At the request of both the SADCC Secretariat and the SRBC Governing Council, the Mission gave an additional four months for action to be taken SRBC was notified of the cut-off in funds for the Executive Director in late August, 1992 [33]

F WORK PLANS

As noted in our discussion of Dr Armstrong's oversight, the Mission had informally indicated to SRBC in January of 1991 that its Work Plan was satisfactory, but the SADCC Secretariat did not agree On June 7, 1991, Mr Nebwe of the Secretariat wrote to Dr Bbenkele

> the Secretariat is giving further thought to the SRBC proposal as per our letter dated May 22, 1991 As soon as a final decision has been made on the proposed work plan, you will be advised accordingly In the meantime, you should consolidate the proposals contained in your letter to avoid piecemeal approach to planning Further, the work plan is not for 1991/92 as it is not feasible for SRBC to implement all the activities we discussed during the next nine months of 1991/92 as you will appreciate "

On August 2, Dr Bbenkele submitted an SRBC Work Plan and National Agenda for National Business Councils to Mr Maphanyane of the SADCC Secretariat "for your

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find nothing in the SRBC constitution requiring the advertising of senior positions The Mission Director's letter of September 4, to which Mr Thomson was replying, stated in part "A I D requires that the key positions in SRBC Secretariat be openly advertised and competed, using the same or similar procedures as used by the grantee, the SADCC Secretariat "

[32] Letter of September 4, 1991 from Mission Director Morse to Mr Thomson and Internal Memorandum from Mr Greenberg dated July 20, 1991

[33] The Mission states "We had extensive dialogue with the SBC Council Chairman, who assured us that he was taking steps to resolve the matter to our mutual satisfaction If these steps had been taken, USAID/Zimbabwe would have not been required to take the severe step of cutting off fundings for the position The SBC network will not have to bear unanticipated costs for the Executive Director's termination The SBC Council took full and conscious responsibility for this during their AGM in Swaziland in May 1992, the cutoff began in September 1992 The views of the Assessment Team concerning the Mission's cut-off of reimbursement funds for the Executive Director are presented in Section B of Chapter 5 Its recommendation with respect to this subject are presented in Section C of Chapter 8

consideration and passing on to USAID for concurrence " On August 21, 1991, Dr Bbenkele wrote to Mr Nebwe

> I make reference to your letter dated the 7th of June, 1991 With full consideration of alternative planning cycle methods, I advise that my last letter to you identifies the activities which can be implemented during 1991/92 Kindly, give me the full consideration to implement the activities, otherwise I will hold back to unleash my contributions to the regional business community
>
> We await for your submission of our work plan to USAID for concurrence to enable us to move ahead

In the meantime, a copy of this plan had been submitted to USAID directly On August 28, 1991, Mr Greenberg wrote a letter to Dr Bbenkele on the SRBC Strategic Plan attaching extensive and detailed comments on the draft work plan The letter stated

> In summary, it is the USAID/Zimbabwe assessment that the SRBC work plan is not yet acceptable, although certain specific individual activities identified in the work plan are acceptable These specific individual activities should be implemented immediately so as not to break the momentum of SRBC
>
> Prior to development of a final work plan, USAID/Zimbabwe strongly urges that SRBC undertake a strategic planning exercise that will produce a complete Strategic Plan for SRBC An important part of the Strategic Plan will be a strategy to disengage SRBC from USAID/Zimbabwe and the SADCC Secretariat When this plan has been ratified by the SRBC Council and Board, work should commence on developing a final work plan Both the strategic planning exercise and development of the final work plan will require utilization of an outside consultant (or consultants)

A General Review of the SRBC Work Plan, Budget and Timetable, attached to the letter stated in part

> The future status of SRBC will be addressed in detail in the disengagement strategy to be developed by the SRBC Executive Director and the USAID/Zimbabwe Trade and Investment Advisor, to be included as part of the SRBC strategic plan
>
> We note, however, that the tone of the work plan concerning the status of SRBC is disconcerting It reads as if SRBC was a "lower organ" of the SADCC/S, whose approval and concurrence was necessary for every activity and position taken by SRBC This inferior status is a particular concern in light of the fact that one of SRBC's major roles is policy analysis and dialogue activities The SRBC should present itself at a minimum, as an equal partner with the SADCC/S and the SADCC Sector Coordinating Units

Action The "equal partner" status for SRBC vis a vis the SADCC/S and the SCUs should be an agenda item at the next SRBC Council meeting The details of how this will be accomplished, however, will be part of the "disengagement" strategy component of the SRBC Strategy Plan

The SRBC Executive Director should take a leadership role and prepare an issues paper to help guide debate at the next council meeting, and to provide input into the development of a strategic plan The USAID/Zimbabwe Trade and Investment Advisor will assist the Director in this

A note from Mr Greenberg to the file states that in a meeting with Dr Bbenkele on November 1, 1991, Mr Greenberg indicated that, " contrary to what the Work plan critique letter said, I would prefer not to take an active [role] in developing the disengagement strategy "

The Team understands from the correspondence that Dr Bbenkele submitted a copy of a 1992-93 Work Plan to the SRBC General Council meeting held in Mozambique in 1991 and that comments on this plan were received from the SADCC Secretariat at a meeting held in June, 1992 In late July, 1992, he submitted a plan covering 1992-1994 to USAID/Zimbabwe This plan included sections on SRBC as an organization, institutional support for SRBC, trade and investment programs, policy analysis, chamber development, and institutional sustainability The plan did not contain a "disengagement strategy" as such, but was structured in a way which clearly indicated that SRBC was seeking to diversify its sources of funding

In August, 1992, USAID/Zimbabwe provided Dr Bbenkele a detailed review of this newest plan The covering letter stated

First, we are forced to reiterate a point made a year ago in our letter to SRBC of 28 August, 1991 The organization and presentation of your submissions remain below minimal professional standards -- which is doubly unfortunate, because much of the substance appears to be far superior to previous submissions

In the attached memorandum, we indicate that the current version of SEMPLAN, in our view, is adequate neither as a strategic plan to guide mid-to long-term development of SRBC, nor as an Annual Workplan for review and concurrence by A I D SRBC has not submitted a satisfactory Annual Workplan in over a year and has operated under ad hoc approvals only

Until A I D has reviewed and provided written concurrence with a resubmitted SRBC Annual Workplan, please do not undertake any new programme or personnel activities requiring A I D financing, which have not already been specifically approved by A I D in writing Moreover, until A I D has received a satisfactory SRBC strategic plan, we will not consider extending the existing support for SRBC

The memorandum which accompanies USAID/Zimbabwe's letter gives particular attention to financial matters In particular, it raises questions concerning A I D 's funding of SRBC's administrative costs in the future and whether SRBC could persuade other donors to cover these costs However, the memorandum does not explicitly refer to the "disengagement strategy" sought in Mr Greenberg's comments on the previous plan

G SBC PERFORMANCE

This section summarizes the views of SBC performance held by the (1) the SBC Secretariat, (2) the SBC General Council, (3) USAID/Zimbabwe, (4) the SADC Secretariat, and (5) the larger business community

1 SBC Secretariat's Views of Performance

According to the SBC Secretariat, through September, 1992, SRBC had accomplished the following

- o Established a Secretariat, which opened in September, 1989 Four technical officers are now on board

- o Held Malawi Business Conference, March 26, 1991 The business community had the opportunity to react to the SADCC Industrial Development Strategy and Policies Document and to negotiate business agreements with other regional and extra-regional businesses

- o Carried out Needs Assessment Study and Workshop, July, 1991 Study identified needs of the NBC's Workshop resolutions were submitted to the Board and Council and when approved, were included in the SRBC Work Plan

- o Held Regional Business Conferences in conjunction with Confederation of Zimbabwe Industries (CZI) Supported two conferences, one in 1990 on relations with post-apartheid South Africa and one in 1991 on Inter-Country Trade and Sustainable Development

- o Completed study on the Supply and Demand Potential of Intermediate Capital Goods, completed in February, 1992 This study was completed by Imani Development, Ltd The aim of the study was to identify sectors in which intra-SADCC trade could be increased

- o Held Buyer/Seller Meeting in Gaborone to help encourage cross-border trade The Supply and Demand Study revealed that there was potential for trade in the region for intermediate capital goods This Buyer/Seller Meeting was to take advantage of the opportunities identified in the Study

- Held Follow-Up to Buyer/Seller Meeting As a follow-up to both the Study and the Meeting, specific cross-border visits have been arranged in Zambia and Zimbabwe The first one to Zambia was completed in August, 1992 The one to Zimbabwe will take place at the end of October A third trip is being planned for Mauritius

- Sponsored Chamber Development and Policy Analysis Workshop Organized with assistance of Center for International Private Enterprise (CIPE) Workshop was held to train chamber managers in policy analysis and general management A follow-up workshop will be organized by CIPE in April, 1993

- Established Contacts with South Africa Business Community A series of meetings were organized, utilizing a Committee of Eminent Persons, selected from the Region As a result of this activity, business organizations in South Africa are in regular communication with SRBC and each attend the other's meetings One of the South African organizations will help SBC produce a trade and investment guidebook for the SADC region SRBC and the South African business organizations are also cooperating in development of information systems for business organizations in the region

- Held meetings with PTA/FCCIA A series of meetings were held to harmonize the programs of PTA/FCCIA and SBC Talks have now proceeded to the point that merger is being proposed by PTA/FCCIA

- Held meetings regarding SBC/SITCD harmonization A Memorandum of Understanding was negotiated between the two organizations to remove duplication and encourage full cooperation

- Prepared policy analysis papers and submitted them to SADC

  - Regional Economic Integration The Point of View of the Business Community, prepared by Imani Associates
  - Review of the Study of the One Stop Investment Offices, prepared by the Investment Advisory Committee
  - Review of the Study on SADCC Export Development and Promotion Strategy, prepared by the Trade Advisory Committee

- Held Workshop on Private and Public Sector Cooperation in Investment Promotion, sponsored by NORSAD This workshop sought to work out the roles of government, the private sector, chambers, development banks and other agencies in investment promotion Recommendations have been passed to NORSAD for follow-up and possible funding

- Prepared two issues of a Newsletter and a brochure SBC has now produced the third issue of its Newsletter

- Assisted in SADC and Other Meetings SBC has helped organize input for the SADCC Annual Consultative Meetings It has also helped coordinate trade missions from Europe and the U S

- Provided technical assistance to SNBC's SBC has provided on-going assistance in development of National Business Councils and local chambers This was expanded with the hiring in September, 1992 of a Chamber Development Specialist

2 SBC General Council Views of Performance

Views of SBC's General Council differ from member to member The following represents what we believe to be the prevailing view The SBC Council perceives that the primary role of SBC is to serve as a vehicle for strengthening national and local business organizations so that they, in turn can influence national and regional economic policy and encourage trade and investment The Council appears to view the strengthening of the national business organizations, particularly the apex bodies, which also serve as the NBC's, as the primary short-term task In this view, unless these are strong, there is no vehicle through which to support SBC and through it, policy reform and development of trade and investment Therefore, the Council has encouraged SBC to focus a substantial amount of its attention during the last three years on development of local affiliate development It has also, however, encouraged SBC to organize regional meetings, workshops, and the like and to prepare documents which encourage business people to think regionally and to better articulate their views on policy, trade and investment

We understand the SBC General Council's view of SBC accomplishments to be as follows

- SBC has helped to strengthen local business organizations The Team's perception that the SBC Council views this as an important accomplishment It fits in with their view of what SBC should be doing in the short-term to meet the Council's longer-term objective The Council generally sees SBC as having been very important in the emergence over the last few years of stronger national-level business organizations, particularly in Malawi and Zambia

- SBC has brought the private sector together in a number of ways, allowing for exchange of ideas From the Council's standpoint, this has been another very important foundation stone to achieving their long-term objective Although some of these meetings and workshops may not have been of as high quality as the Council would have wished, they still provided very useful opportunities to begin the process of development of a regional outlook as well as providing input for SADC

- SBC has helped to strengthen National Business Councils Even among Council members, there is a considerable difference of opinion as to the utility of the NBC notion However, the Council believes that to the extent that the underlying national business organizations have been strengthened, NBC's have also benefitted The Council's view seems to be that only time will tell the true benefit of the NBC concept

- SBC has initiated useful business contacts with South Africa During this period in which re-alignment has been going on with South Africa, according to the Council, SBC has played a very useful role It has been difficult for national governments and SADC to enter into discussions with South Africa However, SBC did not suffer from the same constraints Because SBC was available, it was possible for the regional business community to use it to begin to contact business organizations in South Africa This has led to very useful dialogue, which continues to intensify

- SBC has initiated useful business contacts within various countries of the region Although SBC has not done as much of this as the Council would have liked, the little that has been done is viewed by them as having been quite useful They hope that more will be done

- The Secretariat has serious managerial deficiencies which have compromised the results of many activities The Council seems to share the view of SADC Secretariat that the quality of many SRBC activities is not to the standard they expect Meetings have often been poorly organized Planning for most events has been deficient Communications have been poor The quality of written matter has not been particularly high The Secretariat office seems to be poorly organized

- The Secretariat has failed to follow through on numerous important initiatives and as a result, important opportunities have been missed. In the view of the Council, this may have been due to SBC trying to do too many things for too many different constituencies However, whatever the cause, in the Council's view, the failure to have a more significant impact on regional policy can mainly be laid to this problem

- SBC has failed to reach out to a very large number of business people in the region and as a result, is not well known or understood In the view of the Council, very few businesses know of SBC They feel that the Secretariat should have done a better job of communicating with the business community at large

- SBC has had very little impact on trade or investment in the region The Council had hoped SBC could have had more influence in this area, but so far it has not been able to do so

SBC Council members indicate in general a favorable attitude toward SBC They recognize its failures, but view this as part of the growing pains of a new entity They believe the organization has and is improving and will continue to do so They have no desire to make major changes in it, except to improve the management of the Secretariat

3 USAID/Zimbabwe Views of SBC Performance

The Mission's early views of the SBC appear to have been quite favorable and, on paper at least, manifested a considerable sense of commitment to its future A Project Paper Supplement, quoted earlier, indicated USAID's " desire to help the Council establish regional credibility and a proven track record of success in implementing regional activities to improve the performance of private-sector exporters in Southern Africa Without such a track record it is doubtful that the Regional Council could generate and maintain the level of support from its constituent National Councils necessary to achieve its broad objectives and attain eventual financial sustainability " It further indicated, "USAID recognizes that, because of the fledgling nature of the Regional Business Council, considerable monitoring and oversight will be necessary in the early years of its operation "

However, despite its recognition of the "fledgling nature" of the organization, the Mission's views concerning SBC's performance quickly became quite unenthusiastic and remained so at the time of this assessment An internal review carried out by Mission in September, 1991 stated in part

> The SRBC from the start was saddled with many different agenda, and the wide types of activities specified in the grant document reflect this buyer/seller meetings, investment studies, supply/demand studies, seminars for trade promotion officers, etc The first workplan produced in early 1991 was similarly unfocused, -- although it also included, quite appropriately, a plan to undertake assessment of SNBCs to actually determine the requirements of the SNBCs
>
> The SRBC continues to have difficulty in refining its focus, in developing a workplan, and in implementing projects in its workplan, and managing its day-to-day activities Although there have been small accomplishments, such as setting up an operating Secretariat, and the organization of an investment conference in Malawi, and the needs assessment, the SRBC is not yet solidly on the way to becoming "a fully functional institution able to meet the requirements of its principal client groups "

The review noted that the Board Meeting that the USAID/Zimbabwe Trade and Investment Advisor attended was poorly organized, its documentation inadequate, and not well run The recruitment mission that the USAID/Zimbabwe advisor attended had similar problems It also noted complaints from several SRBC council or SRBC staff participants on basic administrative problems

It listed as problems

- o Interference by the SADCC/S in all aspects of planning, management, what activities should be undertaken, who should attend, staff terms of reference and compensation, office leasing decisions, etc

- o USAID/Zim oversight weak - termination of the SADCC Liaison position in Gaborone, delay in the issues of PIL No 1 clarifying how the project will be managed, "hands-off" approach, not willing to take an active role because of grantee, not contractor, relationship

The review listed recruitment of an SRBC Trade and Investment Advisor, an Investment Conference held at Lake Malawi, and a Needs Assessment Workshop as accomplishments during the previous six months It noted that two key positions, Industrial Economist and Trade and Investment Advisor, had yet to be filled and the administrative assistant slot filled with a temporary consultant Its assessment of SRBC's leadership and staff was generally very negative

The review indicated that a long-term Technical Assistance and Chamber Development Advisor (2 year contract) would be hired in the next six months with Mr Greenberg and Dr Bbenkele as "Action Agents", a strategic plan (Mr Greenberg and Dr Bbenkele) and a Action Plan (Mr Greenberg alone) were also to be developed during this time period

On the basis of our discussions with the USAID/Zimbabwe staff, we conclude USAID has seen some value in SBC's various meetings and workshops, although it is not pleased with the quality of the activities

USAID/Zimbabwe's principal concern about SBC is that from their standpoint, the staff and Council of SBC have not been able to take the opportunity offered by USAID/Zimbabwe funding of both program and operating costs to build an organization that provides substantial benefits to its members, nor make SBC an effective voice of the private sector in the region In USAID/Zimbabwe's view, symptomatic of this underlying problem are the following

- o SBC has not been able to justify funding they are spending through development of an acceptable work plan

- o SBC has not produced a strategic plan which would define a vision of their role in the future, including identifying non-USAID sources of funding and defining a role of increasing independence from SADC

- o The organization has had no significant impact on regional policy reform

- o The quality of the meetings and other products produced by the organization is so poor that it reflects badly on the whole regional private sector and on USAID as the funder

- SBC has been too closely associated with the SADC Secretariat and is not, therefore, sufficiently responsive to the private sector

- SBC has not been able to produce the satisfactory vouchers and other financial documentation required of a USAID grantee This is always an extremely important issue for USAID The time and energy USAID has spent on these issues has left USAID staff extremely frustrated

USAID/Zimbabwe's position is that SBC is not performing to an acceptable standard There appears to be some Mission support for continuing to fund it if substantial revamping were undertaken Such revamping would involve, at minimum, replacing the Executive Director with someone better qualified in the Mission's view, separating SBC from its association with SADC and production by SBC of a satisfactory Strategic Plan and Work Plan Without such changes, there appears to be consensus within USAID that there is little or no chance of continued assistance

4 <u>SADC Secretariat Views of SBC Performance</u>

The staff of the SADC Secretariat sees SBC primarily as a communication link between SADC and the business community In this view, SBC should serve as a means through which SADC pronouncements and views can be communicated to the business community and feedback from the business community can be obtained A secondary function is to encourage the business community to articulate their views on issues and as a vehicle for passing these on to SADC As a vehicle in serving these functions, SBC is to develop the SADC National Business Councils These are to serve as national-level business apex bodies through which communication with the business community can be facilitated at the national-level

We understand the views of the Secretariat staff to be as follows

- SBC has brought the private sector together in a number of useful venues, allowing for exchange of ideas The Team perceives that SADC Secretariat has viewed the many meetings and workshops that SBC has convened as having been generally helpful Although perhaps not dealing with issues the way SADC Secretariat might have desired and not having done so in the depth SADC Secretariat thought would have been useful, the exchange of views which has resulted has been beneficial to SADC Secretariat and the business community

- SBC has helped to strengthen National Business Councils The Team perceives that SADC Secretariat sees the work that SBC has done to strengthen national business organizations, which serve as the venue for the NBC's, as having been beneficial Several national business organizations are stronger now than they were three years ago In the view of the SADC Secretariat, SBC can take part of the credit for this

- SBC has not served as a channel of communication between SADC and the private business community on key policy issues to the extent that was originally envisaged by SADC SADC Secretariat originally conceived of this as the primary task of SBC SBC has attempted to undertake this function, but has also undertaken a number of other tasks As a result, the SADC Secretariat believes its efforts to serve as a communication link for the SADC Secretariat have been diluted and not very effective

- SADC Secretariat has been disappointed in the quality of the output of SRBC SADC Secretariat expected the quality of the written reports and other written communications produced by SBC and the quality of the proceedings of meetings and workshops to have been much higher than they have been in practice Again, the Team perceives that SADC Secretariat views this as partly a problem of SRBC trying to do too many different things It is also, they believe, partly a problem of the quality of SBC staff

- SBC has gotten involved in a number of activities which have distracted it from its main purpose From the SADC Secretariat's point of view, this has been the major cause of SBC's difficulties The Team perceives that SADC Secretariat would much prefer that SBC stick to a much narrower set of activities and that they seek to accomplish these activities more effectively

- SBC has not minimal impact on trade or investment in the region The SADC Secretariat had hoped SBC could have had some influence in this area, but so far it has not been able to do so

The staff of the SADC Secretariat indicates that, in general, it is not satisfied with the performance of SBC SBC is involved in too many activities which it considers irrelevant The quality of the work that it should be concentrating on (serving as a communication link between SADC and the business community) needs to be substantially improved SADC Secretariat would like to change SBC to bring it more in line with its original conception However, it recognizes that any substantive forward movement will likely lead to SBC moving away from SADC Secretariat SADC Secretariat staff indicate they will support increasing SBC independence There are perhaps some differences of views within the Secretariat staff on the question of whether SBC/SNBC network should represent a common denominator of the entirety of the enterprise community (including parastatals) or could serve as a means of transmitting the views of less than the whole

5 Larger Business Community Perceptions of SBC Performance

To the extent that business people have regional views, they would seem to perceive the primary role of a regional business organization (whether SBC or some other) as being to encourage policy change in the region so that trade and investment can be expanded Opinions

of course differ substantially from person to person, but the gist of our interviews can be summarized as follows

- Business persons from larger businesses in the region who attended SBC functions tended to be much more critical, particularly of the communications and logistic arrangements, than did attendees from medium and small firms Although only a few of the medium and small firms have been involved in the meetings and workshops, those that were seemed to view them for the most part favorably Since few of these firms had yardsticks against which to measure them, most had only limited views as to the overall quality of these fora

- SBC meetings and workshops have enabled a few companies to establish new contacts in countries of the region These firms were appreciative of these and viewed SBC as playing a useful role in this regard

- SBC has had no measurable impact on policy reform in the region In the view of those members of the business community not closely associated with SRBC but aware of its activities, a major disappointment is that it has had no impact on regional economic policy

- SBC has had only marginal impact on regional investment and trade While some businessmen we spoke with made business contacts and signed orders at cross-border meetings sponsored or co-sponsored by SBC, the amounts of actual money cumulatively involved seemed quite modest

- Generally, SBC is unknown either as to purpose or accomplishments by the business community This is viewed by those in the business community as reflecting its inability to accomplish anything of value

Very little information is available to the business community on SBC on the basis of which it could make an overall evaluation To the extent that SBC could have an impact on policy affecting investment and trade, the business community would view it favorably The Team believes that the business community is basically neutral in its appraisal There are some persons who strongly believe that SBC ought to be scrapped and a new regional private sector organization ought to be established, run by the private sector itself with a staff of high enough quality to affect regional economic policy, but the willingness and ability of persons holding these views to attract the resources and support needed to translate these ideas into reality is in doubt

Chapter 4

ASSISTANCE TO REGIONAL BUSINESS ORGANIZATIONS WORLDWIDE

A INTRODUCTION

This Chapter analyzes lessons learned and the general relevance to Southern Africa of worldwide experience in assisting regional business organizations The Chapter is organized in three parts, including this introduction Section B summarizes the lessons learned Section C examines the relevance this experience to the circumstances of Southern Africa The applicability of these lessons to the specific issues raised by the present assessment of the SBC sub-grant is discussed in Chapter 5 (Retrospective Assessment of Project Issues) and in the final chapter of this report Appendix 10 provides a more detailed description of world-wide experience in assistance to regional business organizations

B PRINCIPAL LESSONS LEARNED

Lessons learned from A I D experience with regional business associations to date, as interpreted by the Assessment Team, may be summarized as follows

1 **The experience, capabilities, and life-commitments of the person chosen to serve as Executive Director of an A I.D -assisted business association are critically important to project performance** A high order of executive leadership is required to make an A I D - assisted project work Ideally, an Executive Director should combine private sector and public sector experience, preferably at a high level in each case He should have the stature needed to obtain direct access to policy-makers in government and business, and he should be persuasive enough to influence decisions on both sides Although he should have the respect of A I D and the national government officials with whom he deals, his basic loyalties should be to the business community He needs the backing of key business leaders, particularly those on his Board of Directors

2 **A.I D 's objectives and the objectives of the business associations which A I D assists are seldom, if ever, identical** Assisted business associations are usually strongly committed to some of A I D objectives, lukewarm to others, and distinctly unenthusiastic about still others Prospects for achievement of project purposes and of association sustainability are enhanced when (1) A I D prioritizes its own objectives and (2) both parties come to grips with differences as well the similarities in their respective interests and priorities Key elements in most communities usually share A I D 's enthusiasm for expanding exports, removing burdensome regulations, improving business-related infrastructure, and introducing improved technologies and business skills Business leaders may be willing to turn their energies to other A I D -favored objectives, such as improving the status of small and medium enterprises, targeting programs to women, and achieving environmental goals However, A I D must

provide sufficient financial and other assistance to encourage business leaders to pursue goals that do not represent their own high priorities or deeply felt needs A I D sponsored efforts to change existing arrangements affecting competition among elements of the national business community, to reallocate power within business associations, or to influence business association positions directly affecting the commercial interests of the United States may be greeted with marked disinterest or active opposition

3 **Key business leaders and the Executive Director should be involved in the design and redesign of business association projects to the maximum extent possible.** Prospects for sustainability of functions that are important to A I D are reduced when a business association's leadership gains the impression that it has become simply an instrument for implementing Mission or A I D Washington decisions

4 **A.I D. projects carry requirements for accounting, reporting, and responding to Mission requests or instructions that are unfamiliar, burdensome, and often deeply unsettling to those who have grown up in a business culture.** Business associations often lack the overhead staff, familiarity with A I D procedures, understanding of Mission styles and concerns which they require to carry out project-related responsibilities effectively Bridging the gap between A I D and business operating styles requires funding adequate to support the additional overheads generated by A I D project funding Proactive involvement on the part of an A I D project officer and other Mission personnel, and usually considerable outside professional assistance is also required

5 **A business association that is primarily concerned with its standing in the business community and its prospects for sustainability usually should choose to do a few things well for its members rather than many things in a mediocre fashion.** Since A I D project designs often emphasize multiple activities and early diversification, serious differences of opinion may arise concerning the number of functions pursued, the timing of their introduction, and related questions of staffing and financial commitments

6 **A regional business association requires the active involvement of leaders of some large businesses if it is to perform policy advocacy and some other functions effectively.** Such firms usually have the international connections and regional interests which give them a stake in activities of regional associations They are much more likely to have the financial resources and executive talent that can be devoted to the purpose than are medium and small firms Large firms may be dominated by politically-unpopular social elites or ethnic minorities However, their leadership may be willing to form alliances with other elements of the business community in order to increase the political influence of their organizations They may also be willing to form alliances to fulfill a larger vision of role of the business community in the region While A I D has some latitude in selecting which elements of the business community it will support, business leaders and the business associations which they control are seldom as tractable as most other A I D grantees For this reason, business association projects which make significant favorable changes in the real world and in the business community itself are also likely to be ones which give the most headaches

7 **The form of "apex" governance utilized by an A I.D assisted regional business associations can affect both their programs and their prospects for sustainability.** The Caribbean Association of Industry and Commerce (CAIC) has both individual firms and national-level business associations as members CAIC also includes other regional business associations as affiliates FEDEPRICAP is an umbrella organization composed of national apex organizations It has no individual members It is conceivable that the inclusion of individual firms as direct members of CAIC enhanced its prospects for sustainability as a business advocacy organization and dimmed its prospects for continuing its role as a specialized conduit for donor services It also is conceivable that the absence of such direct membership has had the opposite effect on FEDEPRICAP's future

8 **Regional business associations can and do influence important policy and regulatory procedures in ways that other types of A I D -funded projects and programs do not** While business associations are seldom the sole cause of constructive change, they can have a degree of access and kind of credibility within the councils of government that other donor-funded initiatives may lack

9 **The skills required for policy advocacy/analysis are a different character than those required for enterprise development at the firm level** Advocates/analysts require conceptual and persuasive skills The requirements of enterprise-oriented assistance are primarily technical and practical If a regional business association handles both kinds of activities, staffing with suitable skills in both areas should be assured Consideration also should be given to assigning the two types of functions to different units within the business association

10 **Business association projects can have high pay-offs, but they also require long term commitments (on the order of ten years, realistically) and can make heavy demands on the Mission Director, the Project Officer, and other Mission personnel** There is a significant gap between A I D 's operating style and the operating styles of most businesses and business associations which time, patience, and money are required to bridge

11 **Six basic considerations which affect the dynamics of the project include. (1) the share of business association costs which A I D is prepared to fund and over what period of time, (2) the characteristics of national business associations in the region; (3) the presence (or non-presence) of A I D missions in the region's countries; (4) the physical characteristics of the region (archipelago, isthmus, land mass), (5) existing and potential patterns of regional and international trade, and (6) the ethnic composition of the region and of the business community within it.**

C PERTINENCE OF WORLD-WIDE EXPERIENCE TO THE SADC REGION

The projects which are clearly the most pertinent to the circumstances of the SBC sub-grant are USAID assistance to the Caribbean Association of Industry and Commerce (CAIC) and A I D assistance to the Federation of Private Entities for Central America and Panama

(FEDEPRICAP) These are discussed in considerable detail in Appendix 10 Other activities discussed in Appendix 10 provide some general insights, but are not squarely on target

There have been some doubts within A I D about each of these projects at various times, some of them quite serious ones In the case of CAIC, particularly, various USAID officials reflected some of the same concerns we heard during the period of this assessment in USAID/Zimbabwe

On the whole, both the CAIC and the FEDEPRICAP projects have been quite successful, particularly when compared to alternative means of accomplishing the purposes for which they were designed Although each project has encountered some problems and fallen short of some initial expectations, each has filled important regional needs Both projects were initiated against a background of generous USAID funding While each project has attracted funding from other donors, the sustainability of several activities initiated with A I D funding remains in doubt While it is too early to render any final judgments, it seems likely that CAIC will sustain itself as a primarily as a member-funded business advocacy organization and that FEDEPRICAP will support itself essentially as a donor-funded professional services contracting entity

On the whole, FEDEPRICAP has encountered fewer problems in its relationships with USAID than CAIC has along the way However, CAIC has faced a more difficult project profile and perhaps has accomplished more on its own

The Southern African region is unlike the Caribbean and Central America in many important ways, but it does share some of the characteristics of each region Like Central America (and unlike the Caribbean region) Southern Africa currently has both USAID country Missions and a regional program However, it is perhaps more like the Caribbean in its colonial background and in the ethnic composition of the business community

In theory at least, the region might follow the "bottom-up" phasing of the Central American program which started with heavy USAID subsidization of development institutions at the national level However, should a substantial number of country Missions be closed in the near future, the regional program could, in all its aspects, face the twin problems confronting A I D's regional Mission in the Caribbean how to select suitable delivery mechanisms for its programs and how to tailor the substance of the programs to the distribution systems selected In any event, both the Caribbean and the Central American programs share a common underlying characteristic they have required a critical mass of Mission attention and funding to achieve results

During the course of our search for assessments of other regional business associations, our informants offered opinions on subjects that bear some relevance to the current assessment First, it was noted that A I D often has difficulty in dealing with a "trade association mentality," one which cherishes its independence from government A I D could use its resources far more effectively, so the argument goes, if it focussed more on exercising an episodic influence on the business associations which it funds by supporting those of its efforts

which it favors and less on general or specific issues of control A variation on this theme was that A I D , in all its private sector projects, faces a choice between involving strong independent business leadership (which it ultimately cannot control) and creating "sycophantic" implementing organizations which pose far less serious risks to A I D as institutions, but are themselves highly risk-averse and less able to have a constructive impact in the real world A choice by A I D in favor of strong, independent leadership from local business leaders is easy for those sitting in the grandstand outside the agency to make, one informant stated, but far more difficult for those within the agency who have to live with the consequences

A striking feature of the conversations we have held is the intensity of feeling with which participants and observers of these projects seem to regard them Enthusiasm, pride, hope, frustration, and anger testify to an unusual degree of involvement and identification with the activities discussed In the case of the CAIC and FEDEPRICAP projects, mutual commitments were made by capable people who came together at the start These persons then influenced the course of the project from within USAID, within the business community, and within the business association itself The nature of those commitments and the persistence of the people who made them well may have been the single most important factors affecting the outcomes of each of these projects

Chapter 5

RETROSPECTIVE ASSESSMENT OF PROJECT ISSUES

A INTRODUCTION

This assessment has both retrospective and prospective features

As a general rule, the basic questions that are usually most pertinent to a **retrospective** assessment are

- o What are/were the project objectives?
- o What progress was/has been made toward their achievement?
- o What lessons does the assessment yield for the future of this project and other projects?

The basic questions that are usually most pertinent to a **forward-looking** assessment are

- o Have the objectives of the project or the principal players changed?
- o What are the alternatives for future action?
- o Which of these alternatives represents the most attractive choice for the future?

This assessment started out with a future orientation It developed a significant retroactive thrust after the field study was completed and the Mission asked the Team to examine its files in detail We then concluded that some difficult issues from the past had to be addressed in greater depth in order to lay a constructive foundation for the future

In the previous chapter, we saw that A I D private sector projects in general --- and business association projects, in particular -- have in the past generated misunderstandings and conflicts between "two cultures," represented by the private sector and the Agency for International Development which, for all its commitment to the cause of free markets in developing countries, is nevertheless a public sector institution with a set of governmental responsibilities and administrative requirements that condition its perceptions and actions

Business organization projects are seldom easy for donors to manage, and the SBC sub-grant is no exception However, the SBC sub-grant is special in that it involves an unusual three-cornered arrangement in which A I D and a regional public sector international regional institution (SADC) are major players along with SBC's governance structure and various elements of the business community

This Chapter is organized in five sections in addition to this Introduction Section B of this chapter provides an assessment of the decision by USAID/Zimbabwe to cease reimbursement of the Executive Director's salary Section C discusses SBC's performance Section D discusses views of other donors Section E presents the findings and opinions of the Team on a range of issues posed by the Mission for its consideration Section F provides a brief conclusion

B SUSPENSION OF REIMBURSEMENT OF THE EXECUTIVE DIRECTOR'S SALARY

In August of 1992, as the present assessment was getting underway, the Mission suspended its funding for the reimbursement of the expenses of SBC's Executive Director The basis for this suspension was the failure of SBC to follow SADC rules concerning advertising and competing the position of Executive Director prior to his appointment in early May of 1990 and its subsequent failure to compete and advertise the position as requested by A I D later As described in Chapter 2, the SADC Secretariat had reluctantly ratified SBC's departure from its rules, and the Council entered into a five-year employment agreement on the strength of that ratification USAID/Zimbabwe informally informed SBC and the SADC Secretariat a year later that A I D required the position to be advertised and competed[34] and followed it up with a formal notification in September of 1991 In November 1991, SBC was notified that funds for the Executive Director's salary would be cut off if SBC did not comply After some postponements to permit the SBC governance structure plenty of time for reconsideration of its position that it would not comply with the Mission's requirements, the funds were cut off

As we see it, the Mission's action in suspending reimbursement of Dr Bbenkele's salary and its rationale for doing so bring together key issues of performance, institutional

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[34] The formal ratification by the SADCC Secretariat was on May 3, 1990 An internal memorandum from Mr Greenberg dated July 20, 1991 indicates that he discussed with SRBC Chairman Thompson the subject of the Mission's requirement for competition and advertising at a meeting held that week in Harare, 13 months after the ratification date A memorandum from Mission Director Morse to Mr Thomson dated September 4, 1991 (16 months after the ratification) refers to Mr Greenberg's discussion at the Harare Needs Assessment Workshop "To reiterate and reemphasize A I D requires that the key positions in SRBC Secretariat be openly advertised and competed, using the same or similar procedures as used by the grantee, the SADCC Secretariat " On November 18, 1991, Deputy Mission Director Spielman wrote Mr Thomson, notifying him that the salary of the SRBC Executive Director would no longer be considered a reimbursable expense under the SADCC Secretariat grant, unless the position is held by a candidate who has been recruited in accordance with the SADCC Secretariat and SRBC procedures and/or USAID/Zimbabwe is satisfied with substantive progress in that direction That was 18 months after ratification

responsibility and the three-way relationships between USAID/Zimbabwe, the SADC Secretariat, and SBC

The Mission's rationale for suspension, in its briefest form, is stated as follows in its Comments on the Draft Final Report

> **If the incumbent, Dr Bbenkele, was performing well, this would have been sufficient reason to waive the rules While not without potential, in our judgement, Dr Bbenkele was not performing at a level that warranted waiving competitive search** [35]

This section examines the Mission decision from several points of view Subsection 1 briefly compares the way the public sector views the personnel selection process with the private sector approach to selecting a chief executive for a business association Subsection 2 examines the meaning of the Mission's "competitive search" rationale Subsection 3 presents the findings of the Assessment Team in terms of the application of contemporaneous standards of judgment on Dr Bbenkele's performance Subsection 4 examines other standards of judgement Subsection 5 looks at the way the Mission made its decision Section 6 suggests that there was a much better way for the Mission to achieve its objectives

This section attempts to do two things at once First, we try to convey a sense of how businessmen and government officials each look at the selection process and how they can misunderstand each other when questions of performance and replacing a key employee are at stake The second thing we do is to identify and apply a standard which we believe comes fairly close to the one which the Mission has established in its comments, but one which also meets the requirements of businessmen and others for a "reality check"

Writing in Association Management magazine to an audience of association executives, Mark Pastin says

> Every organization has two sets of rules First are the gold-plated rules those in the employee manuals, bylaws, codes of ethics, and snappy brochures These, however, aren't the real rules
>
> People play by a more basic set of rules that I call ground rules The best way to discover the ground rules is to observe people and judge them by their actions -- not their words In particular, observe people when they are faced with difficult choices See what rules they play by when the chips are down [36]

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[35] Mission Comments, p 14

[36] Mark Pastin, "Power, Politics and the CEO" (July, 1988) included in the American Society of Association Executives' Survival Kit for the CEO (Current in the ASAE Library as of April, 1993)

What we hope to do in this section is to develop and apply a "golden rule" that will be regarded as fair and acceptable by those whose basic way of judging persons and events is looking for the "ground rules" which tie human motivation and human action together

1 Private Sector Selection Process Compared

The "best practice" of public sector organizations in selecting persons for positions of responsibility is somewhat different from that of private sector associations faced with the same task A I D 's "competitive search" requirements combine two objectives The first is to avoid the fact and appearance of impropriety in the use of public funds -- particularly with respect to political favoritism, racial discrimination, or other unacceptable grounds for selection of individuals for employment The second is to achieve the most cost-effective use of public funds to get the most and highest quality service for the dollar or to pay the fewest dollars for a given type or level of performance The private sector association "best practice" shares some of the public sector concerns, but gives primacy to finding the best possible leader, making a timely decision, and signing him or her up The two approaches have many similarities, but the visceral instincts that guide them in practice can be quite different

A leading U S guidance document, Guidelines for an Association Seeking a Chief Staff Executive (U S Chamber of Commerce, 1992) suggests that one of the first considerations of an association seeking a chief staff executive is the establishment of a mechanism to facilitate the search and selection A small "blue ribbon" group should be composed of **leaders who themselves can recognize leadership** Other factors in the makeup of the committee include representation based on geographic location and basic types of members The Guidelines say that the committee members should understand that their job is to select and recommend the one individual who, in their opinion, is the best suited for the position of chief executive

The Guidelines state that the Committee must prepare for its job, develop an understanding of the organization's objectives and prepare a "profile" of the executive they want Among the characteristics they should consider are educational background, association management experience, other general and specific work experience, willingness of the candidate to continue his professional development, personal qualities, and leadership experience Committee members also must be prepared to "sell" the position to qualified candidates, presenting challenge, growth and the continuing professional development opportunities of the position

On the matter of employment contracts, the Guidelines state

> Contracts have pros and cons Many associations find it advantageous to offer a contract of employment while others believe the executive should work without one Some executives refuse a contractual relationship while others demand at

> least an understanding for a year or as much as five years and beyond Age of the candidate, plus the demands of the position, frequently will determine if a contract is mutually beneficial [37]

The Guidelines characterize executive search in terms of **finding talent and consulting people who know where talent is, and then locking a good candidate up.** It focusses on **sources**, such as (1) recommendations of the resigning chief executive, (2) promotion from within the current association staff, (3) promotion from other branches of the association, (4) executive referral services, (5) other association executives known to the committee, (6) executive search committees, (7) newspaper advertising, (8) unsolicited applicants from word of mouth advice, (9) executives in the industry and profession, and (10) miscellaneous government and university sources The guidelines document does not recommend that the position should be advertised as a matter of course But it does suggest that unsolicited applicants should be treated as any other applicant The Guidelines caution

> It should be pointed out that the interval of time between the interviews and the ultimate decision should be kept to a minimum Some organizations have lost their 'top choices' because of delays [38]

In summary, while the public and private sector approaches have a number of common elements, there is something very different about them as well Underneath the public sector approach is the image of a long line of suitable candidates, waiting to be screened and judged The candidates are the ones on display, the ones who must demonstrate their prowess, not their selector The private sector approach establishes a compensation package, usually on the basis of industry practice The private sector notion is that, in truth, there are only a few "best" candidates out there at a given level of compensation One of those "best few" must be identified, sought out, wooed, and won

Third World Practice

The American context of association management is different from that in the Third World, particularly when A I D is involved However, our perception is that the fundamentals, though not carried out in an elaborate way, are essentially the same when the private sector controls the selection process In the Caribbean, for example, a "Blue Ribbon" committee consisting of two well-known businessmen selected Paterson Thompson as the Executive

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[37] Id , p 10 The viewpoint of the association executive of course can be different "A solid contract is a CEO's most important political tool You must obtain this going in, because you will have difficulty negotiating or amending one with future boards You must demand respect as a professional from the outset " Bernard F Whelan, "On Being a CEO Learning the Political Ropes", Association Management, April 1989

[38] Id , p 21

Director of the Caribbean Association of Industry and Commerce (for a history of CAIC, see Appendix 10) Mr Sidney Knox, a Trinidadian business executive knew of Mr Thompson's good work in Guyana Mr Thomson was then interviewed by Mr Knox and Mr John Stanley Goddard, a leading businessman in Barbados Their affirmative recommendation was promptly accepted by the Board of Directors There was no advertising and no consideration of other candidates Mr Knox knew where the talent was, Mr Goddard confirmed his judgement, the Board trusted both men, and that was that [39]

In the case of FEDEPRICAP, its Executive Director, Mr Carlos Manuel Escheverria, was selected at the end of a process of "geographical reduction " Originally, some members of the Board thought that the Secretariat would be rotated from country to country along with a rotating Presidency It was ultimately concluded, however, that the Secretariat should be located in a single country and that country should be Costa Rica Once the location decision was made, it also was concluded that the Executive Secretary should be a citizen of Costa Rica Other Costa Ricans were considered, but Mr Escheverria -- who had been heavily involved in the process of revitalizing FEDEPRICAP in the first place -- became the natural and ultimately unanimous choice of the Board of Directors As noted in Appendix 10, FEDEPRICAP whose constituent members included national development institutions as well as Chambers of Commerce and was a project in which A I D funding and involvement played a much more central role than it did in the case of CAIC

As described in Appendix 10, "bonding" (the process by which explicit or implicit agreements concerning objectives, values, loyalty, and support are forged between the candidate and a few key patrons) is crucial A wise candidate knows that association members have differing interests and perceptions, that controversy and criticism are virtually inevitable, and that the going inevitably will get tough By the same token, experienced supporters know that, sooner or later, the executive will have to fight and that their strong support is a part of the transaction that enables her or him to produce results What counts is not just finding talent, even more important is the mutual commitment that precedes or emerges from the selection process

2 The Meaning of the Mission's Position on "Competitive Search"

This sub-section explores the meaning of the "competitive search" rationale as it has been presented by the Mission in its Comments on our Draft Final Report To quote further from these Comments

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[39] We did not particularly focus on this question during our country visits, but we did find that the process by which a few key business leaders approached a candidate whom they knew to have talent -- and then put their influence behind him on key issues -- was in evidence in Southern Africa as well

> When making a grant to an international organization such as SADC, A I D relies heavily on the institution's internal set of rules and regulations To the extent possible, A I D tries not [to] impose its own rules on top of the international organization's rules To waive an important rule of this international organization, requires a compelling reason [40]

As far as we know, there is no requirement that the Mission terminate funding of the position if the rules of the grantee organization regarding recruitment are not followed Our understanding is that Mission's action was -- and continues to be -- discretionary

The criterion which the Mission believes appropriate, to repeat, is

> **If the incumbent, Dr. Bbenkele, was performing well, this would have been sufficient reason to waive the rules While not without potential, in our judgement, Dr Bbenkele was not performing at a level that warranted waiving competitive search**

The basic question which it decided when it notified SBC that the position must be competed and advertised was whether or not the Acting Executive Director was performing well at the time his appointment was ratified by the SADC Secretariat (May, 1990) We understand further that the Mission was NOT seeking to impose an open-ended requirement for continuing good performance which would apply indefinitely and permit the Mission to cease reimbursement of the Executive Director's costs at any time when it did not think the Executive Director was performing well Nor was it seeking to impose upon SBC its own choice of an Executive Director or to assure that the Executive Director chosen shared the Mission's views on role of a regional business association in Southern Africa

In summary, the Mission criterion, as we understand it, poses one question and one question only

> **"Was Dr Bbenkele performing well in early May 1990 when the SADC Secretariat and SBC entered into a long-term personal services contract with him?"**

3 Was Dr Bbenkele's Performance Satisfactory at the Time?

In this sub-section we answer the question of whether Dr Bbenkele's performance was satisfactory during the period in question Later we will answer the question of whether having "satisfactory performance" does or should meet the standard of "performing well "

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[40] Mission Comments, p 14

Dr Bbenkele came on board on November 11, 1989 as a consultant and Interim Executive Director We understand that he had been involved in the process in which the SADC Secretariat worked with the regional business community in conceptualizing SBC We further understand that he was chosen for his Interim Assignment by the staff of the SBC Secretariat We were informed that the SADC staff represented to the Mission that Dr Bbenkele as a very competent person for the position of Executive Director We understand that the Mission accepted this assessment at the time and, as far as we can tell, it did not change its opinion during the first year of the project

There is, however, relatively little documentation in the project file that would bear on the performance of the Executive Director between the date of his arrival in November of 1989 and the date of the ratification of his appointment, May 3, 1991

A report of a the Second SBC Council Meeting held in Blantyre Malawi on January 11, 1990 indicates that the meeting (1) approved a budget for the Secretariat, subject to discussion with SADCC/S, (2) ratified the appointment of the Executive Director in the interim, (3) ratified the Conditions of Service prepared by the Secretariat for all employees, (4) again resolved to have bankable projects submitted by February 28, 1990, (5) resolved to have close collaboration with SITCD, and (6) approved the revised program of action as presented by the Secretariat and pledged to abide by it for the Businessmen's Conference to be held in October, 1990

A letter on February 27, 1990 from Mr Nebwe of the SADC Secretariat to Dr Bbenkele refers to the "imperative necessity for SADCC National Business Councils to pay their contributions to the Reserve Fund "

SBC moved into premises at 165 Pilane Rd , Gaborone on April 1, 1990

At the Third Meeting of SBC held in Meseru, Lesotho on April 11, 1990 the Council received the recommendation of the Board that the Interim Executive Director be named substantive Executive Director The Council voted to ratify the recommendation of the Board and to contact the Executive Secretary, SADCC/S to discuss the ratification It urged the Secretariat to liaise fully with PTA/FCCI to avoid duplication, commended the Executive Director on his comprehensive report to USAID, but pointed out that had it not been for the exigencies of the matter, the Council should have spent sometime in looking at the activities before submitting them to USAID The Council also agreed on the importance of clear and strong focal points for effective dialogue between governments and the business community in each country and resolved that Namibia should join SBC as soon as possible

Mr Brad Wallach managed the project for USAID from November, 1989 though the end of January 1990 He was based in the Zimbabwe Mission He passed then his management duties to Dr Armstrong, but retained responsibility for preparing a Project Paper Supplement and Grant Agreement Amendment He was a principal author of the Project Paper Supplement dated May 18, 1990 which we have quoted in Chapter 3 and which is referred to later in this Chapter He also was a principal author of the Grant Agreement Amendment transmitted to

SADC by letter of July 24, 1990, which was fully executed in late August, 1990 Mr Wallach continued to serve in the Mission until late in 1990 He told us that he had no reason to believe that Dr Bbenkele was not performing well during his service as Project Officer or indeed thereafter He made very clear, however, that -- apart from his involvement in the preparation of the Project Paper Supplement-- his duties in the Mission did not involve him in the project after his early service as Project Officer He also pointed out that he had not had the opportunity to review any project-generated studies [41]

Dr Armstrong arrived in Gaborone in December, 1989 but did not undertake duties there until the beginning of February 1990 He thus was on the scene, worked with Dr Bbenkele for a substantial part of his time in Gaborone He left Botswana for Zimbabwe in late 1990 and remained responsible for the project through early January, 1991 As of May 3, 1990, then, Dr Armstrong had been Project Officer for three months He remained Project Officer for seven months thereafter

As best we can judge, Dr Armstrong is the single person in the Mission who knew Dr Bbenkele's work best He "took the time to help Dr Bbenkele with the logistics of setting up an office, and in liaising with USAID, and this assistance was invaluable "[42] Dr Bbenkele's description, set forth in his letter to Mission Director Herrick in October of 1990 is that of an active, vital, and much-appreciated contributor to a common undertaking

Dr Armstrong has an agricultural and business background and is an experienced A I D Project Manager He is not a business association management specialist, by background He told us that he got along well with Dr Bbenkele during the period of Dr Armstrong's incumbency as Project Officer and thought Dr Bbenkele could handle his job when he left Dr Armstrong did indicate that Dr Bbenkele was very new to the ways of the A I D and SADC bureaucracies and needed a good deal of help from Dr Armstrong in this regard There was nothing in Dr Armstrong's responses to our direct questions to indicate that he found Dr Bbenkele's performance less than satisfactory during the period in which he was responsible for the project or indeed that Dr Bbenkele was not performing well As noted in Chapter 3, in the latter part of his tenure (September, 1990), Dr Armstrong expressed written satisfaction with the way the project was going at that time As reported in that chapter, in January of 1991 Dr Armstrong also found the Work Plan submitted by Dr Bbenkele to be satisfactory

At the time of our interview in September 1992, SBC Council Chairman Thomson told us that in May of 1990 (the time of the SADC ratification and signing of the services contract) he thought Dr Bbenkele was as good as any candidate likely to emerge from the SADC selection process Mr Greenberg's memorandum to file on his conversation with Mr Thomson

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[41] At the outset, there were those in the Mission who saw the studies (as distinguished from institution-building) as the primary project output

[42] Mission Comments, p 11

at the Needs Assessment Workshop held in Harare in July of 1991 (when Mr Greenberg apparently first broached the question of competing the Executive Director's position) indicates to us that, at that time, Mr Thomson had some doubt if a better candidate could be found [43]

Prior to April 1, 1990, we understand that SBC was co-located with BOCCIM, and the Mission Comments suggest that Dr Bbenkele could not take constructive criticism from BOCCIM We did not explore the question of the circumstances of SBC's departure from BOCCIM during our field survey We did, however, interview the President of the BOCCIM Council in SBC's offices at a meeting arranged by Dr Bbenkele During this interview, at which Dr Bbenkele was not present, we asked him whether BOCCIM would be willing to consider serving as the administrative channel for A I D funding if the Mission and SBC were to decide that would be an advantageous alternative to funding through the SADC Secretariat He reply was definite and affirmative

As discussed in the following subsection, making a retroactive judgement on whether Dr Bbenkele was performing "well" in May of 1990 is very difficult, because it depends on what standards one applies We do think, however, we can conclude that Dr Bbenkele performance was satisfactory by the contemporary standards of the persons then principally responsible and involved The SBC Chairman, its General Council, and the SADC Secretariat all had to consider their decision very carefully because of the unusual circumstances They were the people who designed SBC, who knew what they expected, and who would have to live with the consequences of their choice We have discussed the matter with them, and believe they were sincere

We believe that if any of the parties had perceived any major problem, the performance issue would have been raised at the time and settled then Had they thought that Dr Bbenkele's services were not satisfactory, we think they would have concluded that SBC's ongoing activities should be postponed, that Dr Bbenkele should return to ZACCI, and that a search for a new Executive Director should be undertaken at that time In summary, their actions speak as loudly as their words We conclude that the persons responsible for overseeing Dr Bbenkele's performance thought that his performance was at least satisfactory in May of 1990, and we are persuaded that their judgments were sound

But is satisfactory performance the equivalent of what the Mission means in establishing the standard, "doing well?"

4 Other Standards of Judgement

At the time the selection of the Executive Director was ratified by SADC, there was no performance review during which evaluators checked off a box labelled "Doing Well " If

[43] Donald Greenberg Memorandum of July 20, 1991

A I D requires something more than "satisfactory performance" in applying its standard to reviewing SADC's ratification, the task of retroactive assessment becomes much more difficult

As best we can discover, there never has been a job description for the Executive Director's position other than a list of duties contained in SBC's Constitution That document also contains the only definitive description of SBC's objectives The Constitution was developed by the SADC Secretariat Even if one concedes that the Grant Agreement Amendment of July-August 1990 "changed everything" by negotiated mutual agreement, the performance we are considering took place on or before early May, 1990 It is hard to conceive how anyone could apply anyone's standards to Dr Bbenkele's performance other than those of the SADC Secretariat that had developed the concept of the institution, its governance structure, and the role of the Executive Director within those contexts

Nevertheless, we return to the question, "Was Dr Bbenkele performing well at the time he was named Executive Director in May of 1990?"

There are in fact many conceptions concerning what the Executive Director of a Regional Business Organization should be In the context of retrospective assessment, these conceptions really represent pairings of "qualifications" with "agendas" They permit the analyst to reach backward in time by reasoning, "If he does not now have Qualification or Characteristic A needed to Accomplish Agenda X which is an essential part of his job, how could he possibly have been "doing well" in May of 1990?" Such formulations can be tricky to apply because the premise "which is an essential part of his job" may represent a controversial opinion or fail to distinguish realistically between the past, present, and future of the organization

Regional Stature

The Team brought to this assessment the conviction that regional stature is a very important attribute of the Executive Director The Executive Directors of both CAIC and FEDEPRICAP, with which we are familiar, have held high positions in government and important enterprises They converse comfortably with Ministers and Presidents of the countries of their regions and are at home in the board rooms of large companies The regional associations they head owe their institutional influence in part to the stature of their respective Chief Executives If that is what the Executive Director of SBC is supposed to be, and Dr Bbenkele did not have a similar background and connections, how could he possibly have been "doing well" in May of 1990?

The Mission comments point out that high-level business leaders have dropped out of active participation in SBC, leaving leadership largely in the hands of smaller businesses and middle management executives of the larger businesses [44] On the basis of the interviews we have conducted, we would judge that those large firm top managers who have dropped away

[44] Mission Comments, p 8

from SBC have done so in substantial part because the national governments did not buy into the concept of public-private partnership devoted to the larger interests of the region which was originally projected for SBC Beyond this, we have the impression that the Secretariat's principal designers saw the "enterprise sector" as unity They certainly did not want to exclude large businesses from a process of synthesis, and at least one SADC staff member saw dialogue of SBC with individual large businesses as an important purpose Nevertheless, we have the impression that SBC's governance structure was designed in a way that made it very unlikely that it would be oriented toward large businesses -- particularly those in Zimbabwe

It is conceivable that some top executives of the larger companies did not regard the Executive Director, who had never been a corporate executive or held high government office, as an equal in experience and stature It is also conceivable that some might have sustained their interest for a longer time if SBC had the "feel" of business associations controlled by larger businesses within their respective constituencies But unless we are very much mistaken, that is exactly what the majority of SBC's founders did NOT want, and we believe that the underlying orientation was programmed into the governance structure of the organization from the start

The Assessment Team would like to see SBC and/or some other regional business organizations in Southern Africa develop to the point where it can perform as CAIC and/or FEDEPRICAP do and attract talent of corresponding experience or stature But neither CAIC nor FEDEPRICAP in fact started their histories with such luminaries Each had troubles to start with For CAIC and FEDEPRICAP, the time and money and circumstances had to be right for persons of regional stature to be willing to utilize the platforms which these organizations provided for their further creative efforts The essential job for the first Executive Director of SBC, as we see it, was starting the process of building a platform, not necessarily standing at a great height upon it himself

Change the World

There are a variety of agendas which represent either difficult jobs to be done or problems to be solved to which the person of the Executive Director or his extraordinary leadership, intellect, or insight may be premised as "the answer" We believe that a principal designer of the project on the SADC Secretariat staff had the view that SBC's function should be to synthesize the opinions of the enterprise community such that SBC could receive a single consensus view rather than a multiplicity of opinions so everyone speaks with "one voice" We would judge that to be a very difficult task, except on those rather infrequent occasions when the interests of virtually all enterprises are the same and enterprise community in fact is of "one mind " Since the SADC Secretariat sees "the enterprise community" as including parastatal organizations, the Executive Director who could bridge the large social and economic gaps in viewpoint and interests within that community in Southern Africa would have to be a very extraordinary man indeed

A somewhat similar idea is that the Executive Director should be able to maintain the participation of all his various constituencies simultaneously His job is bring everybody in the business community together and to keep them happy under a single tent The point is not so much that every policy position should please all of them, but rather that the regional business association should offer some kind of activity or interest to everybody, and thus keep everybody contented Given the reality of limited resources, we would judge that expectation to be quite difficult to achieve as well Needs are infinite, resources limited, and conflicts abound The Executive Director, his Chairman, and the General Council must make choices that will please some and offend others In the final analysis, this formulation of a business association agenda cannot succeed unless the Executive Director turns out to be an exceedingly effective fund raiser, one who knows how to tap the pocketbooks of both the business community and the donors On the whole, very effective fund raisers are in short supply

A third variation is the idea that an Executive Director must be able to reconcile or solve such problems experienced by national level business organizations as lack of representativeness (organizations controlled by a small clique), lack of financial commitment (including payments to SBC) and problems that business associations have in dealing with bilateral USAID Missions We understand that, in a short span of time, one SNBC has had four Executive Directors, each one financed by USAID, each one unable to bridge gaps between the organization's leaders, the Mission's objectives, and their own A Regional Executive Director who could intervene to solve these problems would have to have extraordinary personal qualities and stature

Accept the World

While some formulations stretch the yardstick by which the Executive Director is measured upward, requiring him to possess the "magic bullet" that changes the world, others accommodate to context They accept contemporary standards of selection as given and ask "Was he doing well given who he was and the situation he had to work with? Was he growing? What was the path that would enable him to move from where he was toward where he needed to go? What were his problems? Was he given the help he needed to perform at his full potential? Such an approach may look at the "ground rules" normally applied by his peers and ask how he is performing by these standards Others simply look at the world from his point of view and through his eyes Such formulations bring the expectations concerning the performance of the Executive Director down to size, but perhaps some too far down

Institutional Philosophy

There have been a number of strongly held views expressed to the Assessment Team concerning the institutional philosophy that should guide SBC, particularly concerning relationships between the public and private sector Some may feel that if the Executive Director did not share their philosophies of what SBC should become in the future, he could not have been leading the organization in the right direction in May of 1990, and hence was not "doing well" then That is a most hazardous standard to apply to the past, precisely because it focuses on "correct" ideas rather than on relating actions to expectations

"Performing Well" Revisited

In the absence of a contemporaneous record of a performance review which contains the equivalent of a "performing well" conclusion on an evaluation form, we doubt that a "performing well" standard (as distinguished from "performing satisfactorily") is a particularly good one for a retroactive intervention that can adversely affect the career of a business association executive Whether the person was performing satisfactorily can be inferred from contemporaneous events, particularly from the actions of those who were responsible for performance at the time If "performing well" implies either a higher or lower standard than "satisfactory performance," it is very hard to apply objectively after the fact As time goes by, people find it more and more difficult to agree on what the ground rules were at the time of performance "Performing well" retroactively applies some concept of expectations, and it here is very difficult to set a reasonable ceiling -- or floor -- on expectations many months later

5 How the Mission Made its Decision

Judging the performance of the Executive Director of an association is a difficult task because many people have different agendas and different viewpoints Hence it is a good idea to involve persons with differing perspectives when a performance review is carried out [45] Good practice indicates that the basis for and results of the review should be put into writing at the time the review is carried out

We were unable to find any documentation in the file that indicated who in the Mission, in July of 1991, made the judgement that Dr Bbenkele was not "performing well" in May of 1990 Nor were we able to determine when such a decision was made, nor on the basis of what specific "doing well" standards or findings as to facts [46] Apart from the absence of documentation, we have no sense that the Mission paused in the ongoing rush of events and took the time needed to put on its "fair hat," the one which requires a designated interval and disciplined process for deliberating on the wisdom of actions which can damage others

As far as we can determine, Dr Armstrong was NOT involved in any assessment of Dr Bbenkele's performance after he turned his responsibilities over to Mr Greenberg in January of 1991 He had been on the spot in May of 1990 And, by July 1991, he still had spent far more time on the project than anyone else in the Mission Nor, to the best of our knowledge,

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[45] A recent article takes the position that the employment contract of the association chief staff executive should contain a clause specifying that evaluations be carried out by a group of knowledgeable people, preferably one such as the organization's Executive Committee that is likely to reflect a range of responsible views "Don't Leave the Room," Association Management (September, 1992), p 32

[46] This decision was apparently made by the Mission prior to an Ad-Hoc Meeting of the Governing Council of SRBC on July 19, 1991

was anyone from outside the Mission brought in to provide an independent perspective on the decision In May of 1990, there were no standards of performance for the position of Executive Director other than those established by SADC and SBC themselves Had the Mission been viewing the situation principally from the point of view whether Dr Bbenkele's past performance met established standards one would have thought the Mission might have presented the issue whether Dr Bbenkele was performing well in May of 1990 to SBC and SADC Secretariat and listened to their views before it made its decision The records we reviewed contained many comments on Dr Bbenkele, but none which suggest how or why the Mission determined he was not doing well in May of 1990

Two subjects that seemed high in the Mission's concern for this project during the period from mid-July to November, 1991 the independence of SBC from the SADC Secretariat and competing the Executive Secretary's position These subjects were raised at the Needs Assessment Workshop (advertising Bbenkele's position), and an Ad-Hoc Meeting of the Governing Council of SBC (independence of SBC from SADC) July 18-19, 1991 They also seem to us to be linked in Deputy Director Spielman's letter to Mr Thomson of November 18, 1991 which attached Mr Greenberg's highly critical review of the Work Plan Dr Bbenkele submitted to the Mission in August One key condition contained in the attached commentary by Mr Greenberg's was the requirement that SBC develop a strategy for disengaging itself from SADC and USAID to be completed before the Work Plan could be revised

After apparent early success, the idea that SBC should "disengage itself from SADC" was severely set back The outcomes of the Seventh SBC General Council Meeting in Maputo on January 20, 1992 were reported as follows

a The Council resolved to reject the suggestion of USAID for the position to be advertised for regularization This was based on the fact that the Council has already made its decision to confirm the Executive Director with due consideration of the regulations and procedures of SRBC The extenuating circumstances at the time led to the decision to be made It would be absurd at this time to advertise the position as USAID was at the time fully aware of the decision made by Council Any problems in recruitment should have been brought up at this time

b The Council considered the suggestion by USAID as interfering with the operational autonomy of SRBC as the organization was an independent institution registered under the Societies Act, Section 6(1) of the Republic of Botswana The Council refused to be pushed around by the donors and were prepared to forego the donations and tap alternative sources

c The Council gave a vote of confidence in the work currently being done by the Executive Director and wondered what the problem of USAID was A firm decision was made by the Council that the Executive Director should be retained and should there be any further insistence, the salary should be paid from the

capitation fees received so far A direction was made that as soon as possible alternative sources of donor funds should be found to see the organization through now and after the present agreement with USAID expires for supporting non programme activities of the Council

d The Council resolved that the present services of the Executive Director should not be disturbed as this could kill the momentum which has been gathered so far

e The Council mandated the Chairman to carry the policy decision of Council on this matter to Dr Makoni and to USAID

The Council also accepted the version of the work plan that Dr Bbenkele had submitted to USAID/Zimbabwe Whatever USAID/Zimbabwe may have intended in presenting the issues of Dr Bbenkele's employment, disengagement, and the quality of his Work Plan together at the same time, the result was to imperil its objectives with respect to all three

Another issue that appears to have been troubling the Mission is Dr Bbenkele's employment contract Persons employed on A I D - funded projects -- particularly projects executed by U S contractors, often have employment agreements which are essentially conditioned on A I D funding of their position and A I D 's sole satisfaction with their performance If A I D becomes dissatisfied and requests their removal, for all practical purposes they are gone Such employees have no claim against A I D or their A I D contractor employers except perhaps for severance pay But, as we have seen, U S business association practices differ from those A I D practices described above

As far as we can tell, Dr Bbenkele did not use the situation to extract an unreasonably high salary for his position, nor do we think that A I D would have paid full cost if he had The Mission in fact criticizes Dr Bbenkele on the grounds that it thinks that, later in the project, he delayed negotiations with a capable candidate for his staff because the candidate had salary requirements exceeding the Executive Director's own salary It is conceivable that Dr Bbenkele, in negotiations on his own employment, traded off his salary objectives for a longer contract period and/or other forms of security, but that seems a normal bargaining outcome The Mission is disturbed by the lack of a termination clause in the contract, but there was one in fact The termination clause refers principally to SBC's "disciplinary rules" We did not examine these rules and we do not know how a court in the region would treat a situation in which the Council sought to terminate his employment on the grounds that his performance was unsatisfactory But a termination clause in Dr Bbenkele's employment contract there certainly was

We can understand why, once the USAID/Zimbabwe had made its decision that Dr Bbenkele was not performing well, it would have been frustrated by the discovery that he had a five year employment contract and even more frustrated when the contract's provisions were revealed to the Mission on a piecemeal basis But we fail to see how the provisions of Dr Bbenkele's contract support the Mission's position that he was <u>not doing well in May of 1990</u>

From a business point of view, an employment contract is a market place bargain Other things being equal, the better the provisions for the recipient, the greater the likelihood that the negotiators thought he was doing well at the time they entered into the contract In this case, the SBC Board and General Council was faced with a time-limited "take it or leave it" choice, but that is the kind of choice businessmen and businesswomen face in negotiations all the time The fact that SBC's Council members were willing enter into a contract which obliged their organization to pay Dr Bbenkele with its own money for the period beyond August 31, 1993 if USAID or some other did not fund Dr Bbenkele's salary after that date, suggests that the Council members thought well of him at the time it undertook this obligation

We cannot read the minds of the individuals who made the decision (on or before July 18, 1991) to challenge SADC's ratification of Dr Bbenkele's employment However, we could imagine that, with the best of intentions, the Mission's views concerning Dr Bbenkele's performance in May of 1990 might have been influenced at the time by the Mission's then current dissatisfaction with the status of SBC, its then current view of Dr Bbenkele's performance, and its very strong hopes for changes that would create a future for SBC more independent than it had been in the past

Obviously, however, it would not have been proper for the Mission to attempt to utilize the leverage afforded by a procedural mistake relating to Dr Bbenkele's employment to influence his decisions or those of persons in SBC's governance structure concerning matters affecting the organization's vital interests, such as its respective relationships with SADC and USAID And yet it could have appeared that way to persons outside of USAID Given the fact that relationships between USAID/Zimbabwe, the SADC Secretariat, and SBC were very much in the balance at the time, it was -- and is -- critically important that any judgement made by the Mission concerning Dr Bbenkele's performance should be fair in fact and should appear so to others as well

What is at stake here goes well beyond fairness to a single man The perception that a donor can understand the position of an Executive Director caught in a cross fire -- and not use its power to penalize him if he does not choose the path it prefers -- can be critical to recruiting top talent No good association executive deliberately chooses a position that he thinks likely to destroy his career if the association's very diverse constituencies fail to agree on objectives In a development context, donors such as A I D and international organizations such as SADC indeed represent such diverse constituencies

To say that the "performing well" standard was in fact applied in 1991 but that no one at the time paused to write down anything concerning the decision and its basis will not do in such circumstances For A I D employees or others who were not on the scene in May of 1990 now to recall that in July of 1991 they fairly made a decision that basically overrode the judgements of responsible people who were on the spot in May of 1990 simply doesn't conform to our standards of what ought to be done where a man's job and career are at stake Nor is intervention of this kind well calculated to instill confidence in donors on the part of the kinds of leaders needed to manage business associations well in the future

In the absence of a contemporaneous record indicating that A I D clearly and fairly applied an appropriate "performing well" standard before it took its position on the need for advertising Dr Bbenkele's position, we think that the more objective standard of "satisfactory performance as of May 3, 1990" should be used for judging his performance That can be done fairly today and we find that the standard has been met Accordingly, we think that the USAID/Zimbabwe should restore funding of the Executive Director's salary retroactively

Since the original date for completion of the project was to be the end of August 1993 and SBC entered into a five-year contract with Dr Bbenkele fully aware of that, we do not believe that A I D necessarily need feel obligated to fund the position beyond the original project completion date Nevertheless, we do believe that a major lesson of this history is that a mid-course intervention by A I D focussed on the person of a business association's Executive Director and apparently linked to changes in organizational policy can be profoundly misconstrued and impede the achievement of the Mission's most basic long-term objectives USAID/Zimbabwe may wish to consider its future course of action with this thought in mind

6 A Much Better Way

With the benefit of considerable hindsight, we are convinced there was a much better way USAID/Zimbabwe had every legitimate reason to be concerned about the project in terms of its ultimate direction and the divergence in the objectives of the three parties The appropriate contexts for expressing those concerns, in our judgement, should have been either (1) the prospect of future A I D funding (then scheduled to end at the end of August 1993) or -- if the matter was felt to be sufficiently urgent -- (2) the exercise of the termination clause in the Grant Agreement Amendment as amended The process for considering the future could have been something like that described in Chapter 7 of this report, which deals with future alternatives Within the framework of such a process, it would have been most appropriate for the parties to address the question of whether the Executive Director then appeared to be the man to lead SBC in the direction agreed upon If it turned out that he was not that man, suitable arrangements should have been made to permit him to make an honorable exit

Such a process perhaps would have taken a great deal of time and effort, but we are convinced both the project and values at stake were worth it We do not know and probably are not entitled to know all of A I D 's purposes for its actions, but we do know that the reasons it has supplied do not fit its purposes well We do not think A I D needs to ascribe its actions to technical errors or shortfalls in performance which took place in the distant past In our judgement, the prospects for regional business organization in Southern Africa are promising enough, their potential benefits large enough, and the need for candor strong enough for all the parties to spend the time needed to reconsider their relationships And then to let the future to pay its own way

C SBC'S PERFORMANCE

In this section, we present our findings with respect to SBC's performance as a whole We take into account the entire period of history to the time of our field study in September, 1992

The Assessment Team finds that, taking the entire history of the project into consideration, SBC's past performance has been average at best and well short of the potential of a business association in the region

The principal reasons that SBC has not been able to achieve its full potential are as follows

- o SADC/SBC recruited as its Executive Director a person who lacked the regional stature and in-depth experience normally found in the chief executive of a regional business organization

- o The SBC staff did not receive the sustained guidance, high-level technical assistance, and moral support it required for successful performance This treatment contrasts sharply with the attention and support given to regional business associations which USAID has funded in other parts of the world

- o The SBC Executive Director has been caught between the conflicting instructions, priorities, and objectives of important SBC constituencies

- o The SADC Secretariat, UNSAID/Zimbabwe, and SBC have been locked into a too-tight and overly rigid mutual embrace An orderly and gradual process of disengagement from an unsatisfactory three-way marriage is now appropriate

Business organizations can be launched in all kinds of ways In our judgement, an Executive Director of regional stature is required for a regional apex association to reach its full potential But the concept of the SBC that was developed by the SADC staff was one of an institution that would be closely linked and essentially serve the needs of the SADC Secretariat As we see it, the Secretariat's vision of SBC's Executive Director was of one who would work closely with them in a highly collaborative if not subordinate role They were <u>not</u>, in our judgement, looking for an Executive Director whose stature would rival that of their own chief executive, nor did they have in mind an organization that could or would challenge the public sector

There well may have been significant differences or shadings of opinion within the staff as to <u>how</u> SBC was to serve the SADC Secretariat but our interviews left us with little doubt that an institutional decision had been made that SBC <u>would</u> have a close relationship to the Secretariat

The SBC staff was set up on the model of a public sector Secretariat It drew its key professional staff from public sector organizations and from organizations heavily influenced by a public sector mentality It presently reports to two public sector institutions (USAID and the SADC Secretariat), each with its own separate administrative orientation, procedural requirements, and programmatic directions Neither the applicable SADC compensation structure, nor the process of personnel selection, nor the nature of SBC's interactions with A I D and SBC were well calculated to produce an independent meritocracy

The SBC staff has had limited success in reconciling the needs and requirements of five principal constituencies, each of which has somewhat different priorities, perceptions, and interests

- The SADC Secretariat
- USAID/Zimbabwe
- SBC's governance structure (SBC's Council, Board (no longer operative), and constituent National Business Councils)
- Officials and professional staff of national chambers and business associations
- The business community at large and selected types of businesses within it

USAID/Zimbabwe and the SADC Secretariat particularly have been operating at cross-purposes They have not reconciled their differences and they have caused unnecessary delays and difficulties for the SBC staff In particular, both organizations have turned what should have been a straight-forward work planning process into an administrative nightmare Requirements for extended discussion of "objectives" and "strategies" were overdone if not counterproductive

What SBC needed to do in these years was to show an identifiable constituency that it could act effectively on behalf of that constituency But, in our judgement, USAID and the SADC Secretariat tied up SBC in ideational paper wars [47] It is as if two highly intellectual parents have been engaged in a long and bitter argument as to whether their young child should be performing to the standards of Picasso or those of Beethoven -- an argument in the process of which they reject both each other and the child

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[47] The Mission comments "The impact of the 'ideational paper wars' seems to be greatly overstated In our opinion, this would have been easily handled by an Executive Director with greater experience and stature In fact, discussions of 'objectives and strategies' with SBC and SADC/S were minimal -- they were not unduly extended They probably had little impact, positive or negative " Comments, p 18 The Assessment Team believes the Mission misread its impact on SBC in this respect See Subsections B-5, E-5, and E-9 of this chapter

At the start, this project lacked three-way "bonding" among leaders in the business community, the SADC Secretariat, and -- in particular -- A I D itself Had a sufficient mutual commitment taken place in the beginning, cohesion well might have survived changes in personnel and the almost inevitable difficulties of the early years of a new organization

What this new institution needed was constructive support in taking practical forward steps in the real world Focusing on the needs of the less developed chambers and of the medium-sized businessmen -- objectives clearly in the minds of both SBC's Chairman and its Executive Director -- constituted a reasonable way for SBC to move forward at the start Instead of holding up SBC's Work Plans, the SADC Secretariat and USAID/Zimbabwe should have done everything they could to help SBC get these work plans up to standards quickly, including suggesting consultants and shortcuts if need be They should have seen that what SBC wanted to accomplish for itself made good sense They should have done everything they could to help direct SBC's energies away from paper production and toward achieving <u>its</u> own objectives in the real world

USAID/Zimbabwe acceded[48] to a concept of SBC which had been rather carefully developed by the SADC Secretariat and which had involved business leaders in the region Increasingly, however, the Mission saw the SADC concept as incompatible with the its own private sector approach Rather than concentrating its attention on renegotiating its basic arrangement with SADC Secretariat, the Mission attempted to persuade SBC to become more independent of SADC by linking a "disengagement strategy" to a work plan which required A I D approval SBC found itself caught in a cross-fire It wanted to keep both A I D and the SADC Secretariat happy and concentrate on its own priority objectives But its efforts along these lines satisfied no one

With the benefit of hindsight, the following can be said of the early history of the sub-grant

- USAID should have prepared a project design document in advance of funding SBC and made sure it was basically in agreement with the SADC Secretariat and the business community in the region on fundamentals Any major changes in the positions of any of the three parties then should have been discussed among all three of them at the highest levels, and each set of interests should have been fully represented in the process used to change fundamentals

- SBC's first Executive Director should have been clearly identified before SBC started operation Agreement on the candidate should have been reached as part

[48] The Mission position is that the Project Paper Amendment signed in July, 1990 pointed the project in another direction As discussed in Subsection E-1-d below, we think the Mission's position, though in part based on a subsequent interpretation of the July 1990 Project Paper Amendment, actually changed in 1991

of a three-way "bonding" process Failing this, the Chairman of SBC, at the very least, should have been consulted before an Interim Director was selected by the SADC staff By acting unilaterally, the Secretariat staff lost an opportunity to endow the Executive Director with the support of persons within the business community who might have seen him as "their man" had other selection procedures been utilized

- A resident senior business association advisor, familiar with USAID procedures, should have been on the scene from the start to provide counsel to the Executive Director and SBC's Chairman The presence of such an advisor should have been a condition for the initial grant Failing this, such an advisor should have been put in place before Dr Armstrong was withdrawn from Gaborone at the end of 1990 In any event, some kind of constructive response should have been framed to Dr Bbenkele's October, 1990 request for the continued involvement from Dr Armstrong

SBC has been criticized for deficiencies in a wide range of areas, including setting up and conducting meetings, for the quality of its staff, for deficiencies in preparing work plans and institutional strategies, and for failing to execute the priorities of its principal constituencies It is criticized for its failure to take initiative and for its lack of follow-up While these and other criticisms probably have merit, they miss the point -- SBC or something like it is here to stay We are witnessing the birth pangs of an organizational instrument which can play an increasingly vital role in business development over the next decade Rather than throw out the baby with the bath water, all the parties should focus on ways to assist in the development of a responsive, responsible regional business organization

From an outside perspective, it is extraordinary that SBC has done as well as it has An inexperienced, inner-directed Executive Director and his staff have made a number of beginners' mistakes, but they also have managed to launch a ship with relatively little help from the outside Superficialities aside, the work plans SBC produced have been above average for its stage of development The second work plan, in particular, was noteworthy in recognizing (albeit belatedly) the need for developing sources of donor funding other than USAID and in its willingness to explore the modification of SBC's structure to permit direct membership by firms

The working priorities established by SBC appear to be reasonable to its circumstances and its initiatives with respect to South Africa business community particularly meritorious Our reading of the files suggests a capacity for learning and growth that is rather unusual in the light of the difficulties SBC was encountering in its basic relationships with USAID/Zimbabwe and the SADC Secretariat

Appendix 9 provides detailed chronologies concerning areas of SBC activity These may be summarized as follows

- SBC has actively encouraged contacts with the business community in South Africa Business leaders of Southern Africa are now talking to business leaders of South Africa on a regular basis Although most of these contacts were not initiated by SBC, it has served to facilitate and encourage a deepening of such contacts

- SBC has helped to strengthen its national level affiliates SIEMENS agreed to provide computers and information system training to each national-level apex organization and to SBC SBC staff and experts have been hired to provide technical assistance and training to local affiliates

- SBC has made modest contributions to the growth of trade in the region Some intra-regional trade orders have been written as a result of the buyer-seller conference and trade missions sponsored by SBC A Trade Advisory Committee and an Investment Committee have been formed and have identified issues for initial focus

The South Africa meetings suggest SBC has demonstrated at least limited capability to undertake important initiatives in the real world Nevertheless, a review of SADC documentation suggests it has a distinctly mixed record as creator of cogent and persuasive written documentation A review of the resolutions from the Needs Assessment Workshop held in Harare in July of 1991 indicates that SBC is quite capable of sponsoring activities yielding outputs meeting USAID's standards of documentation, but there appear to be no silver pens within SBC's own staff

SBC has been widely criticized for its deficiencies in the mechanics of arranging for and conducting meetings in other contexts These are critically important skills for association executives Quality training is widely available and motivated persons can readily improve their skills in this area If a regional business association is to secure the participation and financial support of the region's business leaders, it must raise its standards in the provision of association activities to meet the expectations of these business leaders Good execution in the fundamentals of conference presentation is essential to SBC's success and should be a priority for USAID assistance Competence and potential in this area should be a prime requisite considered in the recruitment and professional development of executive and staff personnel

SBC has been subject, we think, to the "monistic" impulses which have afflicted all of the parties to the sub-grant in one measure or another We perceive a distinct lack of enthusiasm on SBC's part for regional activities controlled or sponsored by others, a shortfall in gregarious outreach, a proclivity for exclusivity A regional business association should be assiduously building networks throughout the region wherever they can be found It should be looking and moving outward to exert leadership, obtain ideas which can improve its own performance, and to protect its own interests

A regional business association will need help to build on the foundation which has been laid thus far and to convert some of the existing negatives to positives However, with a reasonable amount of constructive support and guidance, we think that the institution and the business community in the region have the resiliency to make the changes needed

SBC is not a conventional private sector business organization It combines representation and development functions and attempts to amalgamate public and private sector interests Ultimately, it will have to narrow its range of activities and constituencies in order to survive

SBC's most likely destiny is to be a specialized conduit for donor funds, rather than a membership representation organization advocating the interests of it members

Given the environment in which it has operated, the net result of SBC's accomplishments and shortcomings are better than could be expected for the early years of such an organization But SBC's organizational sponsors have been at loggerheads and a satisfactory foundation for future activity has not been established The parties now should either (1) dissolve their three-way partnership or (2) reestablish it on a different and mutually agreeable basis We prefer the latter course, one which requires not merely "disengagement" but recommitment as well However, if all three parties cannot agree to make major changes in their current arrangements, USAID should terminate its funding in a fashion that gives SBC a reasonable opportunity to survive by seeking funding from other sources, including the business community

D VIEWS OF OTHER DONORS

There are significant differences in the status of business associations from donor country to donor country In several European countries, Germany, France, and Italy among them, membership in a local chamber is mandated by law, generating extraordinary revenues for programs The German system is the most comprehensive, providing services ranging from apprenticeship training to promotion and development of exports Because chambers perform services similar to those of the commercial officers in the foreign services of other countries, the Government of Germany funds roughly one-third of their budgets [49] In other parts of Europe, membership in Chambers is voluntary as it is in the United States, but there is less of a tradition of confrontation in relationships between business associations and governments that there is in the U S tradition

It is significant that representatives of European donors from both traditions (mandated and voluntary membership) with whom we talked voiced preferences for a regional business association that would stand at a much greater distance from regional public institutions than has been the case with SBC and FCCI, the PTA-related organization These views appear to reflect both individual assessments and respect for the appraisals of the situation by the USAID staff

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[49] William Nothdurft, Going Global (The Brookings Institution, 1992), p 72-73

E ISSUES OF SPECIAL INTEREST TO USAID

An Annex to the Work Statement for this assessment provided a list of issues for consideration by the Study Team This Annex is reproduced in Appendix 3 to this report These issues are discussed in order presented in the USAID Annex However, in the judgment of the Study Team, some of these topics are of much greater importance than others

1 Objectives (USAID Issue #1)

USAID's funding of SBC's activities has taken the form of sub-grant to SBC through SADC While relationships among the three parties in some respects may appear linear on paper, (USAID providing a grant to SADC and SADC in turn providing a sub-grant to SBC), the interactions are complex and essentially triangular in practice Each leg of the triangle USAID-SADC, SADC-SBC, and SBC-USAID is important Moreover, larger matters concerning the general relationships between USAID and SADC are manifestly at issue in the individual dealings of the two organizations These matters relate both to how they relate individually (as "parents"), as well as with each other in addressing the subject of SBC What is happening "on-stage" in transactions among SBC, SADC, and USAID thus has in part been driven by what is happening "off-stage" in the relationships between SADC and USAID The triangular nature of this relationship distinguishes the SBC sub-grant from programs of assistance to regional business associations which A I D has supported elsewhere in the world, evokes a range of general concerns not directly related to the project itself, and presented a considerable challenge for the Assessment Team

As far as we can tell, there was no explicit discussion between USAID/Zimbabwe and the SADC Secretariat of any objectives for the SBC sub-grant or project that were different or distinguishable from those of in the organization's constitution at the time the grant to SADC was first made, although USAID/Zimbabwe did for a time have the idea that the SBC/SNBC network could be used as a distribution channel for its own regional program Indeed, the Mission appeared to explicitly accept the SADC version of these objectives in its Project Paper Supplement of May of 1990 [50] The subsequent Amendment to the Grant Agreement clarified operational procedures in ways that strengthened the then-prevailing good relationships between SBC and USAID/Zimbabwe and enumerated specific activities, but it did not address or attempt to change SBC's objectives as such

a The SADC Secretariat Staff

The SADC Secretariat staff has a relatively well documented concept of what it expects SBC to be and do The primary interest of the Secretariat's staff is in having the SBC/SNBC

[50] But a project paper is a Mission internal document, rather than a formal agreement with a grantee See the discussion of USAID/Zimbabwe's viewpoint in Subsection (d) below, "Did the Mission's Position on SBC Objectives Change?"

network serve as a communication channel between the SADC Secretariat and the business community in the region In this formulation, SBC's key function is to provide inputs to SADC on its policy-formulation and project development processes, and to assist SADC to disseminate its views to the business community A second function is to serve SADC as a vehicle for implementing those elements of its Programme of Action which relate to the private sector

SBC in fact was launched with a good deal of thought and consultation by the SADC Secretariat Thus there was at the time of USAID's initial funding a considerable amount of relevant Secretariat-drafted documentation on the table, but none from USAID SBC's objectives had been laid out in its Constitution, which had been formally adopted as the organization's governing instrument It is difficult to read anything other than a close relationship between SADC and SBC into the organization's history and documentation

The Secretariat seems to be somewhat split on the subject of what constitutes the SBC constituency One notion is that the SBC network should serve only the interests of the "entire enterprise community" including public enterprises and private enterprises -- that it should only put forth positions on which every element of the community can agree A second notion is that SBC should serve as an interlocutor, explaining to the SADC staff the variety of opinions held within the enterprise community, and perhaps encouraging particular elements to speak for themselves A third notion is that SBC should build a constituency for itself and speak for that constituency However, the staff of the SADC Secretariat seems to be unanimous in the view that an important purpose of the SBC is to work with SADC itself

b <u>USAID Zimbabwe</u>

As best we can determine, apart from advocating disengagement, the Mission has not articulated any positive vision of its own concerning SBC or the purposes of the sub-grant for some time, at least in writing It has distanced itself from the May, 1990 Project Paper Supplement (which embraced the objectives in the SBC Constitution) and from the July-August, 1990 Grant Agreement Amendment (which it apparently feels listed too many disparate activities without a central focus) From interviews and review of documentation, we may hypothesize that USAID/Zimbabwe's view could be that SBC should become

- An active advocate of the business community's interests in policy change in the region, independent of the policy orientation of SADC, and/or

- A high quality formulator and executor of donor-supported regional private sector programs and activities, including those concerned with trade and investment and/or

- An effective implementer, in particular of selected number of the activities set out in the July-August, 1990 Grant Agreement Amendment

However, even if our inferences concerning positive content are on target, apart from its efforts to disengage SBC from SADC, we see little evidence in the recent past of any will on the Mission's part to drive toward the attainment of any substantive objective [51] It is conceivable that the Mission's underlying motivation has been to encourage the business community itself to come forward with a practical strategy which SBC's leadership was solidly committed without providing the answer from the back of the book It is also possible that the Mission has wished to avoid circumstances in which it could be inferred that USAID had made any commitments to provide any further support to a regional business organization

Our conversations with the leaders in the business community lead us to believe that Mission early-on raised with some of them the question of whether SBC should be independent of SADC These leaders recalled advising the Mission that they favored the association with SADC Our conversations also lead us to believe that the Mission at the start may well have had strong internally-held convictions to the effect that SBC should become independent of SADC, but we found no written communication to the SADC Secretariat to this effect nor indeed any contemporaneous entry in the record indicating such an opinion was held at the time the project was undertaken

c SBC

Apart from hoping to keep both SADC Secretariat and USAID/Zimbabwe reasonably happy, SBC's objectives have been quite simple These objectives seem consistent and sensible for an organization which principally aims to serve the needs of up-and-coming ethnically diverse medium-sized firms in the region Since neither these firms nor the smaller firms and business associations in the region are likely to have substantial resources to devote a regional business association, such a focus implies considerable dependence on outside funding for some time to come It also suggests that such an organization may not regard sophisticated approaches to policy-reform and regional planning as its top priorities The latter priorities are those most likely to be of interest to larger firms or indeed even to the parastatal sector of the "enterprise community"

Focusing on the needs of the less-developed chambers and of the medium-sized businessmen -- objectives clearly in the minds of both SBC's Chairman and Executive Director

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[51] The Mission does not agree with this assessment "The characterization of USAID/Zimbabwe's input as largely negative recently is an imbalanced presentation We have given -- and continue to give -- highly positive feedback to a number of activities proposed (and on occasion implemented) by SBC The mission has also provided timely constructive criticism, especially to work plans submitted, but also to SBC activities and outputs to provide technical guidance and not just serve as a dispenser of funds and a voucher processor Throughout the grant administration process, USAID's objective was to act in the spirit of mutual cooperation embodied in the grant agreement to achieve mutually agreed upon objectives " Mission Comments, pp 17-18

at the time of our field survey -- seems to us to be a reasonable way to have moved SBC forward at the start

Specifically, SBC's Council wants to focus its efforts on (1) building up the professional staffs of national business associations, (2) creating effective national business councils, (3) arranging meetings and trips for businessmen interested in expanding cross-border contacts in the region, (4) establishing an organization which can advise SADC on regional issues, and (5) establishing an organization which can speak with one voice to potential investors and the donor community More recently, various persons on the Council have shown increasing interest in policy advocacy It is not clear to what extent this reflects a consensus view

The principal orientation of the Council members is survival in the short-term They perhaps have little choice in this regard They want to have SBC continue to exist as it is, evolve into an organization of larger geographic scope, or to be replaced by a better regional business association In other words, they want something useful to remain In order to continue to exist as it is, SBC must respond to the principal power-bases in the region, which presently include SADC, national governments and to a lesser extent particular sub-constituencies in the business community

d Did the Mission's Views Concerning SBC's Objectives Change?

We noted in the introductory section of this chapter that the question, "Have the objectives of the project or the principal players changed?" is normally one for a prospective rather than a retrospective assessment However, in this case, it looks to the Assessment Team as though the Mission's objectives for SBC did indeed change in 1991, that this change took place with the transition in Project Managers, and that the change of objectives was rationalized by a process of historical reinterpretation focussed on the intent of the 1990 Grant Agreement Amendment

Although there were some apparent differences between the Mission and the SADC Secretariat concerning the role of SBC at the start of the project these did not appear to be large at the time By the time the Project Paper Supplement was written these seemed to have disappeared The Project Paper Supplement prepared in mid-May, 1990 favorably quoted the objectives which the SADC staff had written into SBC's Constitution The Mission saw SBC as a "fledgling organization" under the Secretariat's primary tutelage, with a SADC Liaison Officer in Botswana representing A I D 's regional Mission (USAID/Zimbabwe) acting as a supplementary guardian A Grant Agreement Amendment (representing the binding agreement between the parties) included a provision requiring A I D concurrence in SBC work plans The Mission officer who prepared both the Project Paper Supplement and the Grant Agreement believes that the underlying rationale of the two documents were the same The concurrence requirement was, however, included with the agreement of the SADC to provide a measure of A I D objectivity and control, taking advantage of the presence of the SADC Liaison Officer in Botswana This provision was seen by him as similar to those included in A I D 's

"cooperative" agreements which presume a higher degree of A I D supervision than those normally included in A I D grant agreements

After the change of Project Managers, in our view, the Mission began to see the limitations of the institutional arrangements and project concepts that were then in place and to view them in a new light The basic purpose of project was seen as institution strengthening "Institution-strengthening" in turn could then be equated to "an SBC more independent of SADC" or perhaps even to a "an SBC totally independent of SADC" As it reflected on the 1990 Grant Agreement Amendment, the Mission then saw a situation in which it had meant to achieve a result that turned out not to be attainable within the structure provided

The Mission's Comments characterize this process of retrospective reflection in two ways

> The purpose of the USAID/Zimbabwe was institution strengthening The nature of the assistance, however, was in the form of a grant with oversight largely limited to approval of an annual workplan, was structured in large measure in the fashion more appropriate for a mature organization more or less the equal of SADC/S or USAID/Zimbabwe [52]

> The broad thrust of the grant document was very clear It was not anticipated how susceptible SBC would be to SADC/S pressures, however, and therefore the need for detailed discussions on this point were not foreseen As with any grant to any organization, no matter how much planning occurs, the unexpected will happen Flexibility is usually a virtue, not a hindrance [53]

Both of these formulations assume that what they try to show, that SADC was never meant to have a "strong parental" relationship with the SBC or that a "supervisory" sub-grant relationship between SADC and SBC was meant to be soon transformed into an "independent" sub-grant relationship [54] The Mission also apparently assumed that a "mature" SBC and an SBC that would be treated as an "equal" by SADC meant more or less the same thing

Of the two characterizations of the situation quoted from the Mission Comments above, the second "outcomes were not foreseen flexibility is a virtue" comes much closer to the mark as we see it, than does the proposition that the parties agreed that SBC would be the

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[52] Mission Comments, p 10

[53] Mission Comments, p 24

[54] The term "institution strengthening" was not used in the Grant Agreement Amendment The Grant Agreement Amendment is reproduced in full in Appendix 6

institutional "equal" of the SADC Secretariat at the time they signed the 1990 Grant Agreement Amendment

These are no mere esoteric or metaphysical points If everyone was fully agreed in July-August of 1990 that SBC was to become "mature" and "independent" from the SADC Secretariat in the way that the Mission came to see "disengagement" in 1991, then the subsequent conduct of SBC and the SADC could be seen as "wrong" and that of the Mission in 1991 as "right" If there was no such consensus or if there was a consensus on some other relationship, what was called for in 1991 was a careful restructuring of basic relationships, rather than a fulfillment of the intent of an existing agreement

As we see it, the Mission made its own vision of independence of the SBC (a vision which the Assessment Team in fact shares) the central focus of its efforts in 1991 We do not think that the parties shared this vision in 1990 If the Mission really held the same views concerning SBC's independence in July-August, 1990 (when it entered into the Grant Agreement Amendment) as those it acted upon a year later, it certainly did not succeed in communicating them to the other parties at the time the Grant Agreement Amendment was signed In 1990, we believe, the Mission accepted an SBC that had been designed and launched by the SADC Secretariat In 1991, it no longer accepted SBC as it was

2 Guidance Concerning the First Grant (USAID Issue 2)

Two forms of guidance were provided by both SADC/S and USAID One was the written guidance provided in formal documents The other was oral and provided in meetings and via telephone

Both written and oral guidance from SADC/S was extensive Written guidance was provided via Secretariat drafting of the SBC Constitution There were also voluminous written Minutes available to SBC from the various SADC meetings in which SBC had been discussed During this early period, Dr Bbenkele met regularly with Mr Hove and Mr Maphanyane If anything, SBC probably felt at this period that it had too much input from SADC/S

During this same period, while there was substantial oral input from USAID, via Dr Armstrong, there was very little in writing contained in the Mission records examined by the Assessment Team Such written documentation from that period that was provided, provided very little in the way of substantive input Our impression is that Dr Armstrong's significant constructive personal involvement served to offset the limited amount of issue-related documentation However, a variety of substantive issues were emerging even at this early date which in the view of the Assessment Team, should have been addressed and simply were not

3 Guidance Regarding Second Grant (USAID Issue #3)

In the July-August 1990 Grant Amendment USAID provided a clearer direction than it had previously of what it expected as a result of providing funding to SBC However, the

Amendment gives the impression of having been executed with only very limited technical input from people within or without the Mission Certainly, although it raised a number of key issues, grant implementation, as embodied in the Amendment, did not seem to focus clearly on how these issues were to be resolved Little in the way of other written documentation was issued by USAID during that period to further clarify key issues Issuance of PIL No 1, which should have clarified how the project would be managed, was delayed and when issued, did not deal with management issues with the thoroughness required by the realities of the situation Substantive oral support continued to be provided by Dr Armstrong only through November, 1990 At that key juncture, Dr Armstrong was withdrawn from Botswana A new Project Manager, Mr Greenberg, came on board in early 1991 The timing of this transition, in the view of the Assessment Team, could probably not have been worse, coming as it did during the crucial start-up period, at which time key questions would normally be expected to arise Dr Bbenkele mentioned to the Team feeling "bereft" during this period and his letter on Dr Armstrong's departure, certainly indicates that

In the absence of further USAID documentation and of the strong personal input of Dr Armstrong, it should not have been surprising that SBC became increasingly dependent on the SADC Secretariat Although there was little further written input from the SADC Secretariat, SBC increasingly turned to the SADC Secretariat for approval of anything substantive and a good deal of what in retrospect seems quite trivial With SADC/S immediately at hand and USAID at some distance in Harare, this was almost inevitable

Discussions with those present in USAID at the time indicate there was awareness of this outcome Apparently, however, the potential consequences were not seen as serious enough to warrant any focused action at the time In retrospect, it is clear to the Assessment Team that when the Mission became aware that the departure of Dr Armstrong was necessary, it should have immediately entered into negotiations with SBC and the SADC Secretariat to assure that a long-term technical advisor was in place as rapidly as possible A more extended discussion of this requirement is contained in Subsection 8 below

4 Process and Results of Forming NBCs (USAID Issue #4)

Unraveling the formation process of National Business Councils (NBC's) is quite difficult, in part because our informants seemed to be describing some of the same circumstances differently and in part because there seemed to be a variety of issues behind their differing perceptions There simply was not time to put together balanced individual histories of SNBC's as we have sought to do for SBC grant itself

A few points can be usefully made, however First, the NBC concept is still quite weak This, we believe, it quite important The NBC concept is one that originated from above It came out of meetings of the Council of Ministers It was a notion mandated by the Council for the respective Ministers to implement It was not a notion that came out of the private sector And initially, it was not implemented by the private sector The impression of the Assessment

Team is that, in general, the private sector continues to only superficially understand the idea and only a few people we spoke with seem to accord it very much value

It might be noted that a similar top-down effort to establish National Coordinating Committees (NCCs) in the Eastern Caribbean failed miserably (See Appendix 10) This is not to say the same thing will happen in Southern Africa The circumstances of the two regions differ However, if the notion does survive, it can be expected for it to take considerable time for it to be fully understood and accepted

At the moment, it appears to the Team that in most countries, the only substance embodied in NBCs is the one imposed by the SADC-initiated mandate which in turn has been endorsed by some governments and in the reality of USAID funding Without these two props, NBCs would only exist on paper

Probably, NBC's in the short-run will only have substance to the degree National Governments use them as dialogue vehicles Actually, this is not a bad basis on which to initiate them If this proves viable in some countries, as it seems to a certain extent in Malawi, Namibia and Botswana and to a lesser extent, in Zimbabwe and Zambia, the probability is that more business people will come to see their utility At that point, the business community may expand NBC functions and they may take on a legitimate role in the business community

5 <u>SBC's Actions Responding to Assessments</u> (USAID Issue #5)

USAID Issue #5 is concerned with SBC's "cognisance and incorporation into action of the findings of the SBC assessments of 1989 and 1991" As far as we could determine from the Mission files and staff, there was no assessment in 1989 It seems most unlikely that such an assessment would have taken place, since the Acting Executive Director arrived in Botswana to start the project up in November if 1989

An internal assessment was carried out by the Mission in late September, 1991 As far as we could determine from file reviews, copies of this assessment were not provided to SBC

The Assessment Team devoted considerable attention in its discussions with SBC discussing the general matter of organization's response to USAID directives, particularly its actions to response to the USAID critiques of the two work plans SBC submitted In the view of the Assessment team the SBC Secretariat

- Took appropriate cognizance of the points in the communications received from USAID, including the critiques of the two work plans,

- Found some of the points presented by USAID to be off the mark and/or to pose policy dilemmas which the SBC Secretariat could not reasonably be expected to resolve,

- Lacked the experience and orientation required to deal with USAID's requirements and expectations,

- Found it quite difficult to prepare responses for USAID which USAID could find acceptable

In short, we think that the receptivity and commitment to be responsive was there The understanding of what USAID was driving at and what kind of response would meet the Mission's expectations on the wide range of issues it posed was not

In the view of the Assessment Team, this situation is not very much different from that which the USAID Regional Mission (RDO/C) encountered periodically within CAIC in the Eastern Caribbean and which the USAID Regional Mission (ROCAP) largely avoided in Central America by providing suitable assistance to FEDEPRICAP from the start Even with a tested and seasoned local staff, A I D Missions are very difficult institutions for a private sector organization to understand and deal with (see the previous chapter and Appendix 10 for extended treatments of this theme) In the view of the Assessment Team, the presence of a qualified foreign consultant could have helped substantially to bridge this gap

6 <u>The Performance of SBC's Executive Director</u>
(USAID Issue #6, see Appendix 3)

The position of Executive Director is the key to the performance of a business association, particularly during its start-up years Stature and experience are especially important in apex (umbrella) organizations because of the diversity of interests which assert themselves within such organizations Heads of regional business associations are normally expected to have access to leaders at the highest levels of government and business To recruit and retain qualified leadership for such organizations usually requires an excellent compensation package and the loyal support of strong backers We would judge that the three years of executive experience which SBC's Executive Director had in one of the region's less effective national chambers fell far short of normal requirements, but that the man himself has considerable personal potential

We have heard many different views concerning the performance of the Executive Director We have examined documents he has prepared and have held discussions with him, but we certainly have not been able to conduct what we would regard as a full and fair investigation of his competence Nevertheless, we conclude that while he does not possess the substantial senior-level experience and regional stature normally required of a Executive Director of a regional business association, many of the problems which SBC has encountered and many of the criticisms which it has received could have been avoided had he received sustained senior guidance, assistance and support equivalent to that received by the Executive Directors of business associations which USAID has funded elsewhere in the world

With few exceptions (notably support provided by SBC's Chairman and by USAID's Liaison Officer), neither A I D nor SADC, nor SBC's governing structure have given SBC's Executive Director the kind of guidance and backing he has needed to perform well in a difficult start-up situation Given his own limited experience, the ground-breaking nature of the task that he confronted, the differing objectives of SBC's constituencies, and limitations in the level and quality of assistance he has received, we would judge that he has performed well

Perhaps the most eloquent document in the project files is the letter written by the Executive Director to the Zimbabwe Mission upon the termination of the position, in Botswana, of the Liaison Officer who had been providing guidance to him We read this letter, which was cast in the form of an expression of appreciation, as a call for help As we see it, this call was not answered

With the benefit of hindsight, it seems clear that SBC's first Executive Director should have been clearly identified before SBC started operation Agreement on the candidate should have been reached as part of a three-way "bonding" process Failing this, the Chairman of SBC, at the very least, should have been consulted before an Interim Director was selected by the SADC staff By acting unilaterally, the Secretariat staff lost an opportunity to endow the Executive Director with the support of persons within the business community who might have seen him as "their man" had other selection procedures been utilized

Regarding the Industrial Economist, this position was vetoed by the SADC Secretariat We understand from USAID that although the Mission did not formally oppose SBC having an industrial economist, they felt that the SADC Secretariat made a wise decision The fear is, apparently, that SBC would duplicate the SADC Sector Coordinating Units The Assessment Team is of the opposite view In our opinion, there need have been little fear on the part of either SADC Secretariat or USAID of "duplication " Instead, both organizations should have focused on the issue of "communication " In our opinion, one of the reasons for continuing difficulty in communication between SADC/S and USAID on the one hand and SBC on the other is that they do not speak in the same professional jargon If properly qualified, an economist on the SBC staff might have been able to articulate issues in a way which would have made USAID, the SADC/S <u>and</u> the business community more comfortable

Regarding the Trade and Investment Advisor, it is our understanding that the person finally selected for this position was not the first choice We were told that there were several reasons the first choice was not finally selected, including remuneration[55] SBC is still basically tied to SADC pay scales These pay scales do not reflect the realities of private sector salaries and allowances We doubt SBC will ever have the top talent it needs until its pay system is completely severed from SADC guidelines

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[55] The Mission believes that SBC lost a good candidate because of the reluctance of the SBC Executive Director to pay a candidate for a staff position a higher salary than his own

7 Payment of Fees by SNBCs
(USAID Issue #7, See Appendix 3)

Only three SNBC's -- Zimbabwe, Botswana and Malawi -- have somewhat consistently paid their membership fees It is our understanding that at least two of these three have now permanently ceased their payments, although this has not been confirmed officially by the organizations involved

Payment of fees has always been a delicate issue Some of the SNBCs have no regular budget of their own and no way to pay fees to SBC Individual officers in at least two told us informally that they have consciously chosen not to pay any fees to SBC because they do not feel they are receiving services to justify the fee The individuals who told us that the two countries which were previously paying and have now decided not to say their NBCs are taking this action because they have been disappointed in the quality of services they have been receiving from SBC and feel SBC responsiveness to their needs has been decreasing

This is a very complicated issue In other parts of the world, it has also proven very difficult to get national organizations to pay dues to regional organizations Sometimes this is due to a perception that the regional organization is not responding to local needs More often, however, it is in reality a situation in which the local organization has a very hard time raising funds to sustain itself, much less send it somewhere else In other parts of the world, the majority of financial support for regional business organizations from members comes from individual business members, not from organizational members

In the view of the Assessment Team, the likelihood of SBC getting any substantial financial support from SNBCs in the foreseeable future is minimal It is probably a waste of time for SBC to focus on SNBCs as a source of funds and only distracts them from pursuing more likely sources of funding

SBC has thought a good deal about this issue They are considering opening up membership to individual firms However, there are issues of principle involved Some of the Council members feel that SBC should remain a pure "apex" organization, with only its organizational members having firm members In the view of the Assessment Team, the practical issues of fund raising should be paramount and firms should be allowed to join SBC

8 SADC Secretariat and USAID Oversight of the Grant
(USAID Issue #8, See Appendix 3)

The SADC Secretariat's oversight of SBC has been more pervasive due to its physical proximity, but has been very erratic in the judgement of the Team Because of the heavy workloads of the SADC/S staff, the management style seems to have been "management by exception " Action was not taken until something was brought to their attention Substantial delays were at various times experienced in obtaining approval for key actions, such as hiring staff or approving budgets At different times, different SADC/S staff were primarily

responsible for interaction with SBC On some occasions, different staff had to be seen, depending on the issue It was not unusual for the person responsible for a given issue to change Given the always heavy travel schedules of SADC/S staff, this was difficult for SBC as well as confusing

The Assessment Team did not have access to the files of the SADC Secretariat, but the documentation we have examined suggests that the process of clearance of SBC's work plans by the SADC Secretariat proceeded very slowly indeed Whether the delays were due to lack of interest in SBC's needs, failure to assign responsibility to a single project officer, policy uncertainties, or some other reason is not clear Whatever the reasons, the record we have examined suggests that USAID responded with written comments much more rapidly and much more fully to Work Plan submissions than did the SADC Secretariat Our analysis of the Secretariat's comments on the Mission's design of the Enterprise Export Support Project (discussed above) indicates that the Secretariat's staff capabilities have been quite impressive when the matter is one to which it attaches sufficient priority It would appear that the Secretariat staff did not attach a similar priority to SBC's Work Plans

USAID oversight is described in detail in Chapter 3 In the view of the Assessment Team, USAID oversight in general can best be characterized as having "missed the mark" The key missing ingredient throughout has been what we would characterize as **Strategic Oversight** By that is meant that USAID has been both too little involved and too much involved in SBC It has been too little involved in identifying and following-up on the key strategic issues on which it could realistically have a constructive impact (e g , resolving policy differences with the SADC Secretariat and the SBC Council and the provision of advisory assistance to SBC) Instead, it has tended to get too heavily involved in the details of SBC operations (e g , preparing work plans, getting involved in "correcting" what it perceived to be deficiencies in the process of choosing the Executive Secretary, and the like)

Although USAID/Zimbabwe did, in its 1991 internal assessment, acknowledge the limitations of its own oversight process, the Mission nevertheless continued to think of the problem as being "out there" The "solutions" considered by USAID -- having SBC reexamine its choice of Executive Director, making SBC more independent of the SADC Secretariat and USAID, and/or having USAID/Botswana take over the job from USAID/Zimbabwe -- essentially fit this superficial characterization of the problem

A USAID document written in early November, 1991 describes Dr Bbenkele as appearing to be "helplessly buffeted between his Board, and especially between SADC/S and AID " Another view is that USAID and the Secretariat had together fashioned a Gordian Knot which only they could untie Rather than devoting the initiative and energy required to set matters aright between themselves concerning **strategic fundamentals**, they too often assumed the role of observers -- noting SBC's struggles to extricate itself from the resulting dilemmas with far more detachment than was justified under the circumstances When they did move in, they often moved to counter the other's influence, and the knot remained tied Each saw the

other's intervention as inappropriate, in part we think, because there were other problems at issue between the two institutions

In early November 1991, Mr Greenberg met with officials of USAID/Botswana to discuss the possible devolution of management of the SADC Secretariat Technical Support Grant to USAID/Botswana At that meeting, Mr Greenberg presented USAID/Zimbabwe's reasons for wishing to delegate management of the SADC grant to USAID/Botswana

- o Management difficulty from Harare, given grantees are in Gaborone
- o Limited management capability to handle in Harare
- o Understanding that USAID/Botswana will have a PSC business association specialist on board early next year [56]

Although the USAID/Botswana officials showed some interest, the proposed devolution did not take place and organizational responsibility remained with USAID/Zimbabwe [57]

USAID's support of CAIC, a regional business association in the Caribbean and of FEDEPRICAP, an apex business association in Central America provide a considerable contrast to the circumstances of SBC [58] Both projects had full-time USAID Project Managers during critical periods of their history as well as other forms of support when it was needed CAIC's Executive Director is a former executive of a multinational company who subsequently headed a major mining parastatal in Guyana and then served as that country's Ambassador to the United Nations CAIC received high-level consulting assistance, particularly when it was at loggerheads with USAID A Vice President of Price Waterhouse, who had experience with USAID assistance to business associations elsewhere, worked personally with CAIC's Executive Director

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[56] Don Greenberg memo of November 18, 1991 on the subject of Devolution of Management of SADC/S Technical Support Grant to USAID/Botswana

[57] The Mission comments that the reason the Botswana Mission chose not to be involved at the time was that SRBC was considering a move to Namibia or other country at the time Mission Comments, p 21

[58] The Mission states "USAID/Zimbabwe never determined that a full-time project officer on the scene was necessary, particularly with the expectation that a strong experienced director would be hired This decision may have contributed to the lack of performance of SBC, especially with a director that lacked experience It was expected that Dr Armstrong would provide assistance with any initial start up problems, particularly in the area of A I D documentation and requirements When the liaison position was created, the grant amendment added another USD 3 million into SADC/S and SBC was not even under consideration " Mission Comments, p 12

and Board in the preparation of a strategic plan for submission to USAID at one critical juncture Later the services of a senior consultant and management specialist were provided from the staff of Louis Berger International to help with the preparation of another critical strategic plan for submission to USAID

FEDEPRICAP's Executive Director was a leading businessman and former Deputy Minister in the Government of Costa Rica He and his organization have had the benefit of an USAID-funded task-order contract, dedicated to FEDEPRICAP alone This contract provides expatriate consulting services on an as-needed basis and has been used for assistance in FEDEPRICAP's strategic planning

With the benefit of hindsight, it seems clear that a resident senior business association advisor, familiar with USAID procedures, should have been on the scene from the start to provide counsel to the Executive Director and SBC's Chairman The presence of such an advisor should have been a condition for the initial grant Failing this, such an advisor should have been put in place before the SADC Liaison Officer/Project Manager was withdrawn from Gaborone at the end of 1990 In any event, some kind of constructive response should have been framed to Dr Bbenkele's October, 1990 request for the continued involvement from Dr Armstrong Although USAID did push SBC to hire a consultant, in the view of the Assessment Team, the Mission did not understand the importance of this step and as a result, did not push the issue to a satisfactory solution

Requirements for consulting assistance and the time and attention of a Mission Project Officer are in some measure interchangeable, particularly at times when there is little potential for conflict between the association and the Mission However, strategic planning activities often produce a need for outside assistance, as does any kind of activity in which the interests of the Mission and the association diverge

As suggested previously, conflicts between a Mission and the business association it supports can arise for many reasons For example

- Neither businessmen nor business association executives may understand official jargon, procedures, and program concepts,

- Business people may have little patience with A I D reporting and documentation requirements which they may regard as unduly burdensome and unnecessarily expensive,

- Business people may regard USAID's decisions and policies as legalistic, intrusive, or risk averse,

- Advocates and negotiators from the business community may bring baffling or confrontational styles to their dealings with USAID that upset and anger Mission personnel,

- There can be substantial divergence in the underlying interests of USAID and business associations concerning such matters as the use of business associations capacities for delivery of USAID programs and the amount and duration of USAID support of business association administrative expenses

The absence of outside advisors to a business association receiving USAID funding can have a polarizing influence on the conduct of Mission supervisory personnel, pushing them toward positions that are either too favorable or too unfavorable to the organization receiving funding Well delivered outside assistance can help to avoid such problems and help to remedy them when they occur

In Central America, the CARANA Corporation provided assistance directly to FEDEPRICAP under a three-year, $600,000 contract An Evaluation Team said this about what CARANA provided to FEDEPRICAP

> In terms of overall guidance, CARANA has provided a lot of what might be called hand-holding to get the planning done, and has been very helpful in defining strategy and determining the fields in which FEDEPRICAP should work CARANA has conducted the strategic planning sessions from which came the four programs which form the heart of FEDEPRICAP's activities
>
> On the administrative side, CARANA has been helpful in defining responsibilities and setting up a program cost-accounting system, among other items The value and extent of CARANA's services is at least one of the reasons that FEDEPRICAP has had such a clean audit
>
> The key to choosing a consultant is getting someone who can work with you on policies, procedures and strategies so that when problems come up you can solve them Thus, it is necessary to look for someone who will work with the organization to develop itself -- someone who is a good teacher This is what they have in Mr Landman Moreover, he has helped them build esprit de corps
>
> There has been and remains constant contact between CARANA and FEDEPRICAP not only at the Executive Director level but with the technical directors as well [59]

As described in Appendix 10, FEDEPRICAP started with many advantages that SBC has not had a full set of committed and well-placed mentors, a seasoned Executive Director, and

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[59] Armador Carballido and Joseph Borgatti, Evaluation of FEDEPRICAP (Miami Florida Management and Business Associates, 1991), pp 27- 28 Mr Carballido is a Central American businessman who owns an ocean freight brokerage business and has been extensively involved in shipping rate negotiations Mr Borgatti has been CEO of a large venture capital firm and is former Vice President of CITIBANK

an array of well-financed institutions at the national base of its pyramid Yet USAID's regional office saw fit to provide a seemingly well-endowed association with the "hand-holding" of experienced outsiders with whom the management was comfortable The results of this assistance, as perceived by two experienced businessmen, appear to have been salutary

In summary, SBC has received significantly less support from consultants and from its Project Officers than did regional business associations which have obtained assistance from A I D elsewhere From the perspective of the Assessment Team, the need for such support should have been clear

In our view as well, the relationship between USAID/Zimbabwe and SBC has been made more difficult by the interconnection of this relationship with the Mission's unsuccessful attempts to develop a regional export support program Given these repeated frustrations -- and the possibility that they could affect the Mission's interactions with SBC -- it would have been desirable to have provided SBC with a senior consulting advisor who could act as a buffer in SBC's relationships with the Mission It might also have been a good idea for the Mission to separate design of the regional project design from management of the SBC sub-grant

The importance of the long-term advisor position was recognized in the Internal Mission Assessment of SBC in September, 1991 By then, however, action was long overdue In any event, no long-term advisor was hired until December, 1992 Even then, he was hired only to assist in affiliate development, rather to assist more generally This is far too little and far too late In the judgment of the Assessment Team, putting suitable long-term assistance in place should have been a condition of the USAID grant in the first place The Assessment Team understands that, after problems started to emerge, the Mission placed considerable pressure on SBC to hire an advisor However, in our view, when this did not succeed, the Mission should have taken the next logical step which would have been to hold discussions with the Council and SADC/S to assure adequate assistance Such discussions should have been pursued until this issue was resolved

9 Work Plans
(USAID Issue #9, See Appendix 3)

We saw in Chapter 3 that Dr Armstrong informally indicated to SBC in January of 1991 that its Work Plan was satisfactory, but the SADC Secretariat did not agree Dr Bbenkele had difficulty obtaining clearance from the SADC Secretariat and finally submitted it directly to USAID in August of 1991 In the meantime, responsibility for approval of the work plan within A I D had devolved on Mr Greenberg

On August 28, 1991, USAID wrote a detailed response to the SBC Strategic Plan, draft work plan, budget appendix and other correspondence then pending Key elements of the lengthy covering letter are set forth below

In summary, it is the USAID/Zimbabwe assessment that the SBC work plan is not yet acceptable, although certain specific individual activities identified in the work plan are acceptable These specific individual activities should be implemented immediately so as not to break the momentum of SRBC

Prior to development of a final work plan, USAID/Zimbabwe strongly urges that SRBC undertake a strategic planning exercise that will produce a complete Strategic Plan for SRBC An important part of the Strategic Plan will be a strategy to disengage SRBC from USAID/Zimbabwe and the SADCC Secretariat When this plan has been ratified by the SRBC Council and Board, work should commence on developing a final work plan Both the strategic planning exercise and development of the final work plan will require utilization of an outside consultant (or consultants)

The attached General Review of the SRBC Work plan, Budget and Timetable, stated in part

The future status of SRBC will be addressed in detail in the disengagement strategy to be developed by the SRBC Executive Director and the USAID/Zimbabwe Trade and Investment Advisor, to be included as part of the SRBC strategic plan

We note, however, that the tone of the work plan concerning the status of SRBC is disconcerting It reads as if SRBC was a "lower organ" of the SADCC/Secretariat, whose approval and concurrence was necessary for every activity and position taken by SRBC This inferior status is a particular concern in light of the fact that one of SRBC's major roles is policy analysis and dialogue activities The SRBC should present itself at a minimum, as an equal partner with the SADCC/Secretariat and the SADCC Sector Coordinating Units

Action The "equal partner" status for SRBC vis a vis the SADCC/Secretariat and the SCUs should be an agenda item at the next SRBC Council meeting The details of how this will be accomplished, however, will be part of the "disengagement" strategy component of the SRBC Strategy Plan Disengagement Strategy from USAID and SADCC/S The SRBC Executive Director should take a leadership role and prepare an issues paper to help guide debate at the next council meeting, and to provide input into the development of a strategic plan The USAID/Zimbabwe Trade and Investment Advisor will assist the Director in this " The activities approved for immediate action included the following

1 Workshop on Private and Public Sector Cooperation in Investment Promotion
2 Buyer/Seller Meeting and Follow-Up Mission
3 PTA/FCCI Consultation
4 FCCI Meeting
5 Subcommittee formation and field work in RSA
6 South African Business Association Dialogue

7 Hiring of Trade and Investment Advisor
8 Hiring of Short Term Administrative Consultant (Feb ,1992)

Assessment Team comments on specific elements of the USAID letter follow

a General Acceptability of the Work Plan

It can be said in general that, at the time of the Assessment Team's field survey, neither USAID/Zimbabwe nor SADC Secretariat had anything very favorable to say about SBC's work planning efforts since January of 1991

In the very early days of the field work in Zimbabwe, the Assessment Team reviewed SBC's work plans "cold," that is, with as little reference as possible to the comments, arguments and characterizations made by others concerning the merits of these documents Our conclusions were

- o SBC's work plans showed distinct improvement over time when compared to each other,
- o These work plans compared favorably with those prepared by business associations in similar stages of development elsewhere, and
- o With the assistance of an intermediary who understood USAID jargon and attitudes, and could edit the documents for USAID consumption, these documents readily could have been brought to USAID standards

We continue to hold these views after a thorough review of the Mission files We also believe, however, that USAID/Zimbabwe and the SADC Secretariat placed difficult and unnecessary obstacles in the path of SBC's work planning process

More importantly, the whole focus on work plans, in the opinion of the Assessment Team, missed the mark [60] It is not the capability to write work plans that counts It is the ability to carry out a few activities competently Given the limited numbers and capabilities of the staff of SBC, the substantial attention which SBC was forced to give to preparing work plans we deem to have been a significant distraction from carrying out a few activities well

Despite these obstacles, the SBC Secretariat continued to make changes in the work plan A revised work plan was approved by the SRBC Council on January 20, 1992 These changes,

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[60] The Mission's view of this assessment is as follows "It is puzzling that the mission's painstaking efforts to help SBC develop coherent work plans are characterized as 'very far off the mark' The Mission's was offered as constructive criticism to SBC so that change would occur, not as a public report card "

however, continued to be made without the input of a technical advisor USAID continued to press SBC to hire such a person In fact, the job was offered to at least one person However, for one reason or another, the position continued to be unfilled

b Disengagement Strategy

In Chapter 3, we saw that a May, 1990 USAID Project Paper Supplement that had described the SADC Secretariat as the primary overseer of a fledgling institution and quoted the objectives listed in its Constitution which had been drafted by the SADC staff While a project paper is an internal A I D document of no external contractual effect, we think that the Supplement at least shows that some knowledgeable and responsible persons in the Mission understood the SADC Secretariat's vision of SBC and knew which objectives had been listed in SBC's Constitution

We understand that the process by which the Mission distanced itself from the original SADC concept of SBC's role -- and sought some measure of control over the SBC's disengagement process in the bargain -- was as follows

(1) An Amendment to the Grant Agreement was executed in late August, 1990 which provided that SBC would submit, through the SADC Secretariat, an annual work plan to AID for its review and concurrence This work plan was to set forth the SBC program of action to be financed by grant funds for the following year

(2) A trilateral meeting was held among the USAID/Zimbabwe Mission Director, the SADC Secretariat, and the SBC Executive Secretary to discuss a disengagement strategy in the first half of 1991 The gist of the meeting was that all parties agreed that disengagement was necessary in order for SBC to find its own footing The details of the disengagement strategy were to be jointly developed by the USAID/Zimbabwe and SBC [61]

(3) The issue of disengagement was raised at an Ad Hoc Meeting of the Governing Council of SBC July of 1991 by Dr Bbenkele and Mr Greenberg The outcome of the meeting was that the Chairman of SBC (Mr Thomson) and

[61] The Mission states The degree of disengagement was not discussed in detail at that trilateral meeting It is not likely that a consensus would have been developed in one morning session, one can assume that there would be differences The details of the disengagement was to be developed in a disengagement strategy, to be developed jointly by USAID/Zimbabwe and SBC Contrary to the draft final report, we did 'go back to both the SADCC Secretariat and the business community' It was not an attempt 'to apply pressure along the most pliable leg of the triangle,' it was a dialogue begun with all partners " Mission Comments, page 20

Dr Bbenkele were instructed to meet with the Executive Secretary of SADC (Dr Makoni) to discuss the issue and bring it to the Maputo Council meeting to be held several months later [62]

(4) In late August 1991, the USAID Project Manager conditioned approval of SBC's Work Plan on the development of a disengagement strategy

(5) In early November, the USAID Project Manager indicated that he **preferred** not to participate in the process of developing a disengagement strategy The SBC Executive Director apparently interpreted this position as a withdrawal by from the activity by Mr Greenberg

When the Executive Director failed to press the issue of Mr Greenberg's participation, the Mission apparently thought the ball was in SBC's court alone A I D could await a submission which, if it proved suitable, could provide the larger framework into which a revised SBC Work Plan could be fit At this point, the Mission must have known that "disengagement" could mean different things to different people, and a very difficult process of defining its application still lay ahead

The disengagement initiative suffered a serious setback at its Annual General Meeting held in Maputo in January of 1992 The Council resolved that there was no need to disengage from SADC after reviewing the minutes of the meeting between the Chairman and the Executive Secretary, SADC The Council resolved that this issue be forgotten as "the working relationship between SBC and SADC was reported by the Secretary to be favorable The AGM decided to retain its name as the SADCC Regional Business Council It pointed out that it was already an independent institution It decided that it would use its own funds to pay its Executive Secretary And it approved the work plan he had submitted to USAID/Zimbabwe

c Issue of SBC's Relationship to the SADC Secretariat

SBC's view is that the expectation contained in Mr Greenberg's critique that SBC could negotiate some sort of "equal status" with the SADC Secretariat was totally unrealistic As SBC sees it, "Business operates within the framework of SADC " The SADC Secretariat has no objection to SBC "autonomy", but SBC feels that USAID and SADC/S define "autonomy" in totally different ways

In the view of the Assessment Team, this is one of the important areas in which USAID and the SADC/Secretariat need to have high level discussions so that they can develop a consensus SBC has felt caught in between two different perceptions which it has relatively little

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[62] Report of the July 19, 1991 Ad-Hoc Meeting of the Governing Council of SRBC at Harare, Zimbabwe

capacity to influence To assign the Executive Secretary the task of accomplishing this result by himself was to ask him to court disaster

One can appreciate the Mission's dilemma as well SADC had acquired a very strong position as an exclusive channel for USAID's regional programs, through its position as the original creator and organizer of SBC, and through its superior documentation of the purposes of the sub-grant If the Mission were to enter a renegotiation process simply on the basis of a position paper, it could start out in a position of some considerable weakness and perhaps embarrassment If it started with an enthusiastic endorsement of independence from SBC's Governance structure, perhaps the likelihood of a positive outcome would be stronger But whatever, the Mission may have thought it accomplished in its Trilateral Meeting with the SADC Secretary and in the July 19 Ad Hoc Meeting in Harare, the "ground rules" ultimately became clear SBC was not about to venture down the path of disengagement without talking with Dr Makoni first Once that discussion had taken place, the Mission's disengagement initiatives were rejected -- together with its challenge to Dr Bbenkele's employment and its comments on his work plan -- as those of an interfering outsider [63]

d Strategic Plan

It is the position of SBC that they never really understood what USAID wanted in regard to the strategic planning exercise SBC took the offer of assistance from Mr Greenberg to assist in the preparation of the disengagement strategy and the strategic plan quite seriously They assumed that during the course of lengthy interaction, they would come to understand what USAID wanted When the offer of such involvement by Mr Greenberg was in their view withdrawn[64], they felt themselves set adrift Dr Bbenkele's solution was to suggest that the long-term consultant, when hired, would interpret what USAID wanted and prepare the plan When no long-term consultant was hired, one of the items which was not implemented was development of the strategic plan

In the view of the Assessment Team, a strategic plan is an extremely important document However, any expectation on the part of USAID that SBC could develop such a plan without a substantial amount of time devoted to the subject both by the USAID Project Manager and by an outside consultant was totally unrealistic We know of no A I D project anywhere in the world where such a basic and difficult change could be executed without very heavy and

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[63] See Section B-5 of this chapter

[64] The Mission Comments state "Greenberg merely stated he preferred not to take an active role in the disengagement strategy, the reason was that the impetus and content of this disengagement should rest with SBC itself, with the help of outside consultants, not an interested party such as USAID/Zimbabwe The intent was not to deny SBC assistance Mission Comments, p 20

sympathetic Mission participation Given the early stages of the development of SBC, this was even less likely to occur in Southern Africa

e Implementation of Approved Activities

A number of activities were approved in the letter The Assessment Team believes that all of these activities have been implemented There is considerable disagreement about the performance of SBC in carrying out these activities Of those activities approved at that time, it is our impression that

1 The Workshop was not well run, but despite that, had a number of beneficial side-effects, including interaction of business people and even actual orders made

2 The Buyer/Seller Meeting and Follow-Up Mission were relatively successful However, SBC cannot take full credit for this success, which is to be expected

3 The PTA/FCCI Consultation occurred, but it is hard to identify any beneficial result

4 The FCCI Meeting occurred This probably resulted in better understanding, but little tangible

5 Subcommittee formation and field work in RSA did occur Although there are differences of opinion on the importance of this, the Assessment Team view is that the impact has been positive and meaningful

6 The South African Business Association Dialogue is continuing and in the view of the Assessment Team, is quite healthy

7 The Trade and Investment Advisor was hired He was the second choice and is not particularly strong

8 The Short Term Administrative Consultant was hired

f Summary Assessment

The Mission's Internal Assessment of October 30, 1991, which assumes Mr Greenberg's participation in the disengagement strategy, set a **May, 1992** target date for its completion That meant that the revision of the Work Plan which had been approved in principle by the Mission in January of 1991 might not have been started until 17 months later The Assessment Team believes that a Mission should not link a long-delayed annual work plan to a strategy for changing a business association's relationships with its basic constituencies Annual work plans

are not meant to bear the load of such changes which can take months or even years to work out when conflicts or misunderstandings occur

USAID/Zimbabwe appears to place great weight on the Grant Agreement Amendment of July-August 1990, as the event which distanced the Mission from SADC's historical involvement in the project design and from the concept imbedded (as we think) in SBC's constitution But all we can find in the Grant Agreement Amendment that seems pertinent is two sentences in Attachment B-d that give the Mission the right to review and concur on an annual work plan setting forth a program of action to be financed with grant funds during the following year We do not think that such language justifies the kinds of delays which SBC experienced in order to fit the work plan into a larger strategy Nor does such language provide a foundation for USAID/Zimbabwe's efforts to achieve the laudable goal of independence for SBC

We believe that the process of Work Plan review as performed by the SADC Secretariat and USAID impeded rather than assisted SBC's performance, eroded rather than built mutual confidence and understanding, and was used for purposes for which it was never intended Linked, as it became, to a choice of sides in a competition between two contending giants, the process could go nowhere but awry

10 SBC Relationships with Sector Coordinating Units
(USAID Issue #10, See Appendix 3)

As far as the Team could determine from interviews with SBC staff, they have had only limited interaction with the Sector Coordinating Units other than SITCD Our impression is that both SBC and SITCD have made efforts to cooperate Although they do not meet regularly, they do interact They have now negotiated a formal agreement to cooperate It is our impression that this formal agreement has yet to really be activated

11 Relationship Between SBC Council, Board and Secretariat
(USAID Issue #11, See Appendix 3)

This is another extremely complicated issue, which it is difficult to unravel However, some useful points can be made The primary line of communication is between the Chairman of the Finance and Management Committee, who is also the Council Chairman and the Executive Secretary At least two other members of the Finance and Management Committee also talk regularly to the Executive Secretary and other members of the staff However, there has been considerable criticism, both by people on and off the Council, that the Secretariat has not been properly supervised, either by the Finance and Management Committee or by the Council

Both the Finance and Management Committee and the Council meet regularly and make important decisions These two entities seem to have sorted out useful roles for themselves The Board was dissolved in 1992 In practice, its role was confusing since its members were

staff of NBCs rather than business people Its role in the selection of the Executive Director and in other delicate matters may have led to its demise

There is considerable criticism from business people outside the Council that it represents a rather narrow constituency and has not evolved rapidly enough to meet changing needs Criticism is particularly placed on the Council for not pushing SBC to focus on a few things which it would then assure were done to a very high standard

12 Relationship Between SBC Secretariat and SNBC's
(USAID Issue #12, See Appendix 3)

Communication between SBC and the SNBC's does not yet appear to be consistent According to officials of the SNBC's, SBC communication with some seems to be excellent, while with others, the Assessment Team heard nothing but complaints Instances where communication was considered "good" were those in which a member of the SBC staff had a good personal relationship with staff or Council members of the SNBC Likewise, instances where communication was considered "inadequate" were those in which for one reason or another one or more SBC staff member (or Council Member) did not get on well with key staff or Council members of the SNBC

This "personalized" basis for communication needs to be broadened and deepened Communications need to be "institutionalized" through mechanisms such as the Newsletter and other more regularized forms of communication

At the moment, this is a problem It was not possible for the Assessment Team to determine just how serious the problem is nor to identify concrete remedies This is one of the areas in which outside technical assistance is vitally needed

Our understanding is that there have been serious problems between USAID and the SNBC in Lesotho and we heard comments that, in Botswana, the Mission was attempted to hold to pre-set objectives when it should instead be "reading and reacting" to the needs of the business community, like a good quarterback responding to rapidly changing defenses Given the nature of the relationships between USAID/Zimbabwe and other bilateral Missions on the one hand and SBC's relationship to USAID/Zimbabwe on the other, we doubt that SBC should attempt to inject itself into such situations at this time

F CONCLUSION

There has been something fundamentally amiss in the dynamics of the relationships among SBC, USAID/Zimbabwe, and the SADC Secretariat - - something which merely replacing a Executive Director or improving the quality of SBC staff cannot "fix" We have identified the underlying problem as "possessive monism" -- a set of arrangements that have bound the three parties too closely and too exclusively together, with too little appreciation of

the forces separately affecting each of them Each of the persons involved in the project seemed to agree on the proposition that SBC should do a few important things But, with the possible exception of those in SBC itself, the actors in each institution have seemed compulsively riveted to their own concepts of what those few important things should be Viewed from this perspective, it is difficult to cast great blame on ensnared actors who have struggled with these arrangements and with each other It is quite clear, however, that the status quo is not satisfactory and that the structure of the basic arrangements among the parties requires fundamental revision

But whatever troubles this project has experienced, it also has provided a taste of real pay-dirt After all the pros and cons of project design, management, personnel, work plans, and performance are recounted, it is clear that a regional business organization can make an important contribution to constructive change in Southern Africa The SADC Secretariat has initiated something new And for all the problems it has struggled with in this project, the Agency for International Development remains the most innovative, venturesome, and flexible of international development agencies Not unlike entrepreneurs in the world of commerce and industry, USAID/Zimbabwe and its partners have painfully muddled their way in the direction of significant opportunity, each sensing that the creation of more effective business associations can shape the direction and magnitude of growth of the region But the partners are now having severe problems digesting the incompletely prepared three-cornered meal they have served up for themselves Adjustment to the initial lessons of the venture experience is now required As in many entrepreneurial undertakings, the second major step -- the step now before the Mission, the SADC Secretariat, and SBC -- is likely to be more important than the first

CHAPTER 6

REGIONAL ISSUES AND THE MISSION'S REGIONAL PRIVATE SECTOR PROGRAM

A INTRODUCTION

This Chapter is organized in four sections, including this introduction Section B contains an assessment of several general issues affecting the Mission's Southern Africa Regional Program Section C sets forth suggestions concerning USAID/Zimbabwe's Southern African regional private sector strategy Section D presents a brief conclusion

B ISSUES AFFECTING THE MISSION'S REGIONAL PROGRAM

The Work Statement for this assessment of the SBC sub-grant provides for the Contractor to provide "input into the development of an A I D Southern African regional private sector strategy" It does not explicitly require analysis of the structure of the Missions overarching regional program or of matters of political and economic philosophy on which USAID/Zimbabwe and SADC may differ These subjects pose difficult and controversial larger issues, the implications of which reach well beyond the ambit of the present assignment However we give such matters attention in this Chapter because

- These larger issues have been very much on the minds of decision-makers as they have pondered the future of SBC,
- Mission management explicitly requested that we address the broader contexts of the sub-grant

The following subsections present our views concerning concepts of pluralism, statism, monism, and equity as we believe them to be relevant to the present assessment

1 Pluralism

Our view is that USAID Zimbabwe's Southern African Regional Program should not be solely tied to SADC delivery systems We anticipate that both SADC and the Mission ultimately will benefit from an orderly transition in their relationships which eliminates this element of compelled exclusivity

Our field work in connection with the SBC sub-grant suggests that the problems facing the Mission's regional private sector activities (and, by extension, its entire regional program) are complex These problems include (a) the Mission's own willingness to devote its limited staff to the necessarily time-intensive requirements of most private sector projects, (b) the willingness of A I D 's other country missions to accept leadership from USAID/Zimbabwe and commit their own limited staff resources to regionally-oriented endeavors, and (c) difficulties

which the Mission has had in selling its regional approaches and project designs to A I D /Washington The compelled utilization of the SADC channel for delivery of regional activities exacerbates these problems By placing its relationships with SADC on a more flexible basis, the Mission can devote greater attention to solving these other difficult problems

The basic objective should be for each organization to have a sufficient range of choices such that neither is forced to deal exclusively with the other and such that each can collaborate freely in areas of mutual interest Neither should be subservient to or totally dependent on the other over the long term Ultimately, relationships among equals should prevail along each leg of the USAID - SADC - SBC triangle That cannot happen as long as USAID has no choice but to operate through SADC

In the past, exclusivity in the relationship between SARP and the SADC Secretariat has contributed to a form of bureaucratic gridlock That phenomenon has impeded the Mission's efforts to design a regional private sector program Each organization has a different style of operation, SADC's perhaps being the more structured Each organization trails its own distinctive anchor of precedent, procedure, and administrative style When these anchors become entangled in the course of a project design, much energy can we wasted

Southern Africa is entering a period of rapid and important change Willingness to experiment and innovate are assets of great value that A I D can bring to the region Ability to move is important Requiring SARP to operate only through SADC gives SADC a negative power that is particularly inappropriate in a period in which innovation will be at a premium USAID/Zimbabwe should not terminate its association with SADC The exclusivity should be ended and the relationship restructured

2 Statism

In the past, SADC has been criticized within the Mission for a "statist" orientation [65] However, in our view the Secretariat appears to be trying to create a platform for itself that is wide enough to accommodate the predilections of most of its donors and members We certainly have seen evidence of a predisposition for all-encompassing, non-competitive arrangements Such a predisposition may be regarded as one of the hallmarks of statist societies, but it certainly exists in many other kinds of societies as well, including our own

SADC's 1989 Productive Sectors paper explicitly rejected the idea that SADC's approach was to be one of "concentration of authority in centralized planning and executive bodies at the regional level "[66] A Heads of State Declaration[67] acknowledges that the SADC Treaty

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[65] M B Ellis, Regional Integration and the Evolution of SARP (May 29, 1992)

[66] Southern African Development Coordination Conference, SADCC the Productive Sectors -- Engine of Growth and Development (Luanda, Angola February, 1989), p 17

envisions "strengthening the powers and capacity of regional decision-making, coordinating and executing bodies," but it is hard to read either the Declaration or the Treaty as an invitation to a regional superstate

From an outside perspective, SADC's Productive Sectors paper had significant flaws Its enthusiastic exposition of the virtues of Southern Africa's parastatals and their capacity to "unleash the enormous investment capacity of the private sector" is disturbing and most unconvincing The record of most of the region's parastatals has been appalling Nevertheless, our field interviews lead us to believe that the Productive Sectors paper was well received by the business community in the region at the time it was issued The document brought the strategic importance of investment, production, and trade to center stage It issued a call for the business community to take part in the affairs of the region from which it had been excluded in the past That call represented an encouraging change of direction and an acknowledgement of legitimacy of business endeavors after a long period of being left out in the cold Productive Sectors and the change of attitude it reflected was regarded as a major step forward To many of the business people, that was the most that could be expected at the time under the circumstances

SADC has made its mark as an effective grantsman, attracting substantial amounts of donor funding to its programs Most donors have difficulty in finding reliable and acceptable routes for channelling assistance to the private sector and other intended beneficiaries of their programs Some donor agencies are barred from dealing directly with businesses and business organizations by legislation, others by mandate, still others by precedent While A I D itself has been a pioneer in finding ways to channel assistance to the private sector, it too is constrained by its regulations and traditional practice The vision of "the good parastatal," a publicly responsible institution whose staff understands donor objectives, complies with donor administrative requirements, and accounts responsibly for the donor funds has a powerful appeal in the development community If we were to find a foreboding quality in SADC, it would be that of a too-successful salesman of parastatal projects rather than that of a burgeoning regional superstate

3 Monism

SADC's approach to business representation ties a definition of "enterprise" (one which encompasses both publicly and privately owned organizations) to individual national business councils and to the regional business council Each of national-level institutions is to be an apex organizations representing the entire enterprise community SBC (in theory at least) is the creature of these national level organizations The monolithic nature of the structure is not reassuring Requiring enterprise to speak with "one voice" could mean that private enterprise

[67] Heads of State or Government of the SADCC Declaration issued at the time of the signing of the treaty establishing the Southern African Development Community at Windhoek Namibia (August, 1992), p 10

really has "no voice" in such critical policy matters as parastatal divestiture, promoting freedom of competition, and reducing government regulation Some authoritarian countries establish a single Chamber of Commerce and Industry which is used as a choke-point to head off dissent and complaints and as a one-way channel for delivering instructions Others use business associations as frameworks for validating monopolistic arrangements, both public and private

In fully developed free societies, enterprises have the capacity to speak with one or many voices as they choose Public and private enterprises have some interests in common and some that are in conflict The same is true for large and small businesses and various sectors such as mining, manufacturing, and trade If the enterprise community is divided on an issue, and government has not the time or inclination to listen to several business voices, then government is not really interested in hearing all that industry has to say on that issue An all-encompassing, monolithic structure is arguably more efficient in disseminating information and instructions from the top down and possibly in serving as a channel for service delivery However, service delivery is seldom the primary purpose of representative business institutions and the "one voice" rationale is highly suspect

A monolithic structure can convey the impression it distributes power among members more on the basis of their numbers rather than their economic power If the interests of all enterprises from the street vender to the international mining corporation to the fertilizer distribution parastatal **must** be represented within a single business association, then the likelihood that a small, powerful, self-interested and ethnically unrepresentative minority will dominate its deliberations may appear to be reduced

The notion that the governance structure of a business association can be used as a mechanism to empower and target the less affluent and influential members of the business community can be attractive to donors whose program rationales target the less fortunate in society By applying the equivalent of "one enterprise - one vote" or "one business association - one vote" the resources and energies of the wealthy few can be put to the service of many small and medium-sized enterprises within the business community As described in Appendix 10 A I D itself attempted something of the kind by conditioning its assistance in Eastern Caribbean on the creation of National Coordination Councils (NCCs) in each country, with criteria which sought assuring that these Councils represented the totality of the business community The conditions were a failure They attempted to prescribe the rules of representation by means of which business leaders were to serve their own interests and those of their communities on a voluntary basis

Most business leaders simply were not interested in participating on the basis of the criteria which A I D had established for them Groups meeting the prescribed criteria simply could not be assembled and maintained When the conditions on representation were removed, existing organizations selected in each country (business associations in some cases, National Development Foundations backed by the business community in others) were able to focus quite effectively on the needs of an emerging group of formerly disadvantaged entrepreneurs If the organization selected to provide the assistance were not to perform effectively, other options

could be examined The approach worked What did not work was the prescription of a single, "totally representative" institutional structure, conceived by A I D , that attempted to subject the voluntary efforts and decision-making processes of business leaders to a form of governance they perceived to be artificial, unwieldy, and inefficient

We would characterize A I D 's attempted imposition of NCCs in the Caribbean as one of "possessive monism" rather than one of "statism " By "possessive monism," we mean arrangements which create exclusive and extended relationships of ownership, control, dominance or governance such that the voluntary behavior of one party is subjected to the sustained control of another on the basis that a group, state, or region can be properly served only by a single, comprehensive entity Such relationships exist in both authoritarian and democratic societies, though certainly more in the former than in the latter The formal governance structure of the SBC/SNBC network fits within the definition The current relationship between SADC and USAID/Zimbabwe with respect to regional activities also fits within that definition In our view, the arrangements constitute weaknesses in both cases

In an open market, businesses take investment risks in order to gain competitive advantages and, once gained, they are loath to relinquish them Although donor and recipient organizations have interests and objectives in common, they also compete with each other Although often treated as subjects not fit for polite discussion within the development community, "ownership" and "poaching" constitute real issues affecting institutional behavior in the real world

Serviceable channels for the delivering of donor funded services are at a premium in Southern Africa From a donor's point of view, the prospect of developing a superior delivery/distribution system is a very attractive one

Potentially, the SBC/SNBC network has several attractive features which ultimately could render it a far more serviceable donor funding channel than that of the "good parastatals " The network is non-profit and region-wide It carries an image of business-relatedness that makes it acceptable during a period in which donors are emphasizing open markets and trade and investment It is not associated with past parastatal and other forms of failure on the part of public institutions It is on a track which leads forward and upward as many of Southern Africa's parastatals -- including some of the "good parastatals" -- face prospects of demise

It has, in theory at least, ready access to a knowledgeable and influential body of members, some of whom are prepared to contribute time and money to efforts they consider worthwhile Once they are well organized and governments are democratized, businessmen can strongly influence the course of public policy The donor that can link policy reform or development services to this powerful instrument has unusual prospects as an agent of change

A favorable view of the donor service-delivery potentials of the SBC/SADC network (or something like it) raises the potential for conflicts over control Ironically, these favorable prospects could lead to a "control it or kill it" psychology -- a negative form of possessive

monism that seeks to restrict both the number of business associations and the number of development institutions providing assistance to any given association Such practices run contrary to the interests of achieving better business representation and more suitable donor service delivery in the region A pluralist philosophy would attempt to encourage two or more approaches to business organization in the region and encourage funding of any given association by more than one development institution with the idea that the needs of business organizations and development institutions could best be served in this fashion

4 Equity

The Lusaka Declaration which created SADC in 1980 referred to the creation of "genuine and equitable regional integration " The term "equity" and language conveying similar connotations appear repeatedly in SADC documents Some persons familiar with the economic difficulties plaguing the Third World have come to regard "equity" as a sugar coating typically applied to justify a panoply of ill-conceived and destructive policies Authoritarian rule, monopoly, pan-territorial pricing, imprudent subsidization, discriminatory restriction of business opportunities, and the destruction of free institutions all have been justified in the name of equity Where "equity" is the only word on the label, some say, totalitarianism, incompetence, corruption, and failure are inside the package

"Equity" is a particularly troubling concept in the context of regional integration since historical experience suggests that productive competitiveness tends to be concentrated and unevenly distributed in spatial terms [68] Achievement of a "balanced" distribution of benefits as regional trade barriers are reduced among countries in differing stages of development (which is the case in the Southern region of Africa) is basically impossible It is conceivable that all parties can be winners, but the weight of professional opinion now says that the sizes of their respective winnings are bound to be different While some countries may benefit relatively more than others integration efforts may be considered a success if all countries benefit over the status quo situation Politically, however, the relative disparity of benefits does tend to cause tension (e g , as it did in the old East African Community) The use of the term "equity" in the context of regional development brings to mind a long list of wasteful and failed attempts to achieve spatially balanced distribution of industries, jobs, or income

But the yearning for greater fairness in the distribution of resources within society and the desire to create "level playing fields" on which human effort and talent can compete are historic and deeply felt needs Indeed, such felt needs constitute one of the underpinnings of the foreign aid program The Agency for International Development itself has never fully resolved

[68] c f , Michael E Porter, The Competitive Advantage of Nations (New York The Free Press, 1990)

the "efficiency-equity" dilemmas which it repeatedly faces on its own [69] Articulating equity as an objective is not equivalent to misusing the concept in practice Rejecting a development institution simply on the grounds that it uses "E-words" is unthinkable in articulating its mission However, concepts such as "equity", "balance", "mutual benefit", and "support of the disadvantaged" do in fact carry utopian as well as a political ring in the context of a treaty concerned with regional integration There is merit underlining the lessons of economic history in this context Members of the staff of the SADC Secretariat and other persons who may influence the future course of events in the application of the SADC treaty should be involved in studies of the outcomes of regional integration schemes elsewhere in the world Such studies are discussed in the following sub-section of this chapter We do not, however, find the use of the rhetoric of equity in the SADC treaty as offensive or foreboding in itself

C USAID/ZIMBABWE'S REGIONAL PRIVATE SECTOR STRATEGY

Appendix 7 contains a review of A I D 's private sector projects in the SADC region As can be seen, they range from no private sector activities whatsoever (Angola and Namibia) to a private sector project that will be at the center of a Mission's activities for the next five years (Botswana) Involvement of business associations in those countries that have private sector activities underway ranges from none at all (Zambia) to occasional (Malawi), to utilization as a main channel of services (Botswana) In some cases, private sector activities appear to be incidental to other activities such as distribution of food (Mozambique) For the most part, the projects that provide direct assistance to enterprises (as distinguished from trade and investment trips or international training) are oriented to small or medium businesses However, the Tanzania Mission's Finance and Enterprise Development Project (FED) aims at nothing less than the restructuring of Tanzania's financial sector

The Mission's most recent Regional Development Strategy Statement (FY 1991) contains a section on "Stimulus to Trade and Entrepreneurship " The section calls for a $35 million effort over five years supervised by a direct-hire economist The strategic objective of the project was to stimulate trade and entrepreneurship The program was to have two elements one focusing on trade itself, the second encouraging the growth and maturation of the private sector through improved policy climates and assistance to entrepreneurs with export objectives [70]

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[69] The basis A I D is currently using for identifying country missions to be eliminated or downgraded appears to be based on equity rather than efficiency criteria See Section E-3 of this chapter

[70] Regional Development Strategy Statement (Southern Africa FY 1991) Volume I (1989), pp 42 -52

The Missions view is that the strategy was pursued as a coherent package by USAID Zimbabwe, although a series of factors prevented the implementation of a centerpiece project to promote exports and investment [71] Some examples include the SADC Secretariat technical support grant, providing funds to SBC, and a series of activities funded though project development funds (such as support for the World Bank/ED ADB regional integration initiative and support of PTA's Trade Development Strategy) Some of the elements of the strategy are imbedded in the programs of individual country Missions However, as noted at the beginning of this section, the pattern of the private sector programs currently being undertaken by the bilateral missions emerges as something of a potpourri

Our view is that considerations of implementation are critical to strategy and program formulation Strategy and program design should realistically balance "positives" against "negatives" On the positive side lie the confluence of powerful factors driving the emergence of the private sector in Southern Africa which are discussed in Chapter 2 of this report Negative factors that should be considered could include

- The Mission may not be able to devote the personnel and management attention that such a program needs

- Individual country missions and/or A I D /Washington may not be prepared to give the support that such a program needs

- Inadequate oversight or support can disillusion the private sector and lead to outcomes that are worse than no program at all

- Other Mission programs are deemed to have higher priority, particularly in a period of uncertainty

The Progress Report of The President's Commission on the Management of A I D Programs suggested that, in countries where Missions are eliminated or downgraded to AID Representative status, very simple interventions are initially in order, ones which provide the United States with presence and visibility but little risk Programs in other countries, it recommended, should be simplified, operating in fewer sectors with fewer projects [72]

Most regional private sector programs, particularly those likely to have a significant impact on the region's trade and investment, require high staff intensity and involve taking high risks Launching such programs in the face of limited or dwindling resources, means choosing this kind of program activity over others

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[71] Mission Comments, p 6

[72] The President's Commission on the Management of A I D Programs, A Progress Report, (Washington September 30, 1992), p 12

The Mission should seriously think through the staffing implications of focussing its efforts on private involvement and policy change Beyond this, it is our opinion that there is little that a development agency can do to stimulate the private sector in a region unless business persons in that region are themselves prepared to put their own money, time, and creativity into the effort The Mission may wish to test the will of the business community in this regard, involving them in program design and seeking advance commitments on participation in particular projects Indeed, the Mission may wish to seek their advice at the start on whether they really prefer that the Mission develop a regional program requiring contributions on their part over, say, a telecommunications program that would permit them to sit on the sidelines

Given sufficient commitment within A I D and the private sector, there are four important long-term objectives to which a regional private sector program could be directed

Tourism

Tourism is an industry with significant potential in the region It is regional as well as national in its character because (1) it draws visitors across borders within the region, (2) visitors from outside the region may be attracted by tours which offer a multi-country "circuit" within the region, and (3) individual country industries benefit by the establishment of region-wide standards The tourism trade currently faces common public relations problems of countering foreign perceptions concerning the effects of drought, insurgency, and AIDS in the region As Haven North points out, regional approaches to tourism can be tied in with preservation of wildlife and regional collaboration in dealing with ecological problems [73] A long term goal should be to develop and maintain tourism as a regional asset

Removing Barriers to Trade

The private sector has shown a keen interest in removing barriers to trade within the region The objective can be pursued through a combination of unilateral, bilateral, and multilateral action Technical expertise is needed within both the government and business communities to achieve optimum results through collaboration The goal is regional in character and assistance can be provided on a regional basis

Changing Relationships Between Governments and the Business Community

Relationships between the business communities and their national governments vary from country to country but, in general, they are not healthy Problems include (1) private sector representation has been excluded from the process of making important government decisions affecting business, (2) one or a few private sector firms dominate the process of making

[73] W Haven North, Reshaping the U S A I D Regional Program Strategy for the Southern African Region Study Agendas on the Implications of a Post-Apartheid South Africa for Regional Economic Cooperation (December, 1991) p 20

important government decisions affecting business, (3) government policies exclude the private sector from important fields of endeavor, and (4) government regulatory practices permit government officials to dominate the private sector in important fields of endeavor

The problems created by domination can be more serious than those of exclusion Where a private business dominates government decision making, it has little incentive to change, particularly if the change replaces its monopoly position with effective competition Where government regulatory practices enable domination of the private sector, some firms may have little incentive to change because they have gained favored positions through influence or corruption Others may fear to advocate change for fear of retaliation from a dominating government The changes needed are on the national level and the means of change are essentially political However, a regional program that can encourage change within the region and find ways to impact on national-level business-government relationships could make an important contribution

A very wide range of activities can contribute to changing relationships including high-level encouragement and persuasion, public relations activities, policy reform, and business organization Changes in attitudes, philosophy, and human behavior are required as well as political action The goal can be expected to remain important to the region for many years

Divestiture

Divestiture of government-owned businesses is in order throughout the region, and so far seems to have been given a high priority only in Zambia The process is difficult and will require a decade to complete, if not a generation Divestiture requires expertise and technical skill of a high order As more countries come to grips with the problems of selling off or shutting down their parastatals, there is likely to be a need for a regional source of expertise in this area As the divestiture process gains momentum, some attention should be given to regional ownership patterns, lest national monopolies be replaced by regional ones

Conditionality

USAID/Zimbabwe has used policy conditions on infrastructure investment projects to encourage policy reform and development of the private sector The telecommunications project the Mission is currently designing focuses on policy reform allowing private sector investment in the sector -- "and would require A I D to be a quarterback, not 'sit on the sidelines '"[74]

Implementation Issues

Regional private sector projects are, for the most part, difficult ones to execute There is a strong argument that the A I D Project Officer responsible for a regional activity and the

[74] Mission Comments, p 7

Project Director of the organization principally responsible for carrying it out should be located in the same country Both the Mission and the project officer feel a sense of ownership, so it is desirable that the project design activity take place in the country mission as well If these conditions cannot be met, and an A I D Project Officer with some subject matter competence cannot be assigned to the project, going forward with the regional activity should be carefully reconsidered

The critical question, from our point of view is not whether the funding of regional projects is put into a "bilateral envelope," a "regional envelope," or both It is rather one of whether there are sufficient funds and sufficient leadership in place at the right time to make the project work If business persons are to commit their time and money to an A I D -assisted project, they need someone on the A I D side whom they can understand and trust Because A I D has an operating style which is dramatically different than that of the private sector, a substantial amount of "intermediation" (explanation of jargon, help in writing reports and filling out forms, explanation of puzzling administrative behavior, and the like) is required If the "envelope" provides implementing money but not a suitable A I D interlocutor, it is likely to fail For their part, bilateral Missions are perfectly happy to have supplemental funding for projects which they regard as important to own programs whether these projects are called "regional" or not However, they do not want to be placed in the position of devoting their limited manpower to projects which do not fit in with their objectives simply because money is available for this purpose

"Umbrella" or "Christmas tree" projects which offer a wide range of services and/or opportunities for supplemental funding to bilateral missions in the region should be put the same standard The essential point is that reliable and responsible forms of intermediation exist at points of contact between A I D , implementing organizations, and the private sector

D CONCLUSION

Difficulties encountered in the triangular relationships among SBC, SADC, and USAID have been made more difficult to solve because of the "exclusive distributorship" tie between USAID/Zimbabwe and SADC established by Congressional earmark with respect to regional programs If this exclusivity were removed, it would be much easier for A I D to render effective assistance to regional business associations in Southern Africa

The Mission's regional private sector strategy should be congruent with the substance of its private sector program and with the financial and management resources it intends to devote to efforts in this area Promising areas for program assistance include tourism, removing barriers to trade, changing relationships between government and the private sector, and divestiture

Chapter 7

PRINCIPAL ALTERNATIVES FOR REGIONAL ASSISTANCE

A INTRODUCTION

This chapter discusses principal alternatives for future USAID assistance to business organizations in the Southern African region The theoretical options run a very wide gamut indeed They range from having no regional business association program of any kind, to A I D contributions to an occasional regional conference or round tables sponsored by others, to continuing SBC's funding on its present basis, to substantially changing the structure of assistance of SBC, to creating a variety of new regional business institutions

The present chapter focuses on what the Assessment Team believes to be the principal relevant alternatives for regional assistance by USAID By "relevant," we mean pertinent to the decisions which USAID/Zimbabwe is faced in connection with its disposition of SBC sub-grant Combinations of, modifications to, and additions to these alternatives are possible, and indeed likely as discussions among concerned parties proceed Alternatives are presented here as an aid to a process of negotiation and as a basis for the recommendations in this report

The six alternatives considered are as follows

ALTERNATIVE ONE	USAID/Zimbabwe would terminate the Sub-Grant at its presently scheduled completion date (PACD) and provide no further support to business organizations in the region
ALTERNATIVE TWO	USAID/Zimbabwe would provide a limited amount of assistance to SADC to enable the Secretariat Staff to work directly with the business community
ALTERNATIVE THREE	USAID/Zimbabwe would fund A I D assistance to national and regional business organizations through IESC and/or CIPE
ALTERNATIVE FOUR	USAID/Zimbabwe would provide regionally- oriented bilateral support to business organizations in Zimbabwe and encourage other USAID Missions in the region to support their local business organizations with a regional orientation in mind
ALTERNATIVE FIVE	USAID/Zimbabwe would provide targeted assistance to SBC in the context of certain preconditions needed to effect major changes
ALTERNATIVE SIX	USAID/Zimbabwe would support the establishment of a new regional private sector business organization whose core services would be financially self-sustaining from the start

Section B describes each of these alternatives in greater detail Section C provides an assessment Section D presents a brief conclusion

B DESCRIPTION OF PRINCIPAL ALTERNATIVES

The six principal alternatives for the immediate future are described below With the exception of the first alternative, they are by no means mutually exclusive In theory, at least, alternatives TWO through SIX could be pursued simultaneously

ALTERNATIVE ONE Termination

USAID/Zimbabwe would terminate the Sub-Grant at its presently scheduled completion date (PACD) and provide no further support to business organizations in the region

The main elements of Alternative One are as follows

- USAID/Zimbabwe would promptly inform SBC, SADC Secretariat, and the business community that no further funding would be provided to SBC beyond the current project completion date
- USAID/Zimbabwe would continue to provide funds to SBC at current level through the current project completion date
- USAID/Zimbabwe would restore authorization for SBC to expend funds for position of Executive Director, retroactively and until August 31, 1993
- USAID/Zimbabwe would encourage SBC to use a portion of its funding, should it so choose, to identify other sources of funding
- USAID/Zimbabwe would terminate the sub-grant at PACD

ALTERNATIVE TWO New SADC Staff Position

USAID/Zimbabwe would provide a limited amount of assistance to SADC to enable the Secretariat Staff to work directly with the business community.

The main elements of Alternative Two are as follows

- USAID would negotiate with SADC an extension of the grant PACD substantially beyond the current project completion date in order to fund the services of a

position on the SADC Secretariat staff to assist SADC/S in its liaison with the private sector, including funding to allow for organization of the regular meetings with the private sector

- o USAID would continue to provide funds to SBC at reduced levels sufficient to provide for business association continuity requirements through the present project completion date

- o USAID/Zimbabwe would restore authorization for SBC to expend funds for the position of Executive Director, retroactively and until August 31, 1993

- o USAID/Zimbabwe would encourage SBC to use a portion of its funds, should it so choose, to identify other sources of funding

ALTERNATIVE THREE Services Delivery by IESC and or/CIPE

USAID/Zimbabwe would fund USAID assistance to national and regional business organizations through IESC and/or CIPE

The main elements of Alternative Three are as follows

- o USAID/Zimbabwe would sign a grant agreement with IESC and/or CIPE to provide small amount of additional funds (e g , approximately US$150,000 per year for five years), which CIPE and/or IESC can use to support established national-level business organizations in those countries in which IESC does not have a bilateral program able to support this function More than one such grouping could be supported in each country National Business Councils could be recipients

- o USAID/Zimbabwe would include in the IESC Grant a small amount of additional funds (e g , approximately US$50,000 per year for three years), which IESC could use to support regional-level groupings of business people, who establish themselves as "clubs" or other formal or informal mechanisms More than one such grouping could be supported SBC could be a recipient

- o These grant funds could be utilized to subsidize up to 100% of the cost of an IESC volunteer requested by the business grouping, to pay per diem costs (not transportation) for small business people to attend regional meetings or workshops, to pay the costs of preparation of studies (either utilizing IESC volunteers, ABLE or consultants, as appropriate) on issues of importance to them and to make small grants to the business organizations for purposes to be mutually agreed, but not restricted in any way

- USAID/Zimbabwe would continue to provide funds to SBC at current level through PACD to allow them to transfer functions to SADC and/or a new regional business organization

- USAID/Zimbabwe would encourage SBC to use a portion of its funding, should it so choose, to identify other sources of funding

- USAID/Zimbabwe would restore authorization for SBC to expend funds for position of Executive Director, retroactively and until August 31, 1993

ALTERNATIVE FOUR Building Regional Capabilities Bilaterally

USAID/Zimbabwe would provide regionally-oriented bilateral support to business organizations in Zimbabwe and Botswana for regional extension activities and encourage other UDSIF Missions in the region to support their local business organizations with a regional orientation in mind

The main elements of Alternative Three are as follows

- USAID/Zimbabwe would assist principal Zimbabwe business organizations to register as PVOs

- USAID/Zimbabwe would provide a grant or grants to Zimbabwe business association(s) to

  - Increase their own institutional capacities

  - Increase their bilateral relationships with other business associations in the region

  - Increase their ability to provide assistance to weaker business associations in the region

  - Increase their focus on regional issues

- USAID/Zimbabwe would encourage and, to the extent possible, support other USAID Missions to establish or expand their projects of support to national business organizations

- USAID/Zimbabwe would continue to provide funds to SBC at current level through the current project completion date

- USAID/Zimbabwe would restore authorization for SBC to expend funds for position of Executive Director, retroactively and until August 31, 1993

ALTERNATIVE FIVE Continue the SBC Project with Major Changes

USAID/Zimbabwe would provide targeted assistance to SBC in the context of certain major preconditions needed to effect major changes

The main elements of Alternative Five are as follows

- SBC would be required to obtain substantial funding from at least one other source in order to qualify for further A I D funding

- A strategic plan, including a comprehensive financial strategy, would have been prepared laying out the future direction of SBC and this plan would have been accepted the business community

- There would have to be tangible evidence of widespread support for SBC from the business community

- An Executive Director with regional stature and qualifications satisfactory to all parties would be selected

- Any outstanding issues concerning authority and control, including the substantive independence of SBC, would be resolved in writing to the satisfaction of all parties in advance of the commitment of funds

- At least one long-term expatriate senior advisor would be assigned to SBC for the term of USAID assistance

- An USAID project manager would be assigned to the Botswana Mission (or wherever SBC is headquartered) to supervise this activity

- The USAID project manager would be required to have suitable technical qualifications for and interest in a project of this kind

- The USAID project manager would spend at least 50% of his time on this activity

- USAID would encourage other funders, such as the various German agencies, CIDA, etc , to provide non-duplicative support

- USAID/Zimbabwe would restore authorization for SBC to expend funds for position of Executive Director, retroactively and until August 31, 1993 or such other date as may be mutually agreed upon

ALTERNATIVE SIX Independent Private Sector Association

USAID/Zimbabwe would support the establishment of a new regional private sector business organization whose core services would be financially self-sustaining from the start

The main elements of Alternative Six are as follows

- USAID/Zimbabwe would continue to provide funds to SBC at the current level through the current project completion date

- USAID/Zimbabwe would restore authorization for SBC to expend funds for position of Executive Director, retroactively and until August 31, 1993

- USAID/Zimbabwe would indicate that USAID would consider funding of a new regional private sector business organization, if stiff pre-conditions are met, relating to its having clear support (both financial and otherwise) from the private sector

- Key requirements will include (i) initial and continuing sustenance of core functions by the private sector, (ii) separation of core costs from cost of donor-funded activities, (iii) independence of government and regional public organizations, (iv) freedom to designate country coverage for itself, (v) freedom to limit membership to entities able to pay full cost for the proportionate share of services they receive

- Should the business community be able to satisfy these conditions, USAID/Zimbabwe should consider providing funding via a US PVO such as IESC or CIPE or by such other means as they deem appropriate for limited agreed purposes in connection with the founding of such an organization

C ASSESSMENT

Of the six alternatives described above, Alternatives One, Five, and Six go most directly to the heart of the issues examined in this assessment Alternatives Two, Three and Four are less fundamental in their nature They could be considered "partial" or "palliating" alternatives because they are less fundamental in their characteristics Conceptually, Alternatives Two through Six all could be pursued simultaneously or in any combination A discussion of the

rationales of each of the alternatives is presented below Whatever course the Mission decides to pursue, the Assessment Team believes it should do so with a long-term vision of its relationship to the business community firmly in mind

ALTERNATIVE ONE Straight Termination

The list of alternatives described in the previous section does not include a "status quo" alternative The absence of status quo alternative represents a judgement that current arrangements are fundamentally unsatisfactory and that significant changes will be required if further USAID funding is to be justified While the Assessment Team favors a continuation of USAID/Zimbabwe funding of a regional business association in some form, it prefers no funding at all (ALTERNATIVE ONE) to no change at all (the "Status Quo")

There are three basic arguments for termination First, successful assistance to business associations has proven to be highly management intensive from A I D 's viewpoint Demands on USAID's staff time are likely to grow rather than diminish as regional institutions mature The more successful and independent of USAID a business organization becomes, the more problems and opportunities it can pose for Mission management As an association organizes the business community and involves business leaders in its activities, it becomes a potentially high pay-off activity in terms of policy change and impact on regional productivity However as the organization grows in power and assertiveness, it is quite likely that requirements imposed by public institutions which circumscribe its objectives, strategies, hiring decisions, membership policies or other important characteristics of its operations will become subjects of continuing irritation whether such circumscription comes from A I D or elsewhere Like Gulliver, A I D is bound by a multiplicity of strings Mediating between a constrained giant and business community that has little interest in trading their own constraints for A I D 's, requires time, energy, and resources which the Mission may believe that it cannot spare

Second, the Mission may judge that a project with such a high-risk, high-pay-off, management-intensive profile simply may not fit well into its portfolio during a time of change and uncertainty It is also possible that the Mission may conclude that it has other urgencies or opportunities for utilizing Mission resources which have higher priority than those of the SBC sub-project Examination of such other urgencies and opportunities has not been part of the present assessment

Finally, questions of portfolio profiles, priorities, and payoffs aside, the Mission simply may feel that it does not like, does not want, or does not "own" this project It may find that it is too far away from the SADC in distance and in spirit, for collaboration in this difficult area to continue

Our review suggests that there is very little that we or others have observed about the SBC sub-grant that the Mission has not already seen for itself What stands out in much of the recent record and in our interviews is not an absence of perception or analytical insight, as an undertone of frustration It is that undertone, more than any particular set of facts or

conclusions, that deserves the Mission's searching and forthright reexamination When all is said and done, USAID/Zimbabwe may have no heart for a project of this type at this time If that is the case, there is little point now in going through the motions of attempting to retain or replace it The best thing under such circumstances would be to provide a decent interval for SBC's leadership to pursue other sources of funding

The Team sees no justification whatsoever for immediate termination of the SBC sub-grant As indicated earlier in this report, the activities which have been carried out by SBC are of reasonable quality given the constraints under which it has been operating and are sufficiently valued by their constituencies to be continued, at least until PACD If the Mission independently decides to terminate its support, or SBC prefers to seek funding from other sources rather than making changes in existing arrangements, SBC should be given a reasonable chance to pursue constructive alternatives

ALTERNATIVE TWO New SADC Staff Position

ALTERNATIVE TWO would permit the SADC Secretariat to set its own priorities concerning its relations with the business community, create and service business advisory committees composed of representatives from enterprises of its own choice, decide how to seek advice from such committees and how to disseminate its views to the enterprise community Rather than relying on a regional business association to serve SADC's needs in this regard, the Secretariat would provide this service for itself

A public regional organization can expect a certain amount of cooperation and collaboration from business associations, but if an association draws on the voluntarily contributed funds and time of businessmen or indeed on donor funds in any substantial way, sooner or later that association must march to the rhythms of these drummers as well as to the Secretariat s beat It would be far better for SADC to carry on its own business liaison function than for the Secretariat to attempt to press a business association into the mold of a subsidiary SADC staff Once a business liaison function is in place within the Secretariat, it would, perhaps, be somewhat easier establish an arms-length relationship with a regional business organization

In the beginning, the SADC Secretariat saw correctly that it needed a line of communication to the enterprise community That need continues While the establishment of SBC was at the time an important means of signaling the private sector that its views were welcome, it should now be evident that any business-controlled institution will have great difficulty in serving the Secretariat in the way the Secretariat originally envisioned The Secretariat s role in creating SBC, SADC's convenience to donors as a channel of funding, and its capabilities in the field of grantsmanship, may help to keep SBC "within the fold" for a while But sooner or later, SADC's grip is bound to slip The more independent and devoted to its own constituencies a regional business association becomes the less confidence the Secretariat can have that SADC's communication needs will constitute its first priority

A business association is an overly complex and unnecessarily expensive communication device for SADC Whatever SBC's ultimate fate may be, business organizations will continue to develop in the region with international assistance USAID could assist SADC to separate its own needs from those business associations helping the Secretariat to carry out its communications with the business community directly It could, for example, fund the costs of one person in the SADC Secretariat whose sole function would be to serve as the communication link with the private sector A small amount of money to allow this person to organize periodic meetings and to prepare private sector-initiated policy papers will round out this capability

If properly qualified and sufficiently energetic, this person could play an extremely important role He or she could travel in the region, participating in national-level meetings He or she could organize regional meetings for exchange of ideas between the private and public sector One such forum could be a meeting of ministers with leaders of the regional business community, carried out, say, on at least a yearly basis In preparation for this and other meetings, this person could encourage the private sector to submit their ideas in the form of position papers on key policy issues This person could also convey the positions of SADC to the business community on a regular basis A SADC business newsletter produced on a quarterly basis might be a one good means of accomplishing this

ALTERNATIVE THREE Services Delivery by IESC and/or CIPE

The International Executive Service Corps (IESC) and Center for International Private Enterprise (CIPE) associated with the U S Chamber of Commerce each have experience in providing support to business organizations in the region and world-wide ALTERNATIVE THREE would provide funds which USAID/Zimbabwe could use to provide their services or the services of any other organization with appropriate business and regional experience to national and regional business associations in Southern Africa The availability of such services would permit the creation of coordinated strategies for building up business association capabilities in ways that are comfortable to the Mission The funds could be used to provide assistance to new or emerging national or regional business collaboration should the Mission deem such assistance to be appropriate The Mission should IESC/CIPE to provide technical and financial support to encourage the development of such initiatives as special-purpose regional business person's clubs or other informal or formal mechanisms for organizing the private sector to have an impact on public policy

When a regional business association becomes the primary channel of institutional development services to national level associations, a built-in tension can arise between the institutional development needs of the regional business association and the institutional development needs of the national business associations ALTERNATIVE THREE could be used as a mechanism for implementing a "NATIONAL ASSOCIATIONS FIRST" strategy, which many business leaders might prefer to a strategy of building up the capabilities of a regional business institution first As national-level business organizations are strengthened through such assistance, they can play an increasing role in national and regional-level policy-making

IESC or CIPE could serve as the mechanism for delivering project support to the regional private sector business organization as well If substantial assistance is anticipated, it will be important for there to be a USAID-funded project manager for the project, located in the country in which the project is located As part of grants to IESC and/or CIPE, the grantee(s) should be encouraged to be open to the ideas of business people to initiate new regional-level business activities

The use of a conventional USAID contractor was vigorously and eloquently challenged by the SADC Secretariat in the case of the aborted design of the Export Enterprise Support (EES) Project [75] One can argue that business institutions are far less likely to be "overwhelmed" by an outside contractor than are public sector institutions Nevertheless, such a mechanism still may be subject of considerable objection by the SADC Secretariat However, IESC and CIPE both have acceptance and track records within the region and are perhaps more likely to be perceived as non-threatening

Just as the SADC Secretariat may have a healthier relationship with regional business associations when it has its own communication capabilities on staff, so too may relationships between USAID/Zimbabwe improve when the Mission has alternatives for service delivery at its disposal that are more comfortable to it and controllable by it than SBC is ever likely to be

Such alternative service delivery mechanisms can also be used to support, supplement, and occasionally provide healthy competition for services provided by a regional business organization Responsiveness to Mission requirements and priorities and a track-record for complying with USAID administrative and accounting requirements may not be overwhelming considerations in selecting channels of assistance to the business community, but they properly may be determinative in some cases

ALTERNATIVE FOUR Building Regional Capabilities Bilaterally

It is conceivable that regional capabilities could be built up through the bilateral activities of USAID's country Missions in the region (ALTERNATIVE FOUR) There are two countries in the region which already have relatively strong business organizations One of these is Zimbabwe The other is Botswana, although it is by no means as far along as Zimbabwe Zimbabwe's business organizations have already demonstrated that strong business organizations can help to define and focus regional policy issues Support for further strengthening business organizations in Zimbabwe and particularly, to bolster their efforts with respect to regional outreach and policy analysis, could reap dividends over the next few years If the USAID

[75] We are inclined to agree with Mr Maphanyane's injunction that assistance should seek to strengthen the region's institutional structures and mechanisms and to encourage local initiatives (See Section B-3 of Chapter 3 at footnote 5), as long as that argument is not used as a rationale for maintaining exclusive and monolithic arrangements

Mission in Botswana continues to support BOCCIM's outreach efforts and USAID Missions in one or two other countries in the region both strengthen their national organizations, it is conceivable national and regional efforts by the private sector in policy development ultimately will merge USAID/Zimbabwe could encourage other Missions in the region to continue and expand their support to business organizations in their countries They would also encourage as part of these programs, support of the efforts of those business organizations to undertake regional outreach and support activities

The Botswana Mission might be amenable to expansion of its more modest types of regional initiatives It is also conceivable that BOCCIM and the Botswana Mission could be persuaded once again to provide facilities for a regional business association, particularly if such provision were part of an agreement in which the location of the organization were rotated from country to country Because of its perceived dominating position in the region, Zimbabwe faces difficulties in business community politics as a site for a regional organization, but this conceivably could change if financial limitations were to assert themselves Ultimately, however, decisions concerning headquarters locations of regional business associations must come from the business community itself

ALTERNATIVE FIVE Continue SBC Project with Major Changes

ALTERNATIVE FIVE would continue substantial support of SBC by USAID This is not a status quo alternative Indeed, it is the most demanding and complex of the six alternatives identified in terms of the difficulty of the process and variety of possible outcomes In effect, ALTERNATIVE FIVE requires the disengagement and considered recommitment of the parties If the process of recommitment does not result in a consensus among the principals, the outcome could be termination (ALTERNATIVE ONE) or USAID assistance limited to one or more of the palliating measures (ALTERNATIVES TWO, THREE, and FOUR)

Formally, ALTERNATIVE FIVE is framed largely in terms of conditions affecting SBC and USAID To recapitulate

- SBC would be required to obtain substantial funding from at least one other source in order to qualify for further USAID funding

- A strategic plan, including a comprehensive financial strategy, would have been prepared laying out the future direction of SBC and this plan would have been accepted the business community

- There would have to be tangible evidence of widespread support for SBC from the business community

- An Executive Director with regional stature and qualifications satisfactory to all parties would be selected

- Any outstanding issues concerning authority and control, including the substantive independence of SBC, would be resolved in writing to the satisfaction of all parties in advance of the commitment of funds

- At least one long-term expatriate senior advisor would be assigned to SBC for the term of USAID assistance

- An USAID project manager would be assigned to the Botswana Mission (or wherever SBC is headquartered) to supervise this activity

- The USAID project manager would be required to have suitable technical qualifications for and interest in a project of this kind

- The USAID project manager would spend at least 50% of his time on this activity

- USAID would encourage other funders, such as the various German agencies, CIDA, etc , to provide non-duplicative support

In one sense, what is envisioned is a top-to-bottom project redesign, some of whose key parameters have been established with the benefit of hindsight But in another sense, the characteristics of the redesign and conditions established for further funding are far less important than an underlying recommitment of leaders and institutions to the success of a joint undertaking Without recommitment, a redesign, however artfully stitched together, could turn out to be a temporary expedient which would fall apart at first buffeting What is needed far more than conditions, plans, or formal strategies, is the bonding of leaders to the success of a common undertaking These leaders need to face, individually and collectively, the hard questions that underlie the problems which have troubled this project in the past

Questions for A I.D. include

1 Given the project history, does USAID wish the SADC Secretariat to be further involved in its assistance to SBC in any way? If not, how will USAID channel funds to SBC and assure itself of administrative regularity in their use?

2 Does USAID wish SBC to develop into a general channel for delivery of A I D - sponsored regional programs of assistance to the private sector? If SBC or some other regional business association cannot or will not serve this general function, does it have any further interest in providing assistance to a regional business association?

3 Does USAID wish to "share" SBC with other donors? Is it prepared to contribute to creating new arrangements which would encourage them to provide funds to SBC without utilizing the SADC channel?

4 What evidence of financial or other commitment does the Mission wish to require of the business community and other donors as conditions of USAID funding?

5 Is USAID prepared to be **led** by the business community, following the business community's vision of what is required to put SBC on a sound footing rather than the Mission's own vision of what a business association should be doing for the region's private sector?

6 Is USAID/Zimbabwe prepared to devolve on USAID/Botswana (or some other Mission) a promising program of assistance to SBC on whose redesign it now may be required to expend substantial resources and management time? Is it prepared to devolve on USAID/Botswana (or some other Mission) an expanded general program of assistance to the SADC Secretariat, which includes but is not limited to assistance to SBC?

Questions for the SADC Secretariat include:

7 Can SBC or another regional business association do anything for the Secretariat by way of facilitating the SADC's communications with the private sector that the Secretariat cannot do better for itself?

8 Is the Secretariat prepared to contribute constructively to the development of a representative business institution that could become a recipient of donor funding **outside** the control of the SADC Secretariat, an association which implements projects and programs **not** approved within the context of the "SADC System", an association which advocates public policies with which it or its member Governments may **not** agree?

9 Is the Secretariat prepared to accept an SBC that **in fact** does **not** pay much attention to the interests of parastatal enterprises, gives little attention to large enterprises, gives little attention to medium and small-scale enterprises, gives little attention to micro-enterprises?

10 Is USAID prepared to be **led** by the business community, following the business community's vision of what is required to put SBC on a sound footing rather than its own?

11 Is the SADC Secretariat prepared to exempt the SBC Executive Director and his staff from SADC compensation limitations if this is necessary to attract the best talent in the region?

Questions for SBC and the business community include

12 To what constituencies does SBC wish to give its primary attention, that does it wish to offer the parastatal firms in the region, to the largest firms in the region? To medium and small firms, to the smallest micro enterprises, does SBC want to acquire new capabilities to serve more constituencies or would it prefer to concentrate for the present on a few?

13 Is SBC prepared to accept a BOCCIM in place of the SADC Secretariat as a channel for USAID funding should USAID require that?

14 Is SBC prepared to alter its Constitution to permit individual firms to be members as well as national bodies?

15 Does SBC want financial independence from the SADC Secretariat or USAID/Zimbabwe soon? If so how and when does it think that independence can be achieved?

16 If the business community were free to choose its own staffing and compensation plan for SBC personnel without reference to USAID requirements or SADC regulations, what would it choose?

We do not see continued support of a changed SBC (ALTERNATIVE FIVE) as a means of maintaining a single business association or business association network in the region We anticipate that a multiplicity of regional and national associations ultimately will arise in Southern Africa However, relatively few of these associations may have the capability to serve as effective channels for donor assistance, particularly for the specialized requirements of the Agency for International Development

SBC well could become a preferred donor channel, specializing perhaps in assistance to lesser developed national chambers and services to medium-sized and smaller businesses Should the organization evolve in this direction, we would judge that there is little likelihood that SBC will become "financially self-sustaining" in the sense that its members will be willing to pay either for the full cost of formerly donor-subsidized services or that they would maintain, at their own expense, the high costs of specialized overhead capabilities set up specifically for the purposes of handling donor-sponsored activities If financial sustainability is to be attained, it is more likely to resemble that of an international consulting firm than that of a conventional business association Like an international consulting firm its fortunes may be expected to wax or wane with its abilities to secure donor funding and to deliver services that donors and recipients value In this sense, SBC's destiny may be more like that of FEDEPRICAP than of CAIC [76]

The key to the independence and ultimate sustainability of such an organization will be developing a capability to convince a variety of donors to utilize its services Thus, if A I D aims at early independence and sustainability for a regional business organization, it should encourage it to develop relationships with other donors at the earliest possible time If A I D wishes SBC to divorce itself from the SADC Secretariat (and SBC agrees), another channel for disbursing and accounting for foreign assistance funds would have to be found One alternative would be for USAID to build up SBC's own accounting and administrative capabilities Realistically, such an alternative would make SBC more, rather than less, dependent on A I D

[76] The histories of these organizations are described in Chapter 4 and Appendix 10

in the short run A second alternative would be to fund SBC through BOCCIM Whether a substantial number of donors would find direct funding of business associations attractive under either of these alternatives is problematic A third alternative would be for USAID/Zimbabwe to work with other interested donors to identify or establish a mutually agreeable non-SADC funding channel

ALTERNATIVE SIX Independent Regional Private Sector Organizations

ALTERNATIVE SIX envisions creating a new regional private sector organization within the region Such an organization would have the following characteristics

- The association's core functions would be financially self-sustaining from the start At a minimum, neither USAID nor any other donor would pay for its Executive Secretary His or her compensation would come from private sector sources alone Logistical support (office space, secretarial service, and administrative support of the Executive Secretary's functions) would be provided either by national business associations or directly by the private sector

- The association would not be directly sponsored by SADC, PTA, or any other public sector organization in the region, although it could certainly represent the interests of its members to such organizations and receive funds from them for designated purposes

- Any activities which the association performs for USAID or other donors would be provided at full cost, preferably by means of setting up an independent cost center, so as to permit the organization to remain self-sustaining when donor funding ceases

- The association would be free to designate its country coverage, including some or all of the SADC countries and other countries as its see fit

- The association will be free to limit its membership to those entities or firms which are able to pay for their proportionate share of the core services which it receives

The gist of ALTERNATIVE SIX is that the core functions of the new regional association should be financially independent from the start and should remain so if the new association accepts donor funding of particular activities which it may carry out with grant funding A corollary is that activities conducted with donor funds should be rendered at full cost, through direct cost recovery of appropriate overheads, and/or by other means Neither donors nor governments should assume that the business community will cross-subsidize activities they sponsor however meritorious such activities may be Nor should the association's members assume that its regional business association can carry out donor-sponsored activities as efficiently and cost-effectively as it can render services to themselves

The USAID Mission in the Caribbean started to focus on issues of sustainability fairly late in the process of providing assistance to the Caribbean Association of Industry and Commerce When it did, it discovered to its surprise that most of its funding of administrative costs (costs which it thought would be reduced sharply as CAIC's membership assumed a greater share of the burden) were attributable to the special requirements of its own programs Much of what USAID had thought were "subsidies" of CAIC's regular programs or general overhead turned out to be requirements for accounting and administrative capabilities which A I D itself determined to provide essentially for its own protection The critical mass of accounting and administrative capabilities and sharply higher overheads associated with doing business with donors constitutes a serious hazard for development institutions and business associations, neither of which understand the seriousness of the problem before it hits Just as cost and administrative patterns differ dramatically for donor-funded and conventional business association services, so too do the personnel skills typically required Because of these differences, there is a strong argument for assigning donor-funded services and traditional services to separate units and cost-centers within a business association It can be argued, for the same reasons, that business associations in developing countries ultimately become <u>either</u> specialized conduits for donor support <u>or</u> traditional trade associations

We would anticipate that a regional organization whose central rationale is that of maintaining financial independence in the key services it renders to its members would focus on policy advocacy and that its core functions will receive their principal support from the larger firms in the region It is not clear whether and when the region will be ready for such an organization or indeed for "policy advocacy" as this term has been used in some other contexts As described in Chapter Four, relationships between governments and the business community in the region have tended to be either very close or very distant There has been practically no bridging of an arms-length gap For those businessmen who have grown used to a remote relationship, passing resolutions at regional conferences may seem a bold step forward in "advocating" their interests But bridging existing gaps between government and business in the region requires much more closure indeed

Larger firms in the region may not be ready to take part in the creation of such an organization for a variety of reasons They may believe that their individual relationships with governments are satisfactory They may fear that, in creating a new association, they are identifying themselves with politically unpopular ethnic minorities They may be awaiting the outcomes of unfolding events in South Africa Whatever the case, the experience of CAIC in the Caribbean suggests that a time may come when such firms may be able to take a politically acceptable, socially responsible, and organizationally effective lead

The justification for USAID providing support to new regional private sector business organizations is that fundamental changes in the political and business environments are taking place in the region and that creative responses to these changes should be encouraged SADC and USAID did pioneering work in the initial establishment of SBC They deserve credit for these initiatives, but the need for pioneering continues

USAID/Zimbabwe has had difficulty defining ways to assist in private sector development on a regional basis It has been trying for at least six years to define a larger private sector program, without success The view of the Assessment Team is that this difficulty in large part has reflected the dominance the public sector has exhibited in the region until very recently The ability of USAID to develop a flexible response to private sector initiatives in the field of business organization can directly bolster the processes by which the private sector emerges as an independent and vital force in the region

Support for a range of approaches to regional business organization does not represent the scale of programmatic activity which USAID has sought in the past for its private sector program nor the relatively high ratio of program expenditure to Mission management time But providing flexible support for private sector initiatives provides a means for encouraging the emergence of private sector leadership that can have a significant impact in the real world If USAID/Zimbabwe supports the development of business organizations in a variety of ways within the region and encourages pluralism and flexibility at the national level, it may find, that the key to creating a workable regional private sector program for the region lies very close at hand

Chapter 8

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

A INTRODUCTION

This chapter presents the principal findings, conclusions, and recommendations of the Assessment Team Section B summarizes our main findings Section C sets forth conclusions Section D contains our recommendations

B FINDINGS

The principal findings of this assessment are as follows

1 SBC, the SADC Secretariat, and USAID/Zimbabwe together have made a modest start on establishing a regional business association in Southern Africa The arrangement has fallen well short of its potential, but the sub-grant has established a platform from which more significant efforts can be launched

2 While SBC theoretically represents the entire business community, the organization basically has been oriented toward medium-sized business and toward national business associations in the less developed nations within the Southern African region

3 USAID/Zimbabwe and the SADC Secretariat have been operating at cross-purposes in their oversight of SBC Agreements on fundamentals between the two organizations and with the business community are required for the organization and the project to make significant progress in the future

4 USAID/Zimbabwe was placed at a significant disadvantage by not preparing its own design for the project It accepted the SADC design in 1989-1990 and was constrained by its acceptance thereafter

5 The project has not received sufficient oversight, either from USAID/Zimbabwe or from the SADC Secretariat

6 USAID/Zimbabwe and the SADC Secretariat subjected SBC's work plans to excessive delays and reviews

7 The Executive Director did not receive adequate consulting support USAID/Zimbabwe, in particular, should have perceived the problem and vigorously pursued it to an early solution

8 USAID/Zimbabwe correctly perceived that the project was in trouble in 1991, but did not choose wisely in the means it selected to set the project straight

9 USAID/Zimbabwe did not apply its own standard properly in retroactively judging the performance of the Executive Director at the time his employment was ratified by the SADC Secretariat in early May, 1990

10 USAID/Zimbabwe misread the likely reactions of SBCs governance structure when the Mission combined a challenge to the procedures used to employ the Executive Director with initiatives for disengaging SBC from SADC and with criticism of the Executive Director's work plans By focussing attention on the selection of the Executive Director, it imperilled the attainment of its other objectives

11 It is unlikely that a regional business association in Southern Africa will be fully self-sustaining soon An organization which seeks to serve any but the largest firms and any but the most affluent national business organizations is likely to require outside support for a long time to come

12 Neither the troubles SBC sub-grant has encountered in its early years nor its need for extensive outside support are unusual in the early years of a regional business association project The parties should learn from their past mistakes, renew their resolve, and move forward to establishing better arrangements for the future

C CONCLUSIONS

The principal conclusions of this Assessment are as follows

1 Substantial growth in the influence of national and regional business institutions in Southern Africa in coming decades is virtually inevitable Four major influences are converging to strengthen the position of private enterprise in Southern Africa and lay the groundwork for substantial growth in the number, ambit, and influence of business institutions First, population growth, particularly urban population growth, is proceeding very rapidly in the region as it is throughout Sub-Saharan Africa The numbers of enterprises and persons engaged in business will grow rapidly as these trends assert themselves Second, macroeconomic imperatives and requirements of international financial institutions are placing pressures on governments to reduce the role of government in the economies of the region and to place a higher degree of reliance on business initiative Third, influences from outside and inside the region are laying the groundwork for democratic reforms which can give the business community a larger voice in the formulation of national policy Finally, the technical and conceptual influences which have lent strength to the formation of regional groupings worldwide are starting to assert themselves in the region

Experience elsewhere suggests that where the private sector grows strong, strong business organizations ultimately emerge The emergence of more vital business organizations in Southern Africa is presaged by similar developments elsewhere Business organizations serve as a means of communicating, identifying common problems and making common cause to solve those problems The Assessment Team has been impressed by the speed with which national-level business organizations have grown in just the last five years and believes this growth is destined to continue

2 Development assistance to business organizations can have a significant influence upon emerging patterns of economic activity and of government-business relations in the region if it is rendered with an understanding of the differences between these organizations and most other recipients of foreign aid

Development assistance will not, in our view, change the basic direction of events with respect to the ultimate development of vital business organizations in the region The forces at work have a strength of their own and the ultimate outcome seems virtually inevitable However, development assistance can speed up the process of maturation of these organizations and the extent to which they can exercise a salutary influence in the region during their early stages of development In an environment in which key requisites of leadership, independence, and practical knowledge of how to create value is in short supply, such assistance, wisely applied, can be very important

Simply put, the reason that USAID elsewhere has been drawn into the business of supporting development of regional business organizations is that while the timing is right for their emergence, the private sector resources needed to support them can be scarce indeed As in the case of the support it renders in other areas, USAID is simply getting ahead of the curve by responding with vision to a felt need

The need of the moment is to get the private sector on its feet in the developing world, and Southern Africa represents an important opportunity National and regional business organizations are a key tool in building open societies and market economies As in other regions, donors including USAID, are playing their legitimate and important role in the development of these associations The payoff will be a stronger private sector, better able to articulate its problems and needs and to fight for its needs against entrenched public sector interests

But donors should never forget that many representative business institutions are essentially **born to fight**[77] As they mature, they do not necessarily grow more cooperative or more benign,

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[77] There is a substantial literature on this subject in the fields of American association management and the management of organizations engaged in advocacy U S experience perhaps embodies more contention than that of countries that have emphasized public - private partnership principles to a greater extent than has been the case in the United States Nevertheless, there is an underlying aggressiveness in healthy business associations everywhere which derives from the strength of the separate interests of their members and from their separate ambitions and sources of wealth and power

at least as viewed by the outsiders They contend with governments They struggle among themselves They engage in internal battles And, on occasion, they fight with the very donors that supply them with the development assistance they need to grow As compared with implementing institutions whose purposes and operating styles are essentially designed to fit in with donor culture and expectations, these organizations are very difficult to handle

3 **The divergence of interests between the region's large firms and other elements of the business community in Southern Africa poses a thorny dilemma which donors providing assistance to business associations elsewhere in the world have not really been able to resolve. While final or ultimate solutions to this dilemma do not seem likely to emerge in the near future, the encouragement of a pluralistic business association structure offers the most promise for enabling donors to accomplish their purposes in the Southern African region**

In Southern Africa as elsewhere, the large firms usually are best able to provide a regional business association with the leadership it needs to make an impact on events in the region and with the assistance it needs to become independent of outside assistance For the most part, capable leaders in small and medium-sized firms are deeply engaged in matters pertaining to the growth or survival of their firms, and their orientation is often local or national rather than regional Large firms are more likely to be able to supply experienced board members who have the time, information, connections, and strong motivation to guide a regional association in directions that will provide significant payoffs Board members from these larger firms also are more likely -- particularly if a substantial amount of their firms' money is involved -- to set standards with respect to efficiency, performance, and ambience with which outsiders are comfortable

But providing public subsidies for an association that is seen as essentially controlled by large firms poses serious problems, whether the source of public funds is domestic or foreign From the point of view of many persons within the region, large firms appear to be dominated by ethnic minorities and foreigners -- groups that are seen as being least in need of support from the public coffers These firms are also seen as located primarily in a few countries with economies and business associations that are relatively strong Many people feel small and medium-sized enterprises and struggling business associations in the smaller countries have those needs best meriting assistance with public funds Donors of development assistance frequently mirror the attitudes reflected in such needs-oriented appraisals But since a regional business association which is seen by the large firms to be controlled by small firms, small countries, and "minor league" standards of performance is unlikely to excite the enthusiastic participation of large firms' top executives, everyone faces a dilemma

In the Caribbean, this dilemma was largely -- if not totally -- resolved for a decade when the large firms located in three countries with dominant economies reached out to smaller firms and to countries with less vibrant economies with USAID assistance However, as the threat of communism receded and A I D funding became less abundant, CAIC substantially reduced its involvement with the A I D 's programs of assistance to smaller enterprises located in the

smaller countries of the Eastern Caribbean This development caused at least one rueful observer within A I D to remark that the regional Mission would have been well advised to keep more than one regional business association alive and well in the region

Clearly questions of governance are closely related to which elements of the business community it in fact represents The "one-country, one-vote" structure which the staff of the SADC Secretariat incorporated into SBC's Constitution virtually ensured control by small countries and other than leading firms Ironically, this structure has been one which has tended to reduce participation by the large firms, an important part of the total "enterprise community" which SBC was supposed to represent in accordance with the SADC theory Ironically too, the proposal to permit individual firms to be members of SBC -- the form of apex structure which permits large firms to have a heavy influence within CAIC -- has been proposed for SBC by an Executive Director who has come to represent the "small country, small firm, minor league" constituency in the minds of some observers

In our view, there is no single permanent or ultimate solution to the problem of how to mobilize the capabilities of large firms in larger countries to solve the problems of smaller firms and business associations located in smaller countries -- particularly the problems of the smallest firms located in the countries with the smallest economies CAIC's example suggests, however, that A I D assistance can help accomplish this objective for a reasonable period of time when conditions are right

Over the long term, we believe that more than one regional business association will be required in Southern Africa More than one channel for distributing donor funds to business associations also would be desirable The "monistic" formulation that there must be a single business association for the region tends to promote more than the necessary minimum amount of confrontation over who is to control that single organization and to draw donors into the hand-to-hand combat for control which is almost sure to emerge Zimbabwe provides a national example of loosely configured alliances of business associations which could serve as a model for the region With such loose regional alliances in place, donors could stand somewhat above the fray, giving positive support to those regional organizations whose objectives are compatible with their own at any given point in time

4 USAID/Zimbabwe and the staff of the SADC Secretariat vastly underestimated the amount of time and energy this project would require of them and the amount of support and assistance that SBC's Executive Director would need The notion that these requirements attach to the qualifications or circumstances of a particular Executive Director is fundamentally flawed As a new business association grows into adolescence and adulthood it can present more rather than fewer problems to those who assist it A business association project is a high-risk, high-payoff, management-intensive item in a donor's portfolio, and it should be handled with these characteristics well in mind.

USAID/Zimbabwe and the SADC Secretariat have been very busy -- if not harried -- institutions USAID/Zimbabwe has a limited staff and a double responsibility for national and regional programs SADC has been able to attract substantial funding from donors with its "lean, mean," non-bureaucratic image Its success produced a fat portfolio which overstretched the capabilities of its lean staff At one time or another, each institution's staff has seen SBC as one which would help it solve its problems rather than one which would absorb a substantial amount of its own energies The Mission's notion of the "mature institution," an SBC not requiring a great deal of its attention, is testimony to the continuing appeal of this kind of idea to harried and overloaded staffs But in the real world, support requirements often grow as the strength, experience, and competence of the business association grows

The notion of the "mature institution," one that knows how to deal with A I D , whose Executive Director can and will on his own write work plans that meet A I D standards, and that does not need substantial involvement or assistance from others, evokes the image of the "sycophantic" A I D implementing organization (described in Chapter 4), the "good parastatal" (described in Chapter 7), and what others have called "mini-A I D 's" in Central America It also has the feel of a contractor team headed by an experienced Chief of Party who knows what A I D wants and is strongly motivated to supply a good work product to an important client The image is not that of an institution with a strong sense of its own identity and independence

A strong sense of independence on the part of a business association almost inevitably means <u>more</u> time spent on oversight on A I D 's part because the recipient of A I D funding is less controllable and <u>more</u> A I D funded support because the recipient treats its own objectives as more important than those of A I D -- particularly with respect to those activities which A I D deems important to its own exercise of leadership and authority The Executive Director well may be <u>able</u> to write a work plan satisfactory to A I D without outside assistance, but she may not do so either because she believes she has more important things to do or because she is not anxious to yield any kind of leadership or control at all to A I D In such circumstances, a Mission can end up funding a good deal of outside support to obtain those work products which it wants or needs for those of its purposes which the independent association does not share

The capabilities of an Executive Director are indeed important and his conduct of his position can make a significant difference in project outcomes, including SBC's relationships with donors However, when A I D pushed seriously for SBC independence, it was moving in a direction which would require significant involvement on its own part The idea that independence could greatly enlarge the impact and accomplishments of SBC was sound The idea that "disengagement" in combination with the selection of a new Executive Director would produce "institutional maturity" and in turn would reduce requirements for A I D oversight and consulting support was not

5 The tripartite relationships among USAID/Zimbabwe, the SADC Secretariat, and SBC require the equivalent of a three-member "Super-Board " Even if such a structure cannot be established as a formal governance mechanism, the three parties should

feel themselves bound to the norms of consultation and role-restraint customarily attaching to membership on a Board of Directors

For all practical purposes, the Executive Director reports to three Boards of Directors the SBC's General Council, the SADC Secretariat, and USAID/Zimbabwe USAID and SBC have each criticized the staff of the SADC Secretariat for interfering in SBC's operations and these criticisms seem merited But, in their relationships with SBC and each other, none of the parties has been behaving as if each were a responsible member of a common governance body Driven by their respective imperatives as public institutions, USAID and SADC in particular, have intervened with SBC in ways that responsible members of a Board of Directors should not The proper job of a Board member is participation in the process of establishing organizational policy Areas of oversight may properly be assigned to individual Board Members or groups of Board Members, but none should intervene on matters of high importance without the participation of the entire Board or at least a suitably empowered Board committee Each member owes an obligation of candor to the others and a full and fair opportunity to participate in the making of major decisions

By the same token, each has an obligation to consider impact of favored initiatives on the welfare of the organization as distinguished from the interests of the institution which the Board member represents From this point of view, USAID's essentially unilateral action in intervening to challenge the employment of the Executive Director on the basis of a defect in the selection procedure appears to have been inappropriate Had the Mission felt bound by Board member norms it would have at least presented the basis for its position to its Board Member peers" in SBC and in the SADC Secretariat for their review and commentary For a Board member to move against an association's Executive Director on the basis of a unilateral judgement concerning his performance is a violation of the norms which apply to Beard membership particularly where such action can adversely affect the financial interests of the association Had USAID then concluded that it was compelled to act unilaterally in the exercise of its ultimate responsibility as a donor, at least an attempt achieve consensus among three parties -- deliberating as equals in considering the best interests of the association -- would have been on the record as evidence of good faith Had the matter of SBC's disengagement from SADC and USAID been regarded as a "Super-Board issue," study and discussion of the meaning and merits of "disengagement" probably would have been carried considerably further at the "Board" level before the subject was introduced at the July, 1991 Ad Hoc Meeting of the SBC's Governing Council and thereby placed on the track leading to the rejection of the Mission's position on this issue

By drawing on the analogy of Board member responsibility, a set of behavioral standards could be applied by experienced representatives that would place reasonable limits on means used to resolve differences on matters of policy and personnel which are virtually certain to arise in a governance relationship among strong parties In our view, such higher-order norms of institutional behavior should apply to tripartite relationships involving donor-assisted business associations, whether A I D , the SADC Secretariat, and SBC are involved or not

6 The difficulties encountered by SBC, the SADC Secretariat, and USAID/Zimbabwe in working out their relationships represent the lower end of a normal learning curve

It is very easy for members of an Assessment Team to identify difficulties encountered and lessons learned with the benefit of hindsight concerning this and similar projects in which A I D has been involved around the world But the most profound lesson of all is that the regional business organizations assisted by A I D in the past each has had troubles at the start, and every party to the transaction has made one kind of mistake or another It would have been astounding if this unique three-way arrangement were have had a learning curve without a lower end

The persons responsible for the execution of the SBC sub-grant were looking forward and they could not be prescient concerning outcomes No study, however profound and no staff, however capable can provide 20-20 foresight We hope that this assessment, once assimilated, can help to release the future of this project from some of its bondage to the past, but we cannot provide a blueprint for flawless prospective execution In the end, the problem is essentially one of three institutions, each marching to the beat of a different drummer, finding a way to work together for a time That will not happen easily and no consultant's proscription will avoid the onset of periodic difficulties But we do think that, with the benefit of lessons learned and sufficient energy devoted to a common undertaking, a trilateral relationship can be made to work

D RECOMMENDATIONS

The principal recommendations of the Assessment Team are as follows

1 USAID's focus should be on the strategic issues of how to encourage the emergence of business organizations which will support the development of strong business leadership in the region USAID should enter into high-level discussions with the business community and SADC to resolve outstanding issues and define a framework for future cooperation on private sector development focused on leadership development

2 The Assessment Team prefers one or more of the alternatives that will keep some form of regional association for Southern Africa alive In all probability, this will require the process of renegotiation, redesign, and "rebonding" set forth in ALTERNATIVE FIVE (Continuing the SBC Project with Major Changes) described in Chapter 7

3 The Mission should now undertake an internal review of the eleven principal elements of ALTERNATIVE FIVE and of the "Questions for A I D " listed under that alternative If this review indicates a threshold of interest in moving forward, the

Mission should initiate discussions with other parties concerning this alternative as appropriate Such a process should take place in an atmosphere which encourages frank interchange and the rebuilding of mutual trust If, however, the parties cannot agree on the major changes needed to establish an effective regional association, the USAID sub-grant should be brought to an end in a way that permits SBC reasonable opportunity to pursue alternative sources of funding

4 The Mission should extend a time-limited opportunity to the region's private sector to receive USAID assistance in launching a regional private sector advocacy organization whose core functions and personnel would be paid for by the private sector itself but which USAID and other funders could support programmatically (ALTERNATIVE SIX as described in Chapter 7) Such assistance could be provided via or separate from SBC The Mission's consideration of other alternatives should await the outcome of threshold decisions on ALTERNATIVE FIVE and ALTERNATIVE SIX

5 The Mission should fund SBC through the extended project completion date (now May 31, 1994) and then cease further assistance through the existing grant mechanism If funding is provided by USAID to SBC through some other financing mechanism beyond that date, it should be done only on condition that SBC has already obtained funding from other sources, and has completed a strategic plan which refines and narrows SBC's range of activities

6 USAID, the SADC Secretariat, and SBC's governance structure should ensure that the SBC Secretariat utilizes the services of a long-term technical advisor for the remaining period of USAID assistance A I D should ensure that the Mission's Project Manager has sufficient time available to devote to the demanding responsibilities of a project of this kind

7 USAID should encourage SBC to now concentrate its efforts on

- Securing donor funding in addition to USAID to sustain it after the current project completion date,

- Encouraging a high-level dialogue between USAID, SBC and SADC to resolve outstanding strategic and programmatic issues and to determine whether a basis exists for continued USAID assistance after the end of the current project,

- Carefully reviewing the major issues which have been the source of the contention between themselves and their various constituencies and revising or restructuring SBC or reconstituting a new regional business organization, as warranted

- Concentrate on carrying out a few activities extremely well, probably including affiliate development, arranging meetings and cross-border trips for businessmen

8 SBC should resist the temptation to undertake activities which do not relate to the four areas listed in Recommendation 7 until its future funding is adequately assured

9 USAID/Zimbabwe should restore reimbursement of the salary of the Executive Director retroactively and through August 31, 1993

APPENDIX 1

ACRONYMS

ACCODA	European Parliamentary Foundation with office in Johannesburg
ACCPAC	An accounting package utilized by SRBC
AMCHAM	American Chamber of Business in South Africa
ASEAN	The Association of Southeast Asian Nations -- Brunei Darussalsalam, Indonesia, Malaysia, Philippines, Singapore, and Thailand
Beira Corridor(s)	Two transportation routes from Mozambique's second port to land landlocked countries of Zimbabwe, Zambia and (theoretically) Zaire One corridor runs northwest from Beira to Harare (Zimbabwe), Lusaka (Zambia) and Labumbashi (Zaire) The other runs north to Blantyre (Malawi) and Llongwe (Malawi)
BOLSEN	Bolsa Centroamericana de Valores (Association of Central American Stock Exchanges)
BOCCIM	Botswana Confederation of Commerce, Industry, and Manpower Acts as Botswana National Business Council
C/CAA	Caribbean/Central American Action, an organization in Washington, DC
CARICOM	Caribbean Common Market
CARIFTA	Caribbean Free Trade Area
CAIC	Caribbean Association of Industry and Commerce
CDB	Caribbean Development Bank
CALA	Canadian Association for Latin America and the Caribbean
CIPE	Center for International Private Enterprise, associated with the U S Chamber of Commerce
CFU	Commercial Farmers Union (large farmers) in Zimbabwe did not join SNBC

CZI	Confederation of Zimbabwe Industries National Manufacturers' Association
ECODEF	Eastern Caribbean Organization of Development Foundations
EEC	European Economic Community
EES	Export Enterprise Support Project
EOPS	End of Project Status
ESKOM	South African parastatal handling rural electrification
FABROS	Foundation for African Business and Consumer Services, South African organization mainly serving black small businesses and informal sector (street vendors, hairdressers, etc)
FCCIA	Federation of Chambers of Commerce, Industry, and Agriculture, (an apex organization?) composed of business organizations in the eight states of the Preferential Trade Area (see PTA)
FEDEPRICAP	Federation of Private Entities for Central America and Panama
FNF	Frederick Neibeur Foundation, German funder of business organization connected with German political party
Gabarone	Capital of Botswana
IESC	International Executive Service Corps, a non-profit organization providing A I D - financed technical assistance in developing countries through experienced volunteers
IMANI Development	Consulting firm in Zimbabwe
LBII	Louis Berger International, Inc , the firm carrying out the assessment of A I D assistance to SRBC
LDC	Lesser Developed Countries
Maputo	Capital of Mozambique Also the country's main port It has not served landlocked countries in recent years because of activities of a rebel group which has controlled much of the countryside

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MDC	More Developed Countries (in Caribbean)
MTCT	Ministry of Trade and Commerce of Tanzania
NAFCOC	National African Federated Chamber of Commerce, provides training in business skills for black business persons in South Africa
NBC	National Business Council, same as SNBC
NIS	New Independent States (formerly within the Soviet Union)
OECS	Organization of Eastern Caribbean States
PACD	Project Activity Completion Date
PID	Project Identification Document
PSIAP	Private Sector Assistance Project, which funded the core component of assistance to the Caribbean Association of Industry and Commerce from 1981 through 1987 Subsequently merged into the SEA Project
PTA	Preferential Trade Area for Eastern and Southern Africa, headquartered in Zambia PTA has 21 member states Only one member of SADC, Botswana, is not a member of PTA An important focus of PTA on monetary arrangements which facilitate regional trade among its members, utilizing their national currencies
PVO	Private Voluntary Organization
RDO/C	Regional Development Office/Caribbean (USAID regional Mission)
REDSO	Regional Development Support Office/ East Africa, located in Nairobi, Kenya
SACOB	South African Chamber of Business, Mainline Business Organization
SAFER	The Southern African Foundation for Economic Research

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SADC	In August, 1992 a treaty creating the Southern African Development Community (SADC) was signed by the SADCC states When ratified by seven states, SADC will become successor to SADCC
SADCC	Southern African Development Coordination Conference, Founded in Botswana in 1979 The Secretariat is now located in Botswana Members are Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia, Zimbabwe Purpose of organization to reduce dependence on South Africa in transportation and communications, trade, energy industry agriculture, and other fields
SACU	Southern Africa Customs Union
SARP	The Southern African Regional Program of USAID/Zimbabwe
SBC	SADCC Business Council, formerly the SADCC Regional Business Council
SEA	The Small Enterprise Assistance Project funded assistance to small enterprises in the Eastern Caribbean through CAIC and then became the parent project into which the PSIAP project was merger
SITCD	SADCC Industry and Trade Coordinating Division in Tanzania
SME	Small and Medium Enterprise
SNBC	SADCC National Business Council, same as NBC
SRBC	SADCC Regional Business Council
TCCIA	Tanzania Chamber of Commerce, Industry and Agriculture Serves as Tanzania's SNBC
USAID/Zimbabwe	The country Mission of the U S Agency for International Development in Zimbabwe
VITA	Volunteers in Technical Assistance, a non-profit organization providing A I D - financed technical assistance in developing countries
WID	Women in Development
ZNCC	Zimbabwe National Chamber of Commerce

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APPENDIX 2

THE ASSESSMENT TEAM

The Assessment Team consisted of Harvey A Lerner, James S (Jason) Brown, and Barbara F Phillips

Mr Lerner is Director of Private Sector studies for Louis Berger International, Inc He has led evaluations of more than twenty-five A I D projects, including three evaluations of A I D assistance to the Caribbean Association of Industry and Commerce He headed a Berger team which designed the Malawi Enterprise Development (MED) project and participated in a review of recent Mission review of the transportation sector in Tanzania He performed an assessment of private sector involvement in fertilizer distribution and marketing systems in Kenya and a study of potentials for fertilizer manufacture in Burundi Earlier, he headed several studies of satellite and terrestrial communications systems for African countries south of the Sahara Mr Lerner holds degrees from Wesleyan University, Harvard Law School, and Georgetown Law Center He also has done graduate work International Economics at Georgetown University and in Business Policy and Labor Relations at Harvard Business School He was Vice President of Economic Consulting for Checchi and Company and Regional Director of Litigation Support for Coopers and Librand He also served in planning agencies in the Executive Office of the President of the United States and practiced law in Worcester, Massachusetts

Mr Brown served as Project Officer for A I D 's assistance to the Caribbean Association of Industry and Commerce He participated in the design of an A I D agribusiness development project in Indonesia which placed heavy emphasis on business and trade association development He served as Chief of Party for a World Bank-financed Berger project providing assistance to the Export Support Board in Indonesia He also headed a Berger study concerned with regional industrial development in the Philippines His most recent assignment has been an evaluation of a project in Malawi carried out by the International Executive Service Corps Mr Brown was Vice-President of the Chamber of Commerce in Alexandria, Virginia He has served on several Board for the U S Chamber of Commerce and developed a model for the provision of assistance by the U S Chamber to its constituent local chambers For a ten-year period, Mr Brown was President and General Manager of COMP-TROL, Inc (a management consulting and accounting firm) and of James S Brown, Inc (an export marketing and consulting firm) Mr Brown holds a Masters' Degree in Development Economics from the University of Virginia and carried out doctoral studies in Business and Finance at the Union Graduate School

Barbara Phillips is a Berger management specialist who has participated in Berger evaluations of A I D regional trade and investment initiatives, export-oriented assistance provided by the International Executive Service Corps, and A I D assistance to the Caribbean Association of Industry and Commerce She has done graduate work toward an MPA degree at the George Washington University She has also owned and operated her own business providing advice to public agencies and private enterprises

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APPENDIX 3

USAID

ISSUES FOR CONSIDERATION BY THE ASSESSMENT TEAM

1 Comparison of goals, objectives, activities of SRBC that were expected from the point of view of USAID/Zimbabwe, the SADCC Secretariat, the SRBC staff, and the business community For example, the relative importance of building up the constituent SNBCs, policy dialogue with government organs, and providing information services

2 Guidance given by the SADCC Secretariat and USAID to SRBC to accompany first grant of the $386,000 to SRBC from USAID Zimbabwe

3 Guidance given by SADCC/Secretariat and USAID to accompany the second grant of $1,900,000, examining the level of effort devoted to drawing up the grant document, especially selection of activities and the budget

4 The process and results of the formation of the national business councils (e g , new organizations, consortium of all national business groups, etc from the perspective of the SADCC member business communities and governments Examine guidance given by SRBC, informal and formal

5 SRBC's cognisance and incorporation into action of the findings of the SRBC assessments of 1989 and 1991

6 Recruitment and terms of service of the Executive Director, Trade and Investment Advisor, and Industrial Economist

7 The payment of fees by member SNBCs

8 SADCC/S and USAID Zimbabwe oversight of the grant

9 SRBC's response to oversight, e g , response to USAID/Zimbabwe letter or 18 August 1991, giving detailed critique and guidance for the work plan and strategic plan

10 The respective relationships and responsibilities of the sector coordinating units and the SRBC, especially SITCD, but also the agriculture, fisheries, mining, and transport units

11 Relationships and communication between the Advisory Council, the Board, and the Secretariat of SRBC

12 Relationships and communication between the SRBC Secretariat and the member SNBC's

APPENDIX 4

LIST OF PERSONS CONTACTED

BOTSWANA

Millard W Arnold
Policy Analyst
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Botswana Confederation of Commerce Industry & Manpower

E M Dewah
Deputy Director
Botswana Confederation of Commerce Industry & Manpower

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S O Hara
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C J G Hove
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K G Kgoroba
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David H Mandel
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United States Agency for International Development

E Maphanyane
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Southern African Development Community

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M M Mothoagae
Director
Hotel and Tourism Association of Botswana

E A Mwila
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Special Adviser
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Ishmael Nshaka
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MALAWI

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Marketing Manager - Africa
Omnia Fertilizer Limited

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Mary Nyandovi-Kerr
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Mark K Phiri
Managing Director
Candlex Limited

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Associated Chambers of Commerce & Industry of Malawi

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Harry I Thompson
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NAMIBIA

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REPUBLIC OF SOUTH AFRICA

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South African Chamber of Business (SACOB)

Dr Morley Z Nkosi
Director General
National African Federated Chamber of Commerce & Industry (NAFCOC)

Wolfgang H Thomas
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Small Business Development Corporation

Mike Visser
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E C Mzena
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Associated Enterprises Limited

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John Hudson
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Val Mahan
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KLEC Investment Ltd

Hon A Mkandawire, M P
Chairman
Vipya Investment Limited

Francis S Mphepo
Chairman and Chief Executive
Computer Systems Zambia Limited

Charles L Mutemwa
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Slainte Investments Ltd

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Manager, Trade Information Services
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K P Ranchhod
Managing Director
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Raymond G Jubitz
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Joseph A Zulu
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ROCAP, Guatemala

APPENDIX 5

LIST OF ASSESSMENT TEAM'S INITIAL HYPOTHESES/PREMISES

The hypotheses/premises with which the Assessment Team started with project in August, 1992 were presented to the Mission as follows

1 That the principal objective of our assignment is to inform future Mission decisions History is pertinent and important to the extent that it throws light on such decisions, but the focus of our effort is to be prospective rather than retrospective

2 That the willingness of business firms to commit money and the time of key personnel to business association activities is an important indicator of project success

3 That a business association can have the capacity to substantially influence constructive changes in public policy

4 That conflict between USAID Missions and the business associations which they support is not unusual, and can be salutary in cases where the business association's view have widespread support in the business community

5 That any effective program of assistance to a regional business association in the SADCC region will require a substantial commitment of Mission staff time and funded for an extended period

6 That the USAID has an option to follow a "bottom-up" (build national associations first) strategy similar to that used in Central America

7 That it is highly beneficial for persons providing oversight and technical support to a business association project to be located in the city in which the business association is headquartered

8 That the involvement of larger firms in a regional business association project supported by USAID is an important key to its success where such firms bring their resources and transnational orientations constructively to bear on regional problems and opportunities

9 That an USAID regional business association project can and probably should serve the larger needs of the regional business community, including in some fashion large, medium, small, and micro-scale enterprises and businesses owned by ethnic minorities

10 That, under new societal arrangements in South Africa, the business communities of South Africa ultimately may provide very substantial leadership contributions to a regional business association in Southern Africa

11 That, if USAID chooses to substantially reduce or terminate its current assistance, such steps should be carried out in a way that preserves its relationships with the business community in tact

12 That a central question facing the Zimbabwe Mission is whether, given present uncertainties and prospective resource limitations, it wishes to commit itself to expend the energy and money needed to make a business association project of any kind in the region a success

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APPENDIX 6

JULY-AUGUST 1990 GRANT AGREEMENT AMENDMENT

The July-August, 1990 Grant Agreement Amendment consisted of a covering letter-agreement and signature page, the Grant Agreement Amendment (Attachment A), Payment Provisions (Attachment B), and the Budget (Attachment C) The covering letter was dated July 24, 1990 and was signed by Mission Director Herrick on that date It was signed by Dr Makoni, the Executive Secretary of SADC on August 29, 1990

The provisions concerning annual work plan review and concurrence are contained in Paragraph D of the Payment Provisions The entire agreement including the attachments follow

4B

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

SOUTHERN AFRICA REGIONAL PROGRAM

1 PASCOE AVENUE
P O BOX 3340
HARARE
ZIMBABWE
PHONES 722418/793351

July 24, 1990

Dr. S.H.S. Makoni
Executive Director
Southern Africa Development
Coordination Conference
Private Bag 0095
Gaborone, Botswana

Subject. SADCC Technical Support Grant (No. 690-0215.33) - Grant to the SADCC Secretariat

Dear Dr. Makoni:

1. The subject Grant Agreement between the SADCC Secretariat (hereinafter referred to as the Secretariat or Grantee) and the Government of the United States of America, acting through the Agency for International Development (hereinafter referred to as AID), was executed and became effective on July 30, 1987. I have the honor to refer to the letters from the Secretariat to AID dated June 9, 1989, September 29, 1989 and March 27, 1990 requesting additional assistance under the subject Grant for (a) support to the Secretariat for a series of approximately twelve studies and corresponding workshops, seminars and conferences and (b) support for institutional strengthening, studies and training conducted under the auspices of the SADCC Regional Business Council (SRBC).

2. I am pleased to inform you that, pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, AID hereby amends the subject Grant to the Secretariat to obligate the additional sum of three million United States Dollars (US$3,000,000) to be used to support the Secretariat and the SRBC as more fully described below and in Attachment A. This Amendment replaces in its entirety the text, including the cover letter and Attachments, of the subject Grant Agreement and brings the total level of AID funding under the Grant to US$3,750,000.

3. The Grant is applicable to commitments made by the Grantee in furtherance of the program objectives during the period beginning July 30, 1987 and ending August 31, 1993. Funds disbursed by AID but not committed by the Grantee or SRBC, as appropriate, at the expiration of this period shall be refunded to AID.

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4. This Grant is made to the Grantee on condition that the funds will be administered in accordance with the terms and conditions as set forth in this letter, Attachment A (Description and Implementation Plan), Attachment B (Payment Provisions), Attachment C (Budget), and Attachment D (Standard Provisions), all of which have been agreed to by your organization.

5. The Parties hereto agree that of the US$3,000,000 in additional funds provided under this Amendment, $1,060,000 shall be disbursed by AID to the Secretariat to be used by the Secretariat to finance agreed upon studies and corresponding workshops, seminars and conferences as provided for in Attachment A and $1,900,000 shall be disbursed by AID, upon request by the Secretariat, directly to a separate bank account of the Regional Business Council to be used by the Council for the purposes also set forth in Attachment A. Except as otherwise provided herein or in writing by AID, all written communications pertaining to grant funds disbursed directly to the SRBC, including grant implementation and reporting correspondence, shall be made directly between AID and the SRBC. A copy of all such written communications shall be provided to the Secretariat. Written reports on the expenditure and utilization of AID funds by the SRBC shall be submitted by the SRBC to AID through the Secretariat.

6. The Parties further agree that the Secretariat shall be responsible for accounting for all funds provided to it under the Grant for the financing of studies and corresponding conferences, workshops and seminars and that, subject to paragraph 5 above, the SRBC shall be responsible for accounting for all grant funds disbursed directly to it by AID. It is understood that financing records, including documentation to support entries on accounting records and to substantiate charges within this Grant, shall be maintained in accordance with the Grantee's or the SRBC's as appropriate, usual accounting procedures, which shall follow generally accepted accounting practices. All such financial records shall be maintained for at least 3 years after final disbursement of funds under this Grant. It is further understood, in accordance with the financial regulations and rules of the Secretariat or SRBC, as appropriate, that the funds provided under this Grant will be credited to a separate Secretariat or SRBC account, as appropriate, established for purposes set forth in Attachment A. Funds will be maintained in these accounts until disbursement for the purposes as described in Attachment A.

7. The Grantee confirms that the programs and activities funded by this Grant will be covered by the Grantee's usual audit procedures and that the Grantee will furnish to AID copies of all relevant audit reports along with such other related information as may be requested by AID with respect to questions arising from such audit reports. The Grantee agrees that, if AID so requests, funds disbursed directly to the SRBC under the Grant will be subjected to two independent external audits during the life of the Grant.

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8. It is understood that the funds granted hereunder shall be disbursed by AID on an "as needed" advance basis in accordance with the procedures set forth in Attachment B to this letter entitled Payment Provisions. The Secretariat on its own behalf and on behalf of the SRBC shall make requests for disbursement of funds it is responsible for administering under the Grant. All requests for initial and subsequent disbursements shall be made in writing to the Controller, USAID/Zimbabwe, C/O USAID/SADCC Liaison Officer, P.O. Box 2427, Gaborone, Botswana.

9. The parties agree that this Grant and the activities financed herewith shall be managed by the Grantee or SRBC, as appropriate, in accordance with their established policies and procedures. The proposed budget for this Grant is provided in Attachment C to this letter entitled Budget.

10. If the use of the funds results in the accrual of interest to the Grantee or the SRBC or to any other person or entity to whom the Grantee or the SRBC makes such funds available in carrying out the purposes of this Grant, the Grantee shall refund to AID any amount of interest so earned.

11. The Grantee on its own behalf and on behalf of the SRBC, as appropriate, shall prepare and submit to AID the required financial and technical reports in accordance with the schedule set forth in Attachments A and B.

12. This Agreement, in whole or in part, may be terminated by either party at any time upon 30 days written notice. This Agreement may be revised only by the written mutual consent of the parties hereto.

13. The AID office responsible for monitoring this Grant is the Southern Africa Regional Program Office, USAID/Zimbabwe, P.O. Box 6988, Harare, Zimbabwe. The SADCC Liaison Officer based in Gaborone, Botswana, however, will be the AID official responsible for implementation of the Grant including responsibility for administrative approval of financial vouchers.

14. Please indicate your acceptance of this Grant Agreement Amendment by signing the original and three copies of this letter in the space provided below and returning the original and one copy to the undersigned. Two copies may be retained in your files.

THE UNITED STATES OF AMERICA

BY: Allison B Herrick

Allison B. Herrick
Director, USAID/Zimbabwe and
Southern Africa Regional Program

DATE: 24 July 1990

ACCEPTED:

SOUTHERN AFRICA DEVELOPMENT COORDINATION CONFERENCE

BY: S.H.S. Makoni

S.H.S. Makoni
Executive Secretary

DATE: 29 08 90

Attachments:
A. Description and Implementation Plan
B. Payment Provisions
C. Budget
D. Standard Provisions

DESCRIPTION AND IMPLEMENTATION PLAN

A. BACKGROUND

The SADCC Technical Support Project (690-0215) was approved and authorized by AID on June 1, 1984 for an amount of US$4,300,000. The initial Project Assistance Completion Date was May 31, 1988. The Project initially provided assistance through separate Grant Agreements to the SADCC Sector Coordination Units responsible for Fisheries Development (Malawi) and Manpower Development (Swaziland), and to the SADCC Secretariat.

Under the subject project component, AID and the SADCC Secretariat entered into a Grant Agreement dated July 30, 1987. The purpose of the Grant to the SADCC Secretariat, initially funded at US$750,000, was to support its objective to plan for a program to increase the production of goods and services in the region, particularly export products. Accordingly, the Grant was to finance a series of studies on export pre-finance revolving funds, investment codes of member States, a macro-economic survey and a computerized data/information network. To allow more time to achieve grant objectives, the Grant expiration date was extended from May 31, 1988 to May 31, 1989, and then again from May 31, 1989 to May 31, 1990

By letter dated November 30, 1989, USAID/Zimbabwe concurred with a request from the SADCC Secretariat to reprogram most of the remaining US$386,000 balance of Grant funds to support the establishment of a Secretariat for the SADCC Regional Business Council (SRBC) in Gaborone.

Since that time, the Secretariat and AID have engaged in continuing dialogue and have determined that further AID assistance should be provided as described herein.

B. PROJECT DESCRIPTION

1 Purpose

The purpose of the Grant, as hereby amended, is to provide (a) support to the SADCC Secretariat for a series of twelve studies and corresponding seminars, workshops and conferences and (b) funding for institutional strengthening, studies, training and limited operational support to the SRBC. The activities to be carried out under the Grant will be in support of the SADCC productive sectors.

(3) Mac ⁀ Economic Policy

Various SADCC member States have followed a wide diversity of macro-economic policies. This study would be an initial think piece to examine these varying macro economic policies, and assess the difficulties in and potential for coordination of future policies. The study would also help form the basis of a follow-up plan of action.

(4) Investment Finance Study

This study would identify creative ways to accommodate and promote investment in, and exports within and from the SADCC region, and would deal with such topics as export credit facilities, export pre-financing revolving funds, capital markets, credit allocation and venture capital.

(5) Non-Economic Barriers to Economic Development

This study would address the classic non-financial constraints to development such as institutional capacity, human resources and skills, entrepreneurship, trade barriers and general government regulations and procedures.

(6) Industry and Trade Export Promotion

This study would be the basis for the development of the SADCC strategy for export promotion in the context of the SADCC Industry and Trade sector.

b Future Studies

In addition to these six specific studies presently identified, the SADCC Secretariat would develop and conduct during the life of the Grant, six additional studies addressing issues of current interest to SADCC. These studies would address a wide range of issues which might include matters involving Namibia, future regional economic relations including those with a democratic Republic of South Africa, marketing of SADCC products, tourism and mining.

c. Corresponding Seminars, Conferences or Workshops for Identified and Future Studies

To ensure that the studies funded under the Grant have maximum impact, funds have been provided for a corresponding series of seminars, workshops, conferences or other similar activities which will address and develop implementation mechanisms for the recommendations arising from each of the studies.

2. Support t SADCC Regional Business Cc cil

The proposed support to the SRBC will consist of funding for institutional strengthening, studies, training and very limited operational support and will assist that institution to become fully functional.

a. Studies

(1) Investment Studies

These studies would provide the SRBC with information which would support the feasibility of identified bankable projects in the SADCC region. These studies also would identify practical business level constraints which inhibit the free flow of goods and services within and among SADCC member states as well as their movement into and out of the region. SRBC annual reports going out to its client business organizations would be greatly strengthened by this addition.

(2) Supply/Demand Surveys

These surveys would develop a realistic profile of SADCC region supply/demand potential. Market and product studies will facilitate and enhance intra SADCC and external export trade.

b Training and Information Dissemination

(1) Buyer/Seller Meetings

Specialized buyer/seller meetings with proper follow-up would help significantly increase trade within the region and external exports Many regional businessmen are not sufficiently informed of SADCC or external markets or sources of supply

(2) SADCC National Business Councils (SNBC) Trade Promotion Officer Seminar

Purpose To train trade promotion officers in SADCC National Business Councils in data base development, management and dissemination of information.

(3) SNBC CEO Workshop

This workshop would make Chief Executives in SNBCs more conversant with SADCC initiatives related to the business community, e.g. EPRF, ECF and cross border investments. (This will require active involvement, as these offices have to advise their own businessmen on SADCC capacity and constraints).

to between the Secretariat and USAID financial and implementation status reports. The format for these status reports will be recommended by AID in an implementation letter. The Secretariat and the SRBC will also submit to the SADCC Liaison Officer on an annual basis copies of audit reports prepared in accordance with their established financial regulations.

b. The parties agree that AID will, after appropriate consultation with SADCC conduct an external evaluation of the activities funded under the Grant. The evaluation will be paid for from funds provided under this Grant.

4. Special Provisions

a. Eligible Costs

The Grant may be used to finance foreign exchange costs and local currency costs of goods and services required for the Project. (See Budget, Attachment C).

b. Grantee Resources for the Project

(1) The Secretariat agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project in a timely manner. The Grantee will provide general support including office space, supplies and secretarial services to the study teams while they are working at SADCC headquarters.

(2) The resources provided by the Grantee will not be less than the equivalent of US$144,000, including resources provided on an "in-kind" basis.

c. Financial Management

The Secretariat shall ensure that the SRBC will maintain during the term of the Grant adequate financial and management practices, procedures and personnel to adequately administer and account for grant funds provided to the SRBC. To accomplish this end, the SRBC will, in addition to its own staff, require the services of an accredited accounting/management firm during the first year of the grant. At a minimum, the following assistance will be required from the firm five hours per month for a period of six months followed by inspections of the system at three month intervals for the next six months, thereafter, normal semi annual and annual audits.

It is further understood that the SRBC will, within ninety days following grant execution, employ a full time financial accountant and a full time administrative assistant. Fulfilling this staffing requirement is a condition precedent to disbursement to the SRBC of funds subsequent to the first quarterly advance.

ATTACHMENT B
PAYMENT PROVISIONS

A. Periodic advances shall be maintained in a separate bank account and not co-mingled with other funds. Periodic advances shall be limited to the minimum amounts needed to meet current disbursement needs and shall be scheduled so that the funds are available to the Grantee or SRBC, as appropriate, as close as is administratively feasible to the actual disbursements by the Grantee or SRBC, respectively, for program costs. Cash advances made by the Grantee for secondary recipient organizations or the Grantee's field organizations shall conform substantially to the same standards of timing and amount as apply to cash advances by A.I.D. to the Grantee.

B. The Grantee on its behalf and on behalf of the SRBC, as appropriate, shall submit requests for advances as required, but not less than quarterly, to the Controller, USAID/Zimbabwe, C/O USAID/SADCC Liaison Officer, P.O. Box 2427, Gaborone, Botswana. Requests for advances shall state the following

(1) cumulative advance to date;

(2) cumulative expenditures to date,

(3) balance on hand,

(4) projected expenditures for the next quarter and

(5) advance amount being requested

At the expiration of the Grant, the Grantee and the SRBC, as appropriate, will submit to the Controller, USAID Zimbabwe within 90 days, a report showing total disbursements, total advances received and any cash remaining on hand, which will be refunded to A.I.D.

C. If at any time the A.I.D. Controller determines that the Grantee or SRBC, as appropriate, has demonstrated an unwillingness or inability to

(1) establish procedures that will minimize the time elapsing between cash advances and the disbursements thereof

(2) report cash disbursements and balances as required by the terms of the grant in a timely manner or

(3) impose the same standards to timing advances and reporting on any subrecipient or any of the Grantee's field organizations

The A.I.D. Controller shall advise the Director, USAID/Zimbabwe, who may suspend or revoke the advance payment procedure.

project pi psals from the SADCC busi s community will be presented annually to a group of potential regional investors.

e. Operational Support

(1) Rental of Office Space

To supply appropriate facilities for the envisaged increase in staffing levels.

(2) Secretarial Support

(3) Financial Management

D. IMPLEMENTATION

1. The Grantee

The SADCC Secretariat will develop and submit to the USAID/SADCC Liaison Officer stationed in Gaborone, for his review and concurrence, copies of the terms of reference and/or scopes of work for the twelve SADCC studies and corresponding workshops, conferences or seminars to be financed under the Grant. The SRBC will develop and submit to the same officer terms of reference or scopes of work for the long term staff positions and the major SRBC studies, workshops, seminars, tours or other activities to be financed under the Grant. The Secretariat or the SRBC, as appropriate, shall submit to the USAID/SADCC Liaison Officer copies of all studies financed under the Grant. The day to day operation of the activities carried out under the Grant will be conducted by the SADCC Secretariat or the SRBC, as appropriate, which will be fully responsible for achieving the end of project goals

2. AID

USAID/Zimbabwe will be responsible for oversight of the Grant on behalf of AID. The SADCC/USAID Liaison Officer will be the responsible AID project officer for implementation of the Grant, including responsibility for the administrative approval of financial vouchers. In addition to general implementation support, USAID/Zimbabwe is responsible for financial management of the Grant on behalf of AID, including the advancing and disbursing of funds.

3. Reporting and Evaluation

a. The Secretariat, on its own behalf and on behalf of the SRBC, will submit to the USAID/SADCC Liaison Officer on a quarterly basis, or as otherwise agreed

d. Annual Work Plan

The SRBC will submit, through the SADCC Secretariat, an annual work plan to AID for its review and concurrence. The work plan shall set forth the SRBC program of action to be financed with grant funds during the following year. The SRBC will submit, through the SADCC Secretariat, a program of action for the first year of grant implementation within 90 days after grant execution, except as may be otherwise agreed in writing between AID and the Secretariat.

e. Sustainability and Recurrent Costs

The Secretariat shall exercise its best efforts to secure for itself and the SRBC other sources of funding. To ensure the sustainability of the activities initiated by the SRBC under the Grant, the Secretariat, in conjunction with the SRBC, will develop within 18 months prior to grant termination an actionable plan for financing recurrent costs of the SRBC after the expiration of the Grant.

f. Authorized Geographic Code for Procurement

(1) The source and origin of commodities and nationality of services (except ocean shipping) financed under the Grant with funds from the 1989 or prior fiscal years Southern Africa Regional Program (SARP) account shall be the countries included in AID Geographic Code 941 or the United States with respect to foreign exchange costs, and SADCC member states included in Code 935 with respect to local currency costs, except as AID may otherwise agree in writing. The source and origin of commodities and nationality of services (except ocean shipping) financed under the Grant with funds earmarked for SADCC from the 1990 and future fiscal years' Development Fund for Africa (DFA) account shall be the countries included in AID Geographic Code 935 or the United States with respect to foreign exchange costs and SADCC member states included in Code 935 with respect to local currency costs. Ocean shipping financed by AID under the Project shall, except as AID may otherwise agree in writing, be financed only on flag vessels of the countries included in AID Geographic Code 935 or the United States.

(2) Air Transportation

Where applicable, transportation by air, financed under the Grant, of property or persons, will be on carriers holding United States certification to the extent service by such carriers is available.

ATTACHEMNT C

BUDGET

Additional AID Contribution
$ US 000

A. Studies to be conducted by SADCC Secretariat.	
Six identified studies	500
Corresponding workshops/seminars/conferences	100
Other future studies	360
Corresponding workshops/seminars/conferences	100
SADCC Secretariat Sub total	1060
B. Support to SADCC Regional Business Council	
Studies	300
Training and Information Dissemination	470
Technical Assistance	
Long term	690
Short term consultants	240
Investment and Trade Promotion Activities	75
Operational Support	80
Contingencies	45
SRBC Sub total	1900
Evaluation and audits	40
TOTAL	3000

A detailed line budget will be included in Implementation Letter No. 1.

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APPENDIX 7

PRIVATE SECTOR PROJECTS IN THE SADC REGION

Angola

Angola has no private sector projects

Botswana

The Botswana Enterprise Development Project (BPED) is the Mission's principal private sector undertaking BPED aims to increase the number of private Botswana-owned enterprises in non-mineral sectors of the economy and to increase new jobs in these sectors These objectives are to be achieved by improving the policy environment, upgrading managerial and entrepreneurial skills, and promoting new investment The project is being implemented by the Botswana Confederation of Commerce, Industry, and Manpower (BOCCIM), the Ministry of Commerce (MCI) and the Botswana Development Corporation The project seeks to strengthen BOCCIM's role in the policy-making process, provide a long-term advisor to MCI's Department of Industrial Affairs, and help to restructure the MCI's Trade and Investment Promotion Agency It has a major training component in which the Peace Corps will assist Investment promotion will finance trips to and from the United States, The project assigns advisors to the Botswana Development Corporation to identify potential investors The project also will facilitate access to credit finance study tours

Lesotho

Lesotho has no private sector program as such, but three ongoing projects in Human Resources Development, Agricultural Policy, and National Resources Policy contain elements that support the private sector The Human Resources Development Project provides a grant to the Lesotho Chamber of Commerce and Industry (LCCI) for staff support and training activities. The grant was intended to support an Executive Director for LCCI The Chamber has had four such A I D - funded Executive Directors, but each has left and there is none in place at present LCCI also has been used as an "umbrella organization" for private sector training in the areas of trade and investment (funding trips by businessmen to conferences in Arusha and Gaborone), small business (utilizing trainers from the National University), accounting (tuition grants), women in business, rural businessmen, labor union skill training

A National Resource Policy project is endeavoring to open up livestock marketing to the private sector It seeks to make herders' associations more self-sufficient, and to persuade livestock herders become more responsible for range conditions by contributing to range maintenance and rehabilitation

The Lesotho Agricultural Policy Support (LAPS) Program has been concerned with getting a parastatal out of the agricultural input supply business and getting the private sector

into this business In 1991, the Mission commissioned a study of ways in which it might assist the agribusiness development in Lesotho, but it has not yet selected any of these areas for concentration

Malawi

The Malawi Enterprise Development (MED) Program seeks to support policy reform favoring the expansion of the private sector in Malawi The project is tied into a World Bank Industrial Sector loan which is in turn part of Malawi's structural adjustment program Most of MED's resources are devoted to non-project assistance A relatively small project component seeks to support the revitalization of existing businesses and the creation of new enterprises, through technical assistance to small and medium-sized, modern sector businesses in Malawi in the private commercial and industrial sector, through technical assistance, studies, and training This component includes a grant to the International Executive Service Corps, short term technical assistance to SME institutions, long term technical assistance for the establishment of a unit trust, and other smaller activities This project has not provided assistance to business associations

The Human Resources and Institutional Develop (HRID) project, carried out by the Academy for International Development has been focussed principally on training and small business In the past, it has worked with the Associated Chambers of Commerce and Industry of Malawi in sponsoring a tour group visit to the United States and provided training for two persons on the Chamber staff It also has provided a computer and copying equipment At the time of the visit of the Assessment Team's field visit, assistance in developing a Master Plan for the Chamber was under consideration

Mozambique

The Mozambique Private Sector Rehabilitation Project seeks to rehabilitate Mozambique's private sector by increasing the availability of agricultural inputs and by improving public and private sector management skills Business associations, which are being strengthened through management assistance, are used as conduits for training Government officials receive technical assistance and training to plan and implement rehabilitation activities The project supplies farmers with agricultural equipment and inputs The projects seeks to involve the private sector in marketing of maize and to involve private sector truckers in food distribution

Namibia

No Private Sector Programs

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Swaziland

The Swaziland Business Development Project focusses on development of small businesses, providing assistance in the fields of credit, developing linkages between small and large firms, and strengthening business associations

The Commercial Agricultural Production and Marketing Project seeks to improve the policy environment for commercial agribusiness, strengthen private sector capacity through training, help small farmers produce and sell horticultural and specialty crops in local, regional, and export markets

Tanzania

The Mission recently completed design of the Finance and Enterprise Development (FED) Project This very complex undertaking is intended to provide substantial incentives for reform in the financial sector Business associations might be involved, but are by no means at the center of the project's target Some consideration has been given to assistance to private sector marketing of maize and rice

Zambia

The Zambia Mission has three current projects which are being used to support the private sector The Private Enterprise Support project teams VITA with Zambian NGOs primarily engaged in distributing small hammer mills and oil presses and helping set up small scale businesses to mill grain and process edibles oils Two training projects, the African Training for Leadership and Skills (ATLAS) Project and the Human Resources Development (HRD) Project have been used to train public officials in non-statist approaches and to improve the skills of businessmen The Mission is about to undertake a project to accelerate the process of divestiture and privatization It also has on the drawing board a project that will deal with the enabling environment for privatization This project probably will focus on credit and financial mechanisms The Zambia Mission is not currently working with business associations and has no present plans to do so It is conceivable that VITA make seek to interest Zambian business associations in becoming involved with its small business project

Zimbabwe

The Mission has three principal private sector projects The Zimbabwe Business Development (ZBD) seeks to test the effectiveness of fostering growth of private enterprises through facilitating local and foreign investment and expanding indigenous enterprises A pilot project component will examine the competitive potential of establishing an EPZ, promote linkages between large and small firms, and possible involve IESC in a partnership with a local counterpart organization to render assistance to Zimbabwean firms An analytical component will carry out studies of microenterprises, develop a productive sector database, and perform

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research on implementation support Zimbabwean business associations were involved in the design of the linkages activity and may be involved in its implementation

The Zimbabwe Grain Marketing Reform Support Program gives non-project assistance to the Government of Zimbabwe to reduce marketing controls and permit greater private sector participation in the grain trading system The Zimbabwe Private Sector Housing program provides non-project assistance for policy reforms that are expected to result in more production of affordable housing for low income households, increased private financing of low income mortgages, and expanded local production of lower cost building materials The Program is tied to a U S Housing Guarantee Loan and a technical assistance grant The project will provide needed foreign exchange for plant and equipment for the building materials industry and remove a variety of constraints to housing construction

The Mission also manages projects in its Southern Africa Regional Portfolio which are in support of the private sector in such areas as transport, natural resources, agriculture, trade and investment policy, and soon to be in telecommunications

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APPENDIX 8

MISSION'S DRAFT ON PROJECT CHRONOLOGY AND BACKGROUND

This section provides background and context to the evaluation team It should be checked and verified during the evaluation team's detailed investigations

A SRBC Chronology

In October 1986, SADCC held a Seminar for Businessmen at Victoria Falls in which a number of resolutions and conclusions were made to support the region's "enterprise" community [1] Following this seminar, SADCC/S constituted an Advisory Group of Businessmen to assist in following up on the conclusions and proposals

A second seminar was held in Gaborone in February 1987, which endorsed the establishment of national business councils, which would become constituent members of a regional business council The business council network would serve as the vehicle for consultations amongst the region's business communities, and between the business community and the SADCC member states, on matters of production, enterprise, and investment The SADCC Council of Ministers, also meeting in Gaborone in February 1987, endorsed the proposal to establish the councils provided that they would not be "government [i e , SADCC member government] funded", and that "any requests for external assistance should be cleared with the SADCC Secretariat" Finally, although SADCC were to recognize and encourage the councils, they were not to become formal organs of SADCC

SADCC/S, following the Council of Ministers resolution in February 1987, sent communications to all member states requesting that the SADCC Contact points convene a national seminar for business at which the formation of the national business councils would be discussed SADCC/S also requested that the Agriculture, Industry and Trade, and Mining Sector Coordinating Units convene regional seminars for the business community to review their sectoral programs

In November 1987, a third seminar for Business was held in Harare to review progress since Victoria Falls and Gaborone At the Harare seminar, the Executive Secretary of SADCC regretted that none of the seminars requested earlier were convened

Reacting to the Executive Secretary's comments, the business community at Harare indicated that in some cases the SADCC National Contact Points in their governments were not receptive to the business community's initiatives The community was also concerned about overlap and duplication with existing national business associations such as chambers of commerce, and

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[1] The enterprise sector is used by SADCC to mean the entire business community, regardless of whether ownership is public sector, private sector, or mixed

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existing regional associations, such as the Beira Corridor Group, which was expanding its role to promote investment in the region Finally, both Malawi and Zimbabwe stated that they had taken steps to establish business councils

At the Harare conference, the Executive Secretary reiterated the commitment to establish the business council network, and elaborated on their roles The national business councils could propose projects through the SADCC member states for inclusion on the SADCC Programme of Action, and the regional business council could send project proposals to the relevant SADCC Sector Coordinating Unit They would provide input into the region's policies concerning trade and investment, translate the SADCC Programme of Action into commercially viable projects and investment, and involve the business community into the promotion of regional cooperation

By early 1988, four councils had been formed, in Zimbabwe, Zambia, Lesotho, and Malawi

In March of 1989, the first SRBC General Council meeting was held in Harare, with all nine countries attending

In May of 1989, the first Board meeting of SRBC was held in Gaborone, where the budget and financing plan recommended by the SADCC/S was approved with slight modification, as were the terms of service of SRBC staff A number of measures were adopted to insure cooperation amongst the national business councils

July 1989, SADCC/S, after a review of the PID, strongly suggested to USAID/Zimbabwe that the proposed SARP Export Enterprise Support (EES) project should utilize the SRBC/SNBC network, instead of developing a contractor field office network REDSO/ESA is asked to undertake an evaluation of the capabilities of the SNBC network to implement the EES project

In October 1989, REDSO/ESA submitted a report on four of the national business councils to USAID/Zimbabwe The assessment concluded that the four business councils (Botswana, Lesotho, Swaziland, and Malawi) required additional assistance or restructuring before they could implement EES activities The assessment recommended that a thorough definition of institutional needs be undertaken during EES project paper preparation

In a letter of November 1989, USAID/Zimbabwe authorized the use of up to USD 386 thousand of the SADCC Technical Support Grant to be used to establish a Secretariat for SRBC (some could have been used for re-commissioning a study on investment codes) No substantive goals, objectives, or expectations for SRBC were specified in this letter, nor apparently in any other communications between USAID/Zimbabwe and the SADCC Secretariat

November 1989, Dr Bbenkele, seconded from ZIMCOM in Zambia, starts work as the interim Executive Director, working out of the BOCCIM offices in Gaborone

In January 1990, the second Council meeting was held in Blantyre, Malawi It was agreed to base the SRBC Secretariat in Gaborone The councils were advised to prepare reports for

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USAID/Zimbabwe on resource requirements before the end of February 1990, and ratified the appointment of the interim (for 12 months) Executive Director, seconded from the ZIMCOM (Zambia) Note that a quorum was not achieved

In March 1990, development of the SARP EES project was halted by USAID/Zimbabwe due to irreconcilable differences in approach with AID/W

Around March 1990, the activities specified in the USAID grant to come were worked out between USAID/Zimbabwe staff and the Executive Director According to the records, these activities were developed and submitted to USAID/Zimbabwe without consultation with the SRBC Council or Board, because of the "exigencies of time"

In April 1990, the third meeting of the Council was held in Lesotho

April 1990, cable send to AID/W by USAID/Zimbabwe indicating that a principal justification for supporting the SRBC is to improve credibility and establish a track record of the SRBC so that it "could generate and maintain the level of support from its constituent national councils necessary to achieve its broad objectives and attain eventual financial sustainability" (Harare 2628)

July 1990, the fourth meeting of the Council was held in Gaborone Only four members showed up and no quorum was achieved Note that no funding was provided to participants for attending

The Grant to the SADCC Secretariat was signed by USAID/Zimbabwe in July 1990, and by the Executive Secretary in August 1990 USD 1 9 million was earmarked for the SRBC

In December 1990, the direct hire AID/SADCC Liaison position resident in Gaborone, was abolished Management of SRBC grant shifted to the new contract position of USAID Southern African Regional Trade and Investment Advisor, resident in Harare

In April 1991, the fifth Council meeting held in Gaborone, with a quorum attending (and grant funding available for participation) Concern was expressed that the list of activities to be funded under the grant did not include strengthening the individual national business councils The Council requested to the USAID/Zimbabwe representative that funding for SRBC be continued beyond the current expiration date

In July 1991, the Needs Assessment Workshop was convened in Harare to discuss the Needs Assessment Study, and to lay out strategies for the SRBC/SNBC network

The sixth SRBC Council meeting was held in Maputo in January 1992 A quorum was not achieved (only per diems were provided, not transport)

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Swaziland in April 1992 was host to the SRBC Annual General Meeting The Board was replaced by an Executive Committee of the Council

Finally, the grant expires in 31 August 1993 Note that the language of the grant requires SADCC and SRBC jointly to develop an actionable plan for financing SRBC, independent of AID funding, 18 months before this expiration date The date of submission would have been March 1992

B Other Regional Business Organizations in the SADCC Region

The Preferential Trade Area has established a regional business organization, the Federation of Chambers of Commerce and Industry, and Agriculture (PTA/FCCIA) Note that eight of ten SADCC countries are also PTA members

The American Chamber of Commerce in South Africa has mooted the possibility of expanding their mandate to become the regional American Chamber of Commerce for all of Southern Africa

C A I D and other donor projects of relevance in the SADCC Region

At the bilateral level most if not all of the AID missions in the SADCC region have supported one or more of the business associations that are the constituents (or hosts) of the national business councils

At the regional level, USAID/Zimbabwe expects to receive a joint proposal from IESC and VITA to provide a regional trade and investment advisory service Details are not available at the time this PIO/T was drafted Limited support to analyze and promote regional economic integration, in conjunction with the World Bank and the European Community

The Nordic/SADCC Advisory Group has been established to promote trade and investment between the Nordic countries and the SADCC region They are also actively considering funding of SRBC projects and possibly operations

ACCODA, the European Parliamentary foundation, is developing a proposal to work through SRBC to promote trade and investment between Southern Africa and Europe

The SADCC Industry and Trade Coordinating Division, based in the Ministry of Trade and Commerce of Tanzania, attempts to coordinate donor support for various projects meant to promote industry and trade throughout the SADCC region

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Performance Chronology #3

TRADE AND INVESTMENT DEVELOPMENT

SBC has helped in the area of trade and investment Below is a chronicle of SBC activities which have supported this initiative

March, 1989 - First Meeting of SADC National Business Councils, Harare, Zimbabwe Among other things this meeting charged NBCs to submit bankable projects to the Secretariat

January, 1990 - Second SBC Council Meeting, Blantyre, Malawi This meeting again resolved to have bankable projects submitted by February 28, 1990 so that these could form the basis of the Businessmen's Conference

March, 1991 - SBC Business Conference, Mangochi, Malawi There were 125 participants, of which 25 were donor agencies and potential investors (only one investor from outside the region) Bankable projects submitted by the SBC members were presented The main objective of the conference was to facilitate business investment in the SADC Region by bringing SADC Project Sponsors face to face with financiers and technology persons from both within and outside the region The international and regional business community SBC recognized the following shortcomings in the Conference (1) location was too difficult to get to, (2) not enough extra-regional investors, (3) needed more and better prepared projects, (4) needed to change program to give more time (up to 2/3) to one-to-one talks between project proponents and potential investors Recommended a consultant be hired to organize next Conference and expert from UNIDO or elsewhere be found to help prepare the projects

June 1991 - Study commissioned by SBC Council of demand and supply potential of intermediate capital goods

April, 1991 - Needs Assessment Study For the SADC Regional Business Council, prepared by Michele Garrity, finalized Six months in preparation Assessed strengths, weaknesses and needs of the NBC's, including trade and investment priorities of local business communities

July, 1991 - Regional Business Council Needs Assessment Workshop, Harare, Zimbabwe Focused and provided recommendations in areas which included investment promotion and export promotion Workshop resolutions were submitted to the Board and Council to form the SBC regional agenda and the NBC's national agenda As approved by the Council, the resolutions were made part of the Annual Work Plan

August, 1991 - SBC submits SBC Work Plan and National Agenda for National Business Councils to SADC/S and USAID It included the following proposed activities related to trade and investment

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APPENDIX 9

SBC PERFORMANCE CHRONOLOGIES

Performance Chronology #1

DEVELOPING RELATIONS WITH THE SOUTH AFRICAN BUSINESS COMMUNITY

SBC has taken a leadership role in initiating contacts with the business community of South Africa Below is a chronicle of the SBC activities by means of which these contacts were developed

March, 1991 - SBC Business Conference, Mangochi, Malawi There were 125 participants, of which 25 were donor agencies and potential investors The main objective of the conference was to facilitate investment in the SADC Region Leaders of key South African business organizations were invited by SBC and the conference provided the first opportunity for serious discussions with them As a result of these contacts, representatives of SBC were invited to South Africa to meet with South African business organizations

October, 1991 - SBC Council Chairman and Executive Director meet with the Business Associations in South Africa National African Federated Chamber of Commerce (NAFCOC)(black), South African Chamber of Business (SACOB) (white) They also met with representatives of large European companies It was agreed that SBC should establish a committee of eminent business persons to establish formal relations with South African companies and establish business relationships

October-November, 1991 - Second Regional Business Conference Inter-Country Trade and Sustainable Development, Harare Sponsored by CZI, FNF, SBC and Business Council for Sustainable Development The Conference resolved that consultations continue with South African business on the development of post-apartheid cooperation
November, 1991 - First Meeting of Eminent Group of Business Persons to Monitor Developments in South Africa Members G Jaffu, Chairman, G Matenge, A Carrilho Discussed minutes of meetings with business associations in South Africa and resolved to open dialogue with these organizations It was agreed that the aim of the Committee was to monitor the developments in South Africa and advise businessmen and SADC governments on the likely impact of these on business relationships with South Africa

January, 1992 - First visit to South Africa by Eminent Group of Business Persons, led by Mr Frank Baffoe The purpose was to follow up on leads generated by Mr Patrick Mafafo, a South African businessman, at the Malawi Investment Conference The group met with development institutions and banks to establish possible sources of capital for projects and to identify possible sources of technical assistance from South Africa

January, 1992 - Seventh SBC Council Meeting, Maputo, Mozambique The Council agreed that South African organizations, SACOB and NAFCOC, should be invited to join the Council meetings as observers The Eminent Group of Business Persons reported on their trip to South Africa National Business Councils were encouraged to approach South African Banks directly to finance specific projects

January, 1992 - Annual Consultative Conference SBC submits position paper in support of the theme Future Economic Relations in Southern Africa The Point of View of SBC (prepared by Imani Associates) The paper contained analyses changing relationship with South Africa

February, 1992 - Eminent Group of Business Persons again visits South Africa Met with representatives of NAFCOC, SACOB, and other South African organizations Began serious dialogue on cooperation Agreed to exchange regular visits Agreed that while governments could not yet cooperate, business could

April, 1992 - SBC Second Annual General Meeting, Manzini, Swaziland NAFCOC and SACOB from RSA were present

August, 1992 - Eminent Group of Business Persons, represented by Mr Jaffu and Mr Thomson, visit RSA for discussions with business organizations South African organizations agree to rotate their representative to SBC depending on the subject matter Subjects for immediate focus should include 1) power, 2) movement of capital, 3) movement of people, 4) data exchange

September/October, 1992 - Eminent Group of Business Persons (full group) meet with representatives of RSA to draw up formal agreement on how they will cooperate

October 1992 - Eighth SBC Council Meeting Representatives from RSA again present as observers As part of the Council meeting, they held a mini-workshop on the subject of the role of the private sector in the South African economy

CONCRETE RESULTS TO DATE

1 Business leaders of Southern Africa are now talking to business leaders of South Africa on a regular and sustained basis

2 The Development Bank of South Africa provided technical input to a workshop in Lusaka, Zambia on the role of development banks in South Africa

3 ESKOM of South Africa is cooperating with SBC to develop a workshop on rural electrification to boost the development of small scale business in the SADC countries

4 The National African Federated Chamber of Commerce in South Africa (NAFCOC) has agreed to provide assistance to SBC in the production of a trade and investment guide book on the SADC countries

5 Bairds Communication of South Africa has prepared a comprehensive project proposal to develop the tourist industry within the SADC countries Funding is now being sought

6 Several South African banks have indicated they now welcome receiving projects proposals from Southern Africa

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Swaziland in April 1992 was host to the SRBC Annual General Meeting The Board was replaced by an Executive Committee of the Council

Finally, the grant expires in 31 August 1993 Note that the language of the grant requires SADCC and SRBC jointly to develop an actionable plan for financing SRBC, independent of AID funding, 18 months before this expiration date The date of submission would have been March 1992

B Other Regional Business Organizations in the SADCC Region

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The American Chamber of Commerce in South Africa has mooted the possibility of expanding their mandate to become the regional American Chamber of Commerce for all of Southern Africa

C A I D and other donor projects of relevance in the SADCC Region

At the bilateral level, most if not all of the AID missions in the SADCC region have supported one or more of the business associations that are the constituents (or hosts) of the national business councils

At the regional level USAID/Zimbabwe expects to receive a joint proposal from IESC and VITA to provide a regional trade and investment advisory service Details are not available at the time this PIO/T was drafted Limited support to analyze and promote regional economic integration, in conjunction with the World Bank and the European Community

The Nordic/SADCC Advisory Group has been established to promote trade and investment between the Nordic countries and the SADCC region They are also actively considering funding of SRBC projects and possibly operations

ACCODA, the European Parliamentary foundation, is developing a proposal to work through SRBC to promote trade and investment between Southern Africa and Europe

The SADCC Industry and Trade Coordinating Division, based in the Ministry of Trade and Commerce of Tanzania, attempts to coordinate donor support for various projects meant to promote industry and trade throughout the SADCC region

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November, 1991 - Chambers of Commerce Executive Workshop, Gaborone, Botswana, sponsored by CIPE All ten SADC countries sent representatives To train Chamber managers in policy analysis and dialogue and general chamber management Participants evaluated the Workshop very positively However, participants were mostly junior employees of the national Chambers, so not as effective as it might have been Those present made a commitment to develop work plans and reports for their Chambers

December, 1991 - Three visits were made by SBC to Namibia to assist them to establish a National Business Council As a result, by the end of the year, the Namibia National Chamber of Commerce and Industry emerges as the NBC

March, 1992 - First Newsletter produced Provided information of use by local affiliates To be distributed by affiliates to their members

April, 1992 - SBC staff meets with Swaziland business community to provide assistance in upgrading their NBC

June, 1992 - Second issue of Newsletter Much better quality

September, 1992 - Chamber Development Officer hired His task is to provide technical assistance to local affiliates

September 1992 - SBC staff holds meeting with Siemens Nixdorf to develop a computer network system which will complement the existing facilities of TINET at PTA and INVIPRO at SBC Siemens agrees to develop the software and provide hardware to some of the National Business Councils in the form of a grant

December 1992 - Expert hired as Chamber Development Advisor for one year His task is to organize training for local affiliates and to train the Chamber Development Officer

April, 1993 - Second Chamber Development Workshop (CIPE funded)

Concrete Results to Date

1 National Business Councils, serving as apex organizations for national-level business organizations, have been established in eight countries

2 SIEMENS has agreed to provide a grant of computers, software and information system training to each national-level apex organization and to SBC

3 SBC staff and expert have been hired to provide direct technical assistance and training to local affiliates

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1 Investment Promotion

a Workshop on private and public sector cooperation,

b A workshop for National Business Council staff on investment promotion techniques and strategies,

c A seminar for the regional business community on writing respectable investment project proposals,

d Institution of the SBC Business Conference as an annual event,

e The institution of an SBC investment advisory group,

f SBC short-term consultants to assist in the design and implementation of national workshops to bring together officials from the national investment promotion agencies and national business councils

2 Export Promotion

a Set up an Export Promotion Working Committee to assist NBCs in setting up and developing their own export promotion units,

b SBC to carry out workshops, seminars, buyer/seller meetings, demand surveys, etc in the export field in the region,

c SBC should facilitate the training of commercial attaches in the region,

d SBC should expand its contacts with donor agencies for financial and technical assistance in export promotion,

e SBC to provide assistance in export promotion to Angola and Namibia SNBCs,

f SBC should encourage efforts of member states to harmonize and rationalize export incentive packages and trade policies where these will enhance intra-SADC trade,

g SBC should make efforts to consult regularly and interact with the PTA/FCCIA on trade matters

December 1991 - SBC Trade and Investment Promotion Officer in hired His task is to organize and carry out the above program

February, 1992 - Supply and Demand Study completed for SBC by Imani Associates The purpose of this study was to determine the supply and demand potential of intermediate capital goods in the region The study identified sectors in which intra-regional trade could be increased and suggested specific actions SBC could take to stimulate these

March, 1992 - Buyer/Seller Meeting held in Gaborone Based on results of Supply and Demand Study, a meeting was held which drew together potential buyers and sellers in the region to negotiate deals As a result of the success of this effort, SBC was requested to continue to organize similar events during the year

June, 1992 - SBC Investment Advisory Committee meets for first time in Gaborone, Botswana The purpose of the Committee was defined as "To provide a consultative mechanism which draws on regional expertise to advise SBC on major investment initiatives in the region " It was decided that the Committee would always focus on a single topic The initial topic was the review of a study by a SADC consultant, entitled "Guidelines for Establishment of Investment

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Centres in SADC " It was indicated that SBC intended to have investment conferences similar to the 1991 Business Conference in Malawi on an annual basis The Committee will identify and review bankable projects in the region to be presented at these conferences

July, 1992 - First Meeting, SBC Trade Advisory Committee to review study, entitled Review of the Study of SADC Export Development and Promotion Strategy The Committee drafted a report on the subject which was provided to the SADC Secretariat

August, 1992 - A Trade Mission to follow-up on Gaborone Buyer/Seller Meeting was carried out from Botswana to Zambia Organized by SBC and BOCCIM

Concrete Results to Date

1 Although the quantities are not known, some intra-regional trade orders have been written either at or as a result of the buyer-seller meeting and the trade mission

2 A Trade Advisory Committee and an Investment Committee have been formed, have met and have identified issues for initial focus

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Performance Chronology #4

ADVOCACY OF POLICY AND REGULATORY REFORM

SBC has helped in the area of advocacy of policy and regulatory reform Below is a chronicle of SBC activities which have supported this initiative

February, 1987 - Seminar for Businessmen, Gaborone, Botswana on the subject of "Investment in Production" Eight countries sent representatives Held on the day preceding the Council of Minister's Annual Consultative Conference Defined constraints and made recommendations for action, as seen from private sector perspective Most of these related to policy and regulatory reform These were passed on to Council of Ministers meeting the following day

December, 1990 - Regional Business Conference Change - Our only Constant, Victoria Falls, Sponsored by CZI, FNF and SBC Resolved that SBC investigate modalities for structuring a framework for regional economic inter-dependence, that SADC and PTA be merged as soon as possible, that every effort be made by businessmen to persuade governments to reduce or withdraw bureaucratic delays and opportunities, that businessmen in the region support their regional business organizations, and through them seek participation with economic development of their countries

March 1991 - SBC Business Conference, Mangochi, Malawi There were 125 participants, of which 25 were donor agencies and potential investors The main objective of the conference was to facilitate business investment in the SADC Region by bringing SADC Project Sponsors face to face with financiers and technology persons from both within the region and outside the region The international and regional business community also provided input to the SADC Secretariat on the SADC Industrial Development Strategy Policies document

July, 1991 - Regional Business Council Needs Assessment Workshop, Harare, Zimbabwe Focused and provided recommendations in areas which included policy dialogue process and development of policy analysis capacity Workshop resolutions were submitted to the Board and Council to form the SBC regional agenda and the NBC's national agenda As approved by the Council, the resolutions were made part of the Annual Work Plan

August, 1991 - SBC submits SBC Work Plan and National Agenda for National Business Councils to SADC/S and USAID Part of SBC's mission was defined as " to develop sophisticated policy and analysis and effective mechanisms for reaching governments " Taking into consideration this mission statement and the results of the Needs Assessment Study, six priority areas were identified for the achievement of the overall SBC mission Specific proposed activities included

1 Policy Dialogue
   a A workshop for National Business Council Executives on Policy Analysis,

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b The institution of SBC's issue-oriented committees to make recommendations through the SBC Secretariat to the various SADC organs and sectoral working committees,

c The institution of an SBC trade advisory group,

d The institution of an SBC investment advisory group,

e Facilitation by the SBC of a chamber exchange program

November, 1991 - Chambers of Commerce Executive Workshop, Gaborone, Botswana, sponsored by CIPE Trained Chamber managers in policy analysis and dialogue and general chamber management

January, 1992 - Annual Consultative Conference SBC submits position paper in support of the theme Future Economic Relations in Southern Africa The Point of View of SBC (prepared by Imani Assoc)

February, 1992 - Study on the Supply and Demand Potential of Intermediate Capital Goods Completed for SBC by Imani Development, Ltd Included recommendations on policy and regulatory reform

April, 1992 - Second Annual General SBC Meeting SBC staff recommends to Council that SBC focus more attention on advocacy of policy and regulatory reform

June 1992 - SBC Investment Advisory Committee meets for first time in Gaborone, Botswana The purpose of the Committee was defined as "To provide a consultative mechanism which draws on regional expertise to advise SBC on major investment initiatives in the region " It was decided that the Committee would always focus on a single topic The initial topic was review of a study by a SADC consultant, entitled "Guidelines for Establishment of Investment Centres in SADC " It was indicated that SBC intended to have investment conferences similar to the 1991 Business Conference in Malawi on an annual basis The Committee will identify and review bankable projects in the region for presentation at the Conferences

July, 1992 - First Meeting, SBC Trade Advisory Committee to review study, entitled Review of the Study of SADC Export Development and Promotion Strategy Results of the review were presented to the SADC Secretariat

Concrete Results To Date

1 Have for the first time organized meetings of the business community which provide business people with a venue for thinking about, discussing and making recommendations on policy and regulatory issues

2 Have commissioned studies which have been used as the basis for discussions by the business community and also as the basis for dialogue with the SADC Secretariat

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Appendix 10

WORLDWIDE ASSISTANCE TO REGIONAL BUSINESS ORGANIZATIONS

A INTRODUCTION

This Appendix reviews assessments of assistance to regional business associations other than SBC, summarizing the lessons learned from their experience It recapitulates the results of written evaluations and incorporates additional information and judgements provided by knowledgeable informants

As far as we have been able to determine, there have been seven assessments of assistance to regional business associations which are pertinent to the circumstances of SBC

- o Evaluation of the Private Sector Investment Assistance Project (1982)
- o Evaluation of the Private Sector Investment Assistance Project (1984)
- o Evaluation of the Private Sector Investment Assistance Project (1987)
- o Evaluation of the Small Enterprise Assistance Project (1988)
- o Evaluation of the Portfolio of RDO/C's Private Sector Office (1988)
- o Evaluation of the Small Enterprise Assistance Project (1989)
- o Evaluation of FEDEPRICAP (1991)

The first three of these were evaluations of RDO/C's[1] then on-going assistance to the Caribbean Association of Industry and Commerce (CAIC) The fourth was part of a "cluster evaluation" of several projects providing assistance to medium and small-scale enterprises The fifth was part of a regional private sector program evaluation The sixth was an evaluation of two projects which had been merged into one The seventh was a mid-term evaluation of ROCAP's[2] assistance with the Federation of Private Entities for Central America and Panama (FEDEPRICAP)

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[1] RDO/C is A I D 's Regional Development Office for the Caribbean located in Barbados The principal focus of its program is on lesser developed countries of the Eastern Caribbean

[2] ROCAP is A I D regional office for Central America and Panama located in Guatemala

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CAIC's membership is drawn from the island nations of the Caribbean together with Guyana in South America and Belize in Central America Most of CAIC's members are located in former British colonies, although the French territories of Martinique and Guadaloupe are also included A I D 's, assistance, initially undertaken in 1981, is scheduled to be completed in December of 1992

A I D 's program of assistance to the Federation of Private Entities for Central America and Panama (FEDEPRICAP), though indirect at the start, can be traced back to 1985 The current project is scheduled to terminate in 1992, but A I D funding is expected to be extended with declining yearly contributions

Other donors have followed A I D 's lead in funding activities carried out by CAIC and FEDEPRICAP However, to our knowledge no other development institution has initiated assistance to a regional association whose charter to represent the entire business community A I D and other donors also have provided assistance to range of other regional activities, delivery systems, and institutions including credit unions, cooperatives, and individual sectors

Section B of this chapter examines A I D 's experience with the Caribbean Association of Industry and Commerce (CAIC) Section C with the Federation of Private Entities for Central America and Panama (FEDEPRICAP) Section D describes other forms of donor assistance to regional business association Section E provides a summary of lessons learned Section F provides concluding comments

B THE CARIBBEAN ASSOCIATION OF INDUSTRY AND COMMERCE (CAIC)

This section starts with a description of CAIC's background and history It then summarizes the results of each of six evaluations of A I D assistance to this organization carried out in 1983 1984, 1987, 1988 and 1989 respectively A concluding subsection briefly describes the current status of the funding for CAIC's activities

1 Historical Overview

The Caribbean Association of Industry and Commerce (CAIC) was formed in the 1940s as the Federation of West Indian Chambers of Commerce Since its inception, it has been a regional organization representing private business In its early days, it was closely tied to a local business establishment of old, white plantation, trading and commercial families -- a traditional power base of considerable importance before independence The organization was reconstituted in 1955 as CAIC, established in Trinidad It was one of the few regional institutions in the Caribbean at a time when most of the islands were tied more closely to their colonial administrators in Europe and North America than they were to each other

Independence came to the larger Caribbean nations in the 1960s, accompanied by democratic institutions Nationalism and populism were strong trends in early political

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campaigns, in spite of the misgivings of regional intellectuals about the viability of small, isolated island nations without some sort of integration

Dr Eric Williams, first Prime Minister of Trinidad, worked most intensely for a West Indian Federation, but centrifugal forces and the smaller nations' fear of domination by the larger Jamaica and Trinidad and Tobago kept these plans from coming to fruition

Businesses with a regional perspective were CAIC's natural constituency, and a potential source of support for public figures promoting the cause of regional integration However, during the 1960's, many CAIC members and other businessmen with a Caribbean orientation were identified by much of the public as "big business " As such, they represented an unpopular minority, who perceived themselves, and were perceived by others, as being very much at odds with the political mainstream of the region Contacts between such businessmen and government officials, if they took place at all, were carefully screened from the eyes of the public, lest they provoke unfavorable comment or political consequences In some countries, few businessmen had any access to political leaders at all In this inhospitable atmosphere, many businessmen all but withdrew from public-private dialogue Essentially, they took the attitude that they could get along best by ignoring the public sector and hoping that the public sector would ignore them

During the 1960s and 1970s, the presidency of the CAIC moved from island to island Each president made use of his own company facilities to carry out CAIC affairs There was no permanent CAIC office or secretariat, although the CAIC Articles of Association were established in Trinidad As far as many members were concerned, CAIC existed more in name than in reality It had no program or plans, few funds, little or no influence in the public arena, and provided little in the way of services

A second major attempt at regional integration in the public sector took place during the late 1960s, initiated by then Prime Minister Burnham of Guyana, Prime Minister Barrow of Barbados, and Prime Minister Bird of Antigua, which was quickly supported by Dr Williams The new organization was known as the Caribbean Free Trade Area (CARIFTA) and was formed in part as a response to the EEC and its plans for "stabilizing" trade in sugar (i e , protecting European sugar producers) At the same time, there developed a growing interest in a Caribbean Community to facilitate co-operation in culture, education, and sports Private sector support was solicited for CARIFTA on a low-key basis, and CAIC was the regional resource drawn upon for this purpose, but CAIC and the private sector in general were still maintaining a very low profile

The Caribbean Common Market (CARICOM) took over from CARIFTA in the early 1970s, and included the concept of the Caribbean Community, although in practice, the unity achieved was much less than had been envisioned Oil prices began to rise in 1973, and although the net impact to most economies was negative, oil wealth in Trinidad and elsewhere created new markets and fostered the development of manufacturing in the region But the climate for business was growing less and less favorable

During the 1970s, there was a strong political movement away from free-market economies in many nations in the Caribbean Aside from Cuba, this trend was strongest in Guyana and Jamaica, and later (after the demise of the government of Eric Gairy), in Grenada Prime Minister Bishop's political and economic experiment in Grenada was considered by many socialist and populist politicians as a good model for the region Political conflict in Jamaica between the pro-business Jamaica Labour Party and the increasingly anti-business People's National Party was becoming violent

Oil wealth accrued by the public sector in Trinidad was used to involve the government more deeply in the economy The PNP administration in Jamaica imposed heavy taxes on its bauxite industry, while the Guyanese administration nationalized theirs Governments and much of the public throughout the region felt that the public sector should be actively involved in the economy providing services, guaranteeing employment, and "ensuring an equitable distribution of income "

The intellectual community and many politicians in the region were quite hostile to business in general and business groupings in particular, and the hostility was mutual At this point, CAIC still represented the old, mostly white commercial establishment - a grouping which had antagonisms not only with the labor movement and much of the public sector, but with many of the new manufacturers and small entrepreneurs as well The economic and political differences were strongly reinforced by ethnic cleavages

Businessmen (both the old commercial establishment and the new entrepreneurs) in many countries felt besieged in the face of increasing government regulation, taxation, and nationalization From Guyana, Grenada, and even Jamaica, enterprises were actually closing down and leaving The ones remaining considered the exodus to be an ominous trend, and were afraid that the region was in danger of changing irrevocably In 1979 and 1980, a number of prominent Caribbean businessmen (most of them still core members of a moribund CAIC), felt the need for a grouping to counterbalance the anti-business drift in the region

At the same time, USAID was re-examining their mode of assistance to the region Up until that point, they had been channelling most of their assistance to the region through the Caribbean Development Bank The Mission was particularly interested in finding a vehicle of direct assistance to the private sector The U S was also growing concerned with the political and economic trends in the region USAID officers involved in capital and private sector development in the region met with the key members of the regional business community, including the (then) current president of CAIC and the (future) first president of a revitalized CAIC Their efforts converged, and USAID indicated interest in providing financial assistance for certain functions which could be undertaken by a revitalized CAIC

This interest led to a conference of prominent regional businessmen and USAID officials, partially funded by USAID As a result of this conference, a steering committee was formed and a formal decision was made to elect new leadership to CAIC, to rebuild the institution, to

finance new activities, and to become more involved in economic policy making in the region In short, they voted to commit themselves and their resources to revitalizing CAIC

The core group of business leaders felt that in order to ensure the survival of the private sector in the region, they needed

- o unity within the business community, and
- o a more positive and co-operative attitude towards government and the rest of Caribbean society

For the first time, the owners and managers of the Caribbean's leading private firms began to reach out to the newer and smaller members of the business community - manufacturers and small traders and providers of services This was a significant step Socially, the old business establishment had looked down on the new entrepreneurs and made few efforts to interact with them Now CAIC sought them out and proposed a dialogue and a common effort for creating a better climate for private sector business in general Although the priorities of the two groups were often divergent (e g , the manufacturers sought protection and assistance while the traders sought relationships with extra-regional markets) the new emphasis was on mutual concerns such as social and economic stability, and a reduction of regulations and taxation

In order to implement their common agenda, the CAIC sought to present a more positive image to the public at large, one which emphasized their role in providing employment, income, and foreign exchange

More importantly, they recognized a need to project a more enlightened position to the rest of society in the region (which was simultaneously moving toward the political center, disappointed with the results of past policies in the region and increasingly wary of trends in Guyana and Grenada) They recognized a need to distance themselves from positions and attitudes which had isolated them in the past and to demonstrate a sincere willingness to cooperate with labor and consumer groups as well as with the public sector

To supplement their contacts with USAID, these business leaders conferred with overseas organizations of West Indians, such as the West India Committee in England (the old sugar lobby in the Commonwealth), Caribbean/Central American Action in the U S and Canadian Association for Latin America and the Caribbean in Canada The overseas organizations provided advice, moral support, and expectations of financial backing to supplement substantially the resources pledged by the core group itself

The CAIC core group sought a more specific formula for solving their mutual problems They took considerable care in recruiting an Executive Director who could command respect among public sector officials, regional leaders, and potential CAIC members throughout the Caribbean

For this position, they sought out and recruited Mr Patterson Thompson, the possessor of a combination of experience, qualifications, regional identity, and high-level contacts which most Caribbean observers deemed to be unique Mr Thompson spent the early years of his career in major British-owned conglomerates in Guyana, working principally in the areas of accounting and finance He then served as Guyana's Ambassador to the United Nations Subsequently, he was named Chief Executive Officer of the Guyanese parastatal responsible for bauxite production, which was operated profitably under his direction Mr Thompson established a reputation for integrity, astuteness, social consciousness, and political courage which made him widely esteemed in the Caribbean

The members of the Board who selected Mr Thompson were themselves heads of major Caribbean corporations They saw the position for which they were recruiting him in terms that were familiar both to themselves and to Mr Thompson -- as the equivalent of a corporate "Chief Executive Officer " Mr Thompson was given the full support of the Board and a free hand in selecting and managing his staff

With the help of a consultant funded by USAID, the leadership of CAIC articulated their ideas for the organization in a 1980 document entitled "Creating the Future " This document presented a plan of action tied to program goals

Major activities included recruiting new members, providing training and technical assistance and pledges to

publicize the purposes and activities of the organization,

develop methods of responding to public interest,

encourage a positive business-community relationship,

improve the public-policy and community-image climate for business effectiveness by working with public officials,

promote new and expanded business activity to create jobs and raise income levels,

promote exports of Caribbean industries,

help identify opportunities for entrepreneurship within the region,

work for a more equitable distribution of the fruits of private enterprise between people of the Caribbean nations and between the nations themselves within the Commonwealth Caribbean

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"Creating the Future" described a structure for the new organization which would, among other things, "involve the top business executives in a strong policy development and participatory role, develop a meaningful partnership between business and governmental agencies, and develop a membership base that will, in a period of three to four years, eliminate the need for grants and permit the Association to be adequately financed on a self-sustaining budget "

The new CAIC established an office in Barbados, adopted new Articles of Association, set up a professional secretariat, signed a cooperative agreement with USAID, and began to implement their program on the basis of a detailed planning guide The Articles of Association and the planning guide called for the establishment of departments of Organizational Affairs, Business-Government Relations, Economic Development, Technical Assistance and Training and established an ambitious set of goals and timetables for each

The political and economic climate in the Caribbean changed markedly during the 1980s The socialist government in Grenada was removed from office The governments of most nations in the region (with the exceptions of Cuba and Guyana) were supportive of the private sector, willing to listen to the representations of the private sector, and to take the interests of the private sector into account in the making of policy

The criticism of the business community muted considerably within the press and the university community CAIC and local business groupings were accepted by government leaders and in some countries, sought out for their views

Newspapers in the region, which had earlier ignored business news, now published a business page, and reported the views of local business on current events Regional institutions such as Caricom, the Caribbean Development Bank, and the Caribbean Examinations Council (public education) consulted regularly with CAIC CAIC was granted observer status with the Caricom Council of Ministers - Joint Consultative Group (including attendance at regular Caricom Heads of Government Annual Conferences and Council of Trade Ministers meetings, and special meetings on Caricom Rules of Origin, the Common External Tariff, and Fiscal Incentives)

Evaluations conducted by the A I D Mission found that, although significant socio-economic cleavages continued to exist within the business community itself, CAIC continued to represent a force for unity across divergent interests between traditional commerce and the new entrepreneurial manufacturers, between the More Developed Countries and the Less Developed Countries, and among the different language groups in the region

Public officials interviewed during these evaluations made note of a more enlightened attitude in local businessmen toward labor and consumer groups, ecological/environmental issues, and toward potential new entrepreneurs CAIC's vigorous lobbying in favor of a human rights treaty before Caricom and for stiff environmental protection laws in Antigua were noted and appreciated Echoing these themes, businessmen in each of the islands visited by the

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evaluation teams credited CAIC with giving them a sense of unity, providing an effective common voice, and re-establishing a sense of pride in their contributions to society

On the one hand, larger social, political, and economic forces were obviously at work contributing to the changes outlined above (in continental North America and Europe as well as the Caribbean) Some might say that CAIC was simply riding the crest of the wave On the other hand, interviews with public officials throughout the region, as well as members of the business community, support the claim that CAIC and its affiliates were important actors in shaping constructive change

2 Evaluations of A I D Assistance to CAIC

This Subsection summarizes the six evaluations of A I D assistance to CAIC The first three of these evaluations were of the Private Sector Investment Assistance Project (PSIAP) PSIAP funded CAIC's "core component" (including advocacy functions and activities oriented to CAIC's main constituency throughout the Caribbean) from 1981 through 1987 The fourth was of the Small Enterprise Assistance (SEA) Project (undertaken in 1986) which was focussed on micro enterprises and small and medium-sized businesses in the Lesser Developed Countries of the Eastern Caribbean In 1987, the two projects were merged under the rubric of the SEA Project A SEA Project evaluation carried out in 1989 was of this merged project An evaluation of RDO/C's private sector program (1988) viewed assistance to CAIC in the larger context of the Mission's Private Sector Program

1982 PSIAP Evaluation Report

The first comprehensive evaluation of CAIC, dated March 30, 1982, was prepared by Catherine A Pearson, Associate Director, Caribbean/Central American Action Ms Pearson's assignment was to evaluate CAIC's progress in achieving the purposes for which it was granted USAID funding under the PSIAP cooperative agreement, effective June 1981 through December 1982 This was the initial start up phase of AID funding and of the revitalization of the moribund CAIC

The report summarized the overall revitalization process by observing that CAIC had performed extremely well in those matters essential to the immediate establishment and impact of the revitalized organization Pearson concluded that CAIC, during its first year after revitalization, had established itself as a major player in the Caribbean scene, had successfully rallied the support of its former and new members, had gotten under way quickly with a strong Executive Director and staff, had stimulated the revitalization process in local affiliates, and was moving promptly into an action mode with responsive pilot programs

However, in those matters most essential to the long term ability to sustain an effective program -- fiscal control, efficient internal administration, lean staffing, strong strategic planning, good internal communication, morale-building management practices and mutually

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satisfying donor relations -- CAIC's performance revealed serious weakness requiring immediate attention

The 1982 report recommended that AID extend its grant to CAIC and renew it at increased levels Specific recommendations were made to both CAIC and USAID As concerned CAIC, these recommendations included improving fiscal and administrative procedures, improving its relationship with AID, establishing long-term strategic planning procedures, and setting up an emergency process to ensure that a new program and budget could be in place in the immediate future The recommendations pertaining to AID included the need to give an expression of confidence and commitment to CAIC, to establish a closer relationship with CAIC more as an equity partner than banker/supervisor, to make an immediate effort to correct past difficulties, and consider new funding areas including a deputy director slot and technical positions within CAIC

In retrospect, the most noteworthy aspect of the 1982 evaluation is the extent to which the findings, conclusions (both positive and negative) and recommendations (for both CAIC and USAID) were to repeat themselves over the years

The 1984 PSIAP Evaluation Report

The second evaluation of CAIC, submitted in March of 1984, was prepared by Elizabeth Warfield, then of AID/Washington, in collaboration with William Phelps and Michael Deal of RDO/C It focussed on the period beginning January 1983 and running through early 1984 During this period, CAIC was concentrating on its advocacy role for the private sector in the region and on providing specific services to its members

The objective of A I D 's cooperation with CAIC was primarily to enhance CAIC's administrative capacity so that it could play a leading role in the revitalization of the region's private sector Toward this objective, USAID sought the following

- o CAIC must have the administrative ability to adequately represent the private sector's interests in the region and to assist its allied institutions in becoming more active at the local level,

- o CAIC's actions must result in a mobilization of resources among the regions's private sector, and

- o The efforts of CAIC and its affiliates must have a direct impact on the region's production and productivity

In general, CAIC received high marks for achieving recognition as the voice of the private sector within the region as a whole, and for its ability to unite and mobilize the private sector behind common goals On the other hand, national level efforts, in particular the revitalization of the local affiliates, were found to be notably less successful In part, USAID

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had been unwilling to fund the type of institutional development which was being requested (infrastructure, staff and training) In other cases, local leadership was lacking to take positive advantage of the assistance offered The report suggested limited assistance to the national private sector bodies in the OECS on a matching basis and for a limited period of time It recommended that the Economic Development Department work more closely with existing investment promotion agencies and project identification efforts

The assessment of CAIC's internal management pointed to the mitigation (but not the solution) of several problems identified in the 1982 report These issues included a continued lack of strategic long term planning, and limited improvements in the AID-CAIC relationship

Specific recommendations for CAIC management flowing from the evaluation included

1 The creation of a new position of Assistant Director for Administration, (also proposed in the 1982 evaluation),

2 Management technical assistance for CAIC itself,

3 Efforts to update CAIC's strategic long term plans,

4 Regularly scheduled consultative meetings between CAIC and USAID

The position of Assistant Director of Administration was in fact filled in August of 1986, more than two full years after the evaluation

The 1987 PSIAP Evaluation Report

The third evaluation of CAIC (June, 1987) was carried out by a four person team from Louis Berger International, Inc RDO/C's project officer and CAIC's Executive Director took and active part and made written contributions to the evaluation report

As a business association, CAIC's accomplishments in the areas of policy advocacy, building of formal and informal public/private networks, changing the attitudes of its members, and creating a new image of the private sector in the Caribbean region were found impressive CAIC's performance as a development institution was judged mixed Its provision of training services to its members in the OECS countries was rated as well above average by most recipients CAIC's technical assistance received more criticism, but some of the clearest examples of positive economic development impact were associated with this service The utilization of the Caribbean Basin Information Network, for which CAIC had regional responsibility was found to be most unimpressive The Local Affiliate Development Program had provided a needed stimulus for business organizations in a number of OECS states where grass-roots leadership had been present

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The evaluation found that neither CAIC nor USAID had squarely faced up to the dilemmas posed by the intermixing of advocacy and development functions in CAIC, the differing geographic priorities of the two types of activities, and their differing constituencies Postponement of direct attention to these underlying problems contributed to a confused financial strategy and a troubled administrative style CAIC's management and organization structure had been designed and operated on a public sector "secretariat" model Though the quality of the CAIC professional staff was generally well above average, there were significant financial and administrative problems, and management had difficulty in complying with USAID procedures The growth in CAIC membership that occurred in the early years of revitalization had levelled off and quite probably reversed itself

The study recommended that CAIC should develop a strategy for expanding membership and membership commitment, particularly in the wealthier countries in the region from which it derived its most significant financial support Conceivably, such a strategy could bring in new substantial contributors and broaden CAIC's socio-economic base in these countries at the same time CAIC's primary constituency (the larger businesses in the region) necessarily had some priorities and objectives which were different from those which are typical of international development institutions However, CAIC's enlightened vision of its capacity to influence public policy in directions which enhance economic growth, and its ability to involve the business community in development activities were found to make it a natural partner for USAID in specific areas of mutual interest The evaluation recommended that RDO/C's funding of CAIC should continue assuming agreement on common goals for the future

Key findings of the evaluation included the following

1 CAIC has performed two distinctively different, although related, functions advocacy and development The heart of the advocacy function at the Caribbean regional level is the building of networks of influence and the activation of these networks when important issues arise A large staff is not necessarily required for this purpose On the other hand, the heart of an AID-funded regional development function is a staffed-up delivery system, which requires attentive management and support Compliance with donor procedures, documentation and operational styles is very important, and generates substantial overheads Neither CAIC nor USAID appeared to have seriously addressed the problems resulting from the mixing of advocacy and development functions

2 Advocacy and promotion functions normally require distinctly differing management styles, qualifying experience, and professional temperaments Policy advocacy is essentially a form of political and ideational combat, requiring intellectual and conceptual skill, access to centers of power, and ability to crystalize public opinion Investment and export promotion is a form of brokerage, requiring practical knowledge of business, personal salesmanship, and an orientation to tangible results The staff of CAIC's Economic Development Department are oriented toward policy advocacy and research by training, experience, and temperament The Economic Development Department has not been properly staffed to handle the more practical investment and export promotion responsibilities which it has been assigned

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3 RDO/C and CAIC each has had some misgivings concerning the objectives, priorities and performance of the other USAID, which provides a major proportion of CAIC's budget for development programs within the OECS states, has been concerned that top management priorities have been too heavily skewed toward CAIC's advocacy functions and to its wider Caribbean role, and too little concerned with effective development administration and achievement of development objectives In particular, RDO/C has been concerned with CAIC shortcomings in complying with USAID documentation requirements and with CAIC's lack of progress toward established targets and financial self-sufficiency From CAIC's vantage point, RDO/C has too frequently and too narrowly limited its vision to the OECS states and it has failed to give due credit to the very substantial resources in time and money (over and above dues payments) which members devote to supporting CAIC and private sector causes There were also concerns with the complexity, intrusiveness, and burdensome nature of USAID's requirements, and with RDO/C's failure to provide CAIC with clear and timely instructions on these requirements CAIC has followed a policy of providing support and services to its members regardless of the political complexion of members' governments, and wants the U S Government to support this policy -- in Guyana, in particular

4 RDO/C and CAIC have largely compatible, but distinguishably different, objectives and constituencies As a business association, CAIC is driven by the interests of its members and by threats to those interests The overriding concerns of CAIC's members are with preserving stability throughout the Caribbean, protecting and expanding their markets, and keeping the private sector alive wherever it exists The CAIC functions which are of most importance to its members are those of advocacy and networking Development functions are generally perceived as instrumental They help create socioeconomic stability, help increase the public policy influence of the private sector, help with market access But stability, market access, and the ways in which public policy affects them are what count most with Caribbean businessmen

5 As a Congressionally mandated development institution, AID's primary target group is the poor majority in those lesser developed countries whose policies and relationships with the United States meet established criteria USAID sees the private sector as an engine of development, and free, competitive economies as an important means of achieving development As USAID funds activities to release the potentials of market forces and of enterprise, it seeks to maintain a clear connection between its private sector projects and its mandated socioeconomic and country targets

6 There are some personnel within the donor community (USAID as well as other donors) who express dissatisfaction with the notion of funding a business association, whose members included many of the largest and most profitable firms in the Caribbean In effect they are looking for a channel to the leadership of the newer, small and micro firms in the light manufacturing and service industries But most owners of such small businesses lack the time, resources and status within their communities to match the accomplishments of CAIC's leadership CAIC's members, clearly operating in their own enlightened self interests, have adopted the views that increased productive efficiency, reduced unemployment, improved living standards, good labor relations, and ethical business behavior serve the interests of the business

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community in the Caribbean region That an important and influential portion of CAIC's constituency is a social and economic elite should neither disqualify CAIC as an agent of change, nor invalidate the objectives which it is seeking to achieve

7 There are three basic channels by which development services can be delivered to businesses in the Caribbean through government-controlled institutions, through consultants, and through the indigenous private sector institutions directly The evaluation evidence examined to date by LBII provides no substantial basis for believing that public sector or consulting firm distribution systems have been more cost-effective or have had greater development impact than have the projects implemented through private associations Within the private sector network itself, there are certainly other ways in which resources could be channelled and other business leaders who could be involved --but not very many of them In the end, one may doubt that any effective delivery system which is controlled by the private sector and which has a reasonable chance to be self-sustaining can exclude CAIC's basic constituency One may also doubt that CAIC's basic constituency will devote any substantial amount of resources or creative energy to an organization which it does not, in the final analysis, control

8 There is a view within the development community that the entire concept of regional cooperation is irrelevant and largely unworkable Similarly, some observers assert that credit for successes in the field of policy advocacy (including the tax reform initiative, reduction of intra-regional trade barriers) rightly belongs with business leadership at the national level With regard to assistance for private business in particular, some have suggested that more funds be channelled directly to the national affiliates of CAIC, and less to the umbrella organization But many of the same individuals who make up CAIC's Board of Directors are key leaders within their national business organizations, and wear several different hats The willingness of CAIC's membership and Board to support and contribute to regionally-oriented efforts suggests that they are not impractical, that a substantial portion of the private sector in the region is behind the notion of regional cooperation and believes that CAIC can be a positive force within it

9 The purposes of USAID and of CAIC are by no means identical However, most institutions funded by USAID around the world have objectives, values, and priorities which differ in some significant ways from USAID's own The area of common interest between CAIC and USAID is very substantial Neither institution need insist that the other become its clone in order for there to be an effective partnership between the two

10 There have been significant strengths and shortcomings in the performance of both RDO/C and CAIC during the course of this project and some evidence of clashes in organizational style Overall, however, the Caribbean region has benefitted from the collaboration between CAIC and RDO/C, and the achievements of the project have been remarkable

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The 1988 SEA Evaluation Report

A three-person evaluation team from Louis Berger International, Inc undertook a an evaluation of a "cluster" of six small enterprise assistance projects in 1987-1988 One of these was the Small Enterprise Assistance (SEA) Project, which provided assistance to small businesses through National Development Foundations and to medium-scale business through National Coordinating Committees The evaluation found that assistance rendered through National Development Foundations (NDFs) was quite effective, but that assistance to medium-scale business (non-NDF component) had been stalled by A I D conditions precedent requiring that National Coordinating Committees have a composition broadly representative of the business community before activities could be undertaken The evaluation found that in most countries operational committees meeting the prescribed standards had not been formed and recommended that the conditions precedent be dropped

The 1988 Private Sector Program Evaluation Report

Assistance to CAIC was considered in the context of RDO/C's full private sector program in an evaluation report prepared by a three-person team in February, 1988 The report ranked projects according to their risk factors (highly innovative, moderately innovative, largely conventional) and outcomes (highly successful, moderately successful, largely unsuccessful) It found PSIAP to be highly innovative and moderately successful, the NDF component of the SEA Project moderately innovative and highly successful, and the Non-NDF component of the SEA project highly innovative and largely unsuccessful at that time

With respect to the choice of regional delivery mechanisms for the Mission's private sector program as a whole, the report stated

> The pursuit of institutional goals has been complicated by a fundamental mismatch between the institutional development objective of the program (encouraging the independence and self-sufficiency of implementing organizations), on the one hand, and RDO/C's administrative responsibility as a key link in the chain of accountability and control of U S Government funds and project assistance, on the other These two objectives of self-sufficiency and control can be brought into reasonable balance, but they cannot be optimized simultaneously RDO/C has used regional business and cooperative associations, profit-making project financing institutions, consulting firms, and institutions controlled by the public sector as implementing organizations
>
> There have been a number of problems in the relationship between RDO/C and those implementing regional associations (e g , CAIC and CCCU) which have strong and independent leadership and/or alternative sources of funds Although the pattern of USAID funding clearly has been very important to both implementing associations, sustainability issues have not been squarely and collaboratively addressed

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Profit-making financial services organizations implementing USAID Caribbean programs (e g , CFSC and LAAD) generally have sought to maintain good relations with RDO/C, even in the face of some significant difficulties On the other hand, they have not permitted themselves to be "micro-managed" by RDO/C Instead, they have quietly and firmly pursued internally established business policies designed to assure their continuity and survival

Where RDO/C has used consulting firms as implementing organizations (PDAP and HIAMP), the highest degree of flexibility and responsiveness to RDO/C guidance and instructions appears to have been achieved In the case of PDAP, this flexibility was accompanied by relatively high costs and shared responsibility for some unsatisfactory results in the early years of the program Institutional successors to the consulting firm were not identified until the eleventh hour and equipping successor institutions to perform the functions of the consulting firm were delayed too long

Publicly owned institutions tend to survive, even though the project functions which they implement may atrophy when outside funding stops The Caribbean Development Bank undertook no new private sector agribusiness loan activities when the funding from the RDO/C's Regional Agribusiness Project were exhausted CDB reduced its level of financing of small and medium-sized businesses through national Development Finance Corporations when EIP II was completed It has continued to finance Industrial Estates as it did before EIP II With the termination of the Infrastructure for Productive Investment Project, the Eastern Caribbean Central Bank is most unlikely to continue its financing of privately owned industrial estates and buildings through the commercial banking system in the Eastern Caribbean Overall, the viability of the implementing institutions was not seriously affected by the project [3]

The 1989 SEA Evaluation Report

At the time of this evaluation, the Small Enterprise Assistance (SEA) Project had two main components An "SME/NDF component," undertaken as the original SEA Project in February, 1986, accounted for the larger amount of the project funding The "CAIC core component," had its origin in 1981 as the Private Sector Investment Assistance Project (PSIAP) PSIAP was merged into the SEA Project by amendment in 1987 A four-person team from Louis Berger International, Inc carried out an evaluation of the merged project in 1989

The evaluation team found that the merged project served three distinct Caribbean business constituencies

[3] Second Program Report Evaluation of the Portfolio of RDO/C's Private Sector Office (Louis Berger International, Inc February, 1988), pp 17-18

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(1) relatively large regional businesses, most of them headquartered in Barbados, Trinidad, and Jamaica,

(2) medium and small firms mostly located in the OECS States and Barbados, and

(3) micro enterprises mostly located in the OECS States and in Barbados

The "CAIC core component" which the SEA project acquired from PSIAP by merger in 1987 consisted of elements aimed mainly at revitalizing and sustaining an organization which looked for leadership to the larger Caribbean regional firms PSIAP funds defrayed some of CAIC's costs of membership expansion programs, studies used for policy advocacy in national and regional fora, training and technical assistance for selected firms, an information network used for sharing export and investment opportunities, assistance to national and sub-regional business institutions, as well as in building the membership of the organization itself While PSIAP served some firms that were medium-sized by Caribbean standards (and small by those used in the United States), the project was, in the pre-SEA years, primarily identified with a program of enlightened business leadership supported by the larger firms in the More Developed Countries (MDCs)

The original SEA Project (before the merger with PSIAP) sought to combine a new focus on the needs of small and medium-sized firms in the region with a continuation of RDO/C assistance to micro-businesses through National Development Foundations (NDF's) in the OECS countries and through Women in Development, Inc (WID) in Barbados RDO/C's assistance to the NDF s previously had been funnelled through the Dominica Small Enterprise Development Project and the National Development Foundation Assistance Project The SEA project also sought to achieve closer collaboration among the various elements of the business communities in the OECS countries

In 1987, at the time the Private Sector Investment Assistance Project was merged into the SEA project, it was clear that RDO/C's initial support of CAIC's revitalization efforts had been largely successful CAIC had established itself as a respected and constructive influence on the business community and on public policy in the Caribbean region Nevertheless, CAIC's handling of its development functions had been quite uneven, ranging from very good in some cases to quite poor in others Fundamentally, it was apparent that

- Substantial improvements were required in CAIC's ability to handle the administrative requirements of AID financing

- The organization had not resolved underlying dilemmas posed by the intermixing of advocacy and development functions

- Relationships between RDO/C and CAIC were too frequently strained, and too often characterized by a mutual intolerance of the distinctly different management styles of each of the two organizations

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o CAIC lacked a realistic and clearly articulated financial strategy for the future

Two years later, both CAIC and RDO/C were found to have made very substantial progress in the first three of these areas In these two years, CAIC also had become a leaner, better integrated, more cost-effective organization for the delivery of development services Nevertheless, fundamental problems of financial strategy and organizational destinies remained

The principal findings and recommendations of the evaluation were as follows

1 RDO/C should add sufficient funds to the project budget to enable the SME program to reach its original targets by its PACD If the performance of the SME program continues to be satisfactory, RDO/C should consider extending the program well beyond its current PACD

Total spending on the SEA Project had lagged well behind the original financial plan, but the underlying dynamics of the SEA Project were rapidly pushing it toward a prospective overrun on the order of $1 8 million The project already had exceeded its targets for micro-enterprises but was unlikely to come close to the targets established for Small and Medium Enterprises (SMEs) before current project funds are exhausted

A I D imposed conditions precedent concerning the establishment and composition of National Coordinating Committees In all but one country, the implementation of the SME program was held up for the better part of two years because these conditions could not conscientiously be fulfilled Once they were removed, the national component of SME services moved forward

SME interventions were found to have been generally quite successful in harnessing the energies and increasing the competence of an aggressive and adaptable rising class of business entrepreneurs SEA had demonstrated that it could help these entrepreneurs create jobs, expand exports, and increase productivity Prospects that the region can finally overcome its chronic dependence on outside assistance may well hinge on the performance of the SME target group which the SEA Project has been able to galvanize USAID should add funds to the project so that at the very least the original SME targets could be achieved

2 RDO/C and CAIC should consider recovering a larger proportion of the costs of assistance from SMEs by means of loan financing

Three-quarters of SEA technical assistance was being underwritten in the form of grants Many of the SMEs could afford all, or a larger portion of, the full cost of assistance but did have short term cash flow problems The SEAP contribution for these SMEs could be in the form of loans

3 CAIC and RDO/C should reach agreement on strategies for moving toward sustainability of each of the seven functions which RDO/C is presently supporting through the SEA Project

A project paper amendment prepared by RDO/C had taken significant step forward had been taken by addressing issues of sustainability and self-sufficiency concerning CAIC "core functions" in a direct and comprehensive way But the financial analysis which it contained had three limitations First, it did not clearly distinguish among the three types of functions within the "core function" basket business association "baseline" functions, development functions, and support of administrative positions needed for compliance with AID requirements Second, it assumed a cut-off of AID funds in 1991 Third, it treated the sustainability issue as though it were a ball in the court of CAIC, rather than a form of "cooperation game" requiring a common strategy for the most effective solution Recognizing that RDO/C may not be able to make binding commitments for the future, they nevertheless should develop a consensus on realistic strategies for dealing with RDO/C support for each of the following

- Membership Development
- Local Affiliate Development
- Policy Advocacy
- Training
- NDF/WID Program
- SME Program
- Administration

The evaluation presented a recommended program of action in each of these areas, treating each as requiring distinctly different treatment with respect to sustainability

Aftermath

Discussions between RDO/C and CAIC concerning the extension of some of the elements of the SEA project have been inconclusive RDO/C is planning to utilize a regional organization of National Development Foundations for this purpose in the future Thus it appears that the development functions (and their attendant problems of sustainability) which A I D had supported in the past will be passed on to another organization

CAIC will be left mainly with advocacy functions which have commanded its larger members' support from the start CAIC continues to receive assistance from other sources and there is a distinct possibility that the Mission may wish to involve CAIC in particular projects

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or studies relating to the private sector in the Caribbean in the future Nevertheless, the assistance will not be on the same scale as it has been in the past and a significant chapter in CAIC's history will shortly come to an end

C THE FEDERATION OF PRIVATE ENTITIES FOR CENTRAL AMERICA AND PANAMA (FEDEPRICAP)

A I D 's project providing assistance to the Federation of Private Entities for Central America and Panama (FEDEPRICAP) was undertaken in 1989 The current project is scheduled to terminate in 1992, but will probably be extended with declining yearly contributions from A I D Although the project was formally initiated in 1989, the history of A I D involvement and funding in fact dates back to 1985

The Federation of Private Sector Entities of Central America and Panama (FEDEPRICAP) is a not-for-profit private sector umbrella organization, entirely composed of national-level organizations No individual firms are members of the organization Its purpose is to address problems faced by the private sector development which require regional solutions The founders sought reforms in both the public and private sectors, and thought that the private sector should directly influence the social and economic development of the region

FEDEPRICAP was formed in 1987 following a two-year period in which a predecessor organization FEDEPRICA (which did not include Panama) had limited success Roberto Murray Meza a business executive from El Salvador was the moving force behind both organizations Peter Johnson the Director of Caribbean/Central American Action in Washington, DC and the organization s present Executive Director also had leadership roles in FEDEPRICAP's establishment ROCAP's first project officer was deeply involved in the project design as was the CARANA Corporation which provided consulting services to FEDEPRICAP during most of its subsequent history The ROCAP Mission Director was deeply committed to the project from the start At the beginning, there was a "bonding" between the Mission, a key business leader, the Executive Director, and other key actors which had a lasting effect on the project

FEDEPRICAP's Executive Director (Carlos Manuel Escheverria) is a former Deputy Minister of Plan in Costa Rica Mr Escheverria has been an executive of Costa Rica's national airline and has operated a Coca Cola distributorship in Costa Rica He was educated in the United States and holds an MBA from Babson Institute

FEDEPRICAP is an apex association of national-level organizations Its members are national development institutions which receive funding from A I D and traditional national level apex business associations While there are other regional associations representing particular business sectors, FEDEPRICAP is the only business association representing the entire business community at the regional level

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In Central America, the A I D -funded regional business association was essentially built from the ground up The bilateral missions first built relationships with development institutions on a country-by-country basis These national development institutions were founded or revitalized with A I D money in the first instance and became heavily dependent on A I D financial support in every case The bilateral missions sought to involve forward-looking business leaders in these institutions In the mid-1980's, there was an A I D -oriented business constituency in each country holding policy views compatible with those of the agency Given U S concerns with the threat of insurgency in Central America and the generous funding then available for the Caribbean Basin Initiative and other efforts, it was not difficult to find resources for constructive new ideas, of which FEDEPRICAP was one

FEDEPRICAP's priorities and policy positions have, on the whole, reflected views held by a younger generation of business leaders -- those businessmen who see needs for new business methods, improved facilities, policy reforms, attention to non-traditional exports FEDEPRICAP's positions by no means please all its members all the time, but its status as a "pure" apex organization with twin roots in both traditional and A I D -oriented business constituencies gives it considerable freedom of action The Conference of the Presidents of the Central American States (BIECA) recognized FEDEPRICAP as the voice of the private sector for purposes of representation at its meetings

FEDEPRICAP provides support to national-level organizations in their advocacy activities, but it does not engage in direct lobbying in member countries It carries out public education activities in the United States but does not urge specific legislative action on the United States Congress

FEDEPRICAP 's offices are located in Costa Rica, while ROCAP's are located in Guatemala Thus there is a lack of proximity between ROCAP's project officer and FEDEPRICAP's Executive Director However, ROCAP's project officers have devoted substantial amounts of time to FEDEPRICAP, and are credited by outside observers with unusually high levels of interest and commitment to the success of the project, and with enabling it to proceed with the flexibility it needed to achieve results

FEDEPRICAP's initial focus was on (1) transportation and the (2) development of capital markets Other principal areas have been (3) trade and investment and (4) institution building

The CARANA Corporation participated in preparing the original documentation for the FEDEPRICAP project and served and provided technical assistance to the project over a period of three years Its contract, which provided short term services only, was on the order of $600,000 for this period

FEDEPRICAP derives less than 20 percent of its funding from its members (including those national-level development institutions funded by A I D) It has recently received funding for specific purposes from the Inter-American Development Bank, and from international development agencies in Norway, Japan, and Spain A I D continues to support

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FEDEPRICAP's overhead budget Persuading other donors to support a portion of overhead expenses has been difficult, although some progress has been made FEDEPRICAP has sought funding from foundations in the United States The financial future of the organization appears to rest fundamentally on raising funds from government and non-profit corporations

FEDEPRICAP was evaluated in May of 1991 by a two-person team provided by Management and Business Associates of Miami, Florida Principal findings of the evaluation were as follows

1 FEDEPRICAP has established itself as the voice of the private sector in the region, and is generally taken seriously However, the association's leadership has tended to get too far out in front of its constituencies and needs to pay more attention to its grass roots

2 It is very difficult for FEDEPRICAP to be a "system of business organizations" and a "service institution" at the same time In order to handle both of these roles simultaneously requires a very clear sense of purpose

3 FEDEPRICAP's membership is not homogeneous, and faces a basic problem of commitment The association has been said not to respond to the interests of half its members (the traditional national apex business associations) The national development entities (funded by A I D) have different orientations and agendas than do the umbrella chambers The development entities are technical and investment-export oriented, with special interests in non-traditional products The chamber entities are activist vehicles defending the interests of more traditional members, which include wage levels, strike situations, and "banana problems" not necessarily concerned with development

4 FEDEPRICAP has been trying to do too many things for too many constituencies at one time It needs to concentrate on a few major programs, building on successes to date

5 FEDEPRICAP should establish a voice at the President Bush's Enterprise for the America's initiative and the Central American Partnership for Development and Democracy [4] It should use the latter forum to take the lead for Central America in voicing proposals on trade, on how to deal with the external debt problem, and how to funnel credit and capital to the private sector

6 FEDEPRICAP wisely chose transportation as its flagship program Improvements in transportation lower costs which are critical to imports and exports, and this is the sector in which results can best be demonstrated to members It should now concentrate on institutionalizing regional and national shippers' councils so that their negotiating capacity is maintained

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[4] This undertaking brings together the Inter-American Development Bank, the EEC, Japan, Mexico, and the United States

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7 FEDEPRICAP has played a fundamental role in helping Panama, El Salvador, and Honduras to organize stock exchanges and to organize stock exchanges into a regional association However, FEDEPRICAP should now phase out of its capital mobilization activities, limiting its functions to possible funding in the BOLCEN (Association of Central American Stock Exchanges) at that organization's request While much more could be done regionally and nationally in the area of capital mobilization, the Association has too much on its plate for the time being

8 FEDEPRICAP has shown too much of a predisposition to "go it alone" on a regional level It should work through complementing regional organs wherever possible

9 FEDEPRICAP'S priority for institution building should be on its own development and governance It could, however, develop an internal workshop on executive management which then could be taken to national-level organizations

10 Financial sustainability has had to take a back seat to institutional and program development in FEDEPRICAP's priorities A sustainability plan, drawn up by consultants, assumes a capability to implement it which FEDEPRICAP does not possess The association will have to staff up to handle its funding/commercialization program It will need outside technical assistance to commercialize services, obtain more overhead-sustaining funding from other donors, and capture endowment funds through debt swaps and other mechanisms

Not all observers share all of the concerns of the evaluators They assert that the movers and shakers in the Central America's A I D -funded development institutions often are members of the same families (and sometimes of the same generations in those families) as the leaders of its traditional apex organizations Thus what A I D funding is doing is to tip the scales in favor of progress within an important socioeconomic leadership stratum, rather than favoring one grass roots group over another Some also argue that arguments concerning "sustainability" are vastly overplayed The value of turning a whole generation of business leaders around on matters of business, economic, and social policy -- so they contend -- is immeasurable the United States avoids the expense that could be involved in responding to future emergencies, both individual countries and the region as a whole benefit from services and contacts which business leaders provide without charge In summary, the argument is that benefits of the underlying changes being introduced need to be weighed against requirements for continued outside funding, and that pressing the issue of sustainability in such circumstances is myopic

D OTHER ASSISTANCE TO REGIONAL BUSINESS ASSOCIATIONS

As far as we could determine during this review, there is no comprehensive list of business associations worldwide Nor does there appear to be such a list for regional business associations The Center for International Private Enterprise (CIPE) in the U S Chamber of Commerce started to compile such a comprehensive list in the early 1980's, but the project was not completed We have heard reports that lists have been compiled by one or another

international organization, but our efforts at locating them have gone unrewarded Thus there does not appear to be a formally compiled "universe" of business associations or of regional business associations worldwide, one which could be consulted or sampled in a systematic way

We sought the advice of knowledgeable donor, business association, and consulting personnel on the matter of donor assistance to regional business associations The only assistance to regional business associations which we were able to discover was that in which A I D itself has been involved Other donors have supplemented or followed A I D assistance, but only A I D appears to have initiated assistance to general purpose regional business organizations on its own Key factors appear to be A I D leadership in the field of private enterprise development and the reluctance of other donors to fund the administrative expenses of private business associations The World Bank has done some pioneer work in the use of business associations in connection with export development, but its initiatives have been directed to the national level

Over the course of its history, A I D has rendered assistance to a variety of regional associations and organizations In some cases, this assistance has had little or no connection with business enterprises (e g , assistance to the African Adult Education Conference, the ASEAN watershed research network, the SADCC Regional Training Council, and the Intersciencia association for the advancement of science in Latin America) In other cases, consulting or services organization headquartered in the United States have provided assistance, on a regional basis, to or through national-level associations (e g , IESC assistance to private enterprises through umbrella associations in Eastern Europe, consulting firm assistance in expanding non-traditional exports through the PROEXAG project in Central America, grants to Caribbean/Central American Action to pair U S Chambers of Commerce with those in Central America) A I D has assisted special purpose regional activities such as providing technical assistance to the Caribbean Growers Association, linking of businesswomen's councils in two Central American countries with businesswomen in the United States, and support of regional activities concerned with fisheries development

A I D has supported regional associations of national credit unions, both directly and through such organizations as the Credit Union National Association (CUNA) and the World Council of Credit Unions (WOCCU) A I D has also supported regional assistance in the field of cooperative development The Bureau for Private Enterprise has provided a grant to the Agribusiness Council, Inc to build an emerging global network of agribusiness trade associations, but we are unaware of any of its activities which may be of a purely regional character

A I D has provided funding for activities of the U S -ASEAN Council for Business and Technology, Inc , a national organization in the United States representing private sector interests in the Association of Southeast Asian Nations A I D has provided funding to CIPE (the Center for International Private Enterprise, within the U S Chamber of Commerce) which in turn has provided assistance to regional business associations supported by A I D through other funding channels Funding of services of the International Executive Service Corps (IESC) has, on occasion, been integrated with A I D funding of the activities of A I D - funded regional business associations