

PDBBT6SD

AGENCY FOR INTERNATIONAL DEVELOPMENT		1. TRANSACTION CODE A = Add C = Change D = Delete <input checked="" type="checkbox"/> C	Amendment Number 1	DOCUMENT CODE 3
PROJECT DATA SHEET		3. PROJECT NUMBER 689-0516		
2. COUNTRY/ENTITY Africa Regional		5. PROJECT TITLE (maximum 40 characters) Africa Project Dev. Facility		
4. BUREAU/OFFICE Africa Market Development and Investment MDI				
6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 08 31 95		7. ESTIMATED DATE OF OBLIGATION (Under "B" below, enter 1, 2, 3, or 4) A. Initial FY 87 B. Quarter E C. Final FY 95		

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY 87			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	700			6,100		6,100
(Grant)	(700)	()	()	(6,100)	()	(6,100)
(Loan)	()	()	()	()	()	()
Other U.S.						
Host Country						
Other Donor(s)				60,600		60,600
TOTALS	700			66,700		66,700

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) SDA	771R	840		700				700	
(2) DFA	771R	840		1,400		4,000		5,400	
(3)									
(4)				2,100					
TOTALS				2,100		4,000		6,100	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each) 830 910	11. SECONDARY PURPOSE CODE
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each) A. Code BRW B. Amount 6,100	

13. PROJECT PURPOSE (maximum 480 characters)

To provide project development services to private entrepreneurs to encourage a higher level of private investment in small and medium size production enterprises.

14. SCHEDULED EVALUATIONS Interim MM YY MM YY Final MM YY	15. SOURCE/ORIGIN OF GOODS AND SERVICES <input type="checkbox"/> 000 <input type="checkbox"/> 941 <input type="checkbox"/> Local <input type="checkbox"/> Other (Specify)
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16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

This amendment provides an additional \$4.0 million in support of the Africa Project Development Facility, thereby extending total LOP funding to \$6.1 million and the PACD from August 31, 1990 to August 31, 1995.

17. APPROVED BY	Signature <i>Kenneth E. Swanson</i>	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY 09 12 89
	Title Acting AAA/AFR/MDI	
	Date Signed MM DD YY 09 26 89	

INSTRUCTIONS

The approved Project Data Sheet summarizes basic data on the project and must provide reliable data for entry into the Country Program Data Bank (CPDB). As a general rule blocks 1 thru 16 are to be completed by the originating office or bureau. It is the responsibility of the reviewing bureau to assume that whenever the original Project Data Sheet is revised, the Project Data Sheet conforms to the revision.

Block 1 - Enter the appropriate letter code in the box, if a change, indicate the Amendment Number.

Block 2 - Enter the name of the Country, Regional or other Entity.

Block 3 - Enter the Project Number assigned by the field mission or an AID/W bureau.

Block 4 - Enter the sponsoring Bureau/Office Symbol and Code. (See Handbook 3, Appendix 5A, Table 1, Page 1 for guidance.)

Block 5 - Enter the Project Title (stay within brackets; limit to 40 characters).

Block 6 - Enter the Estimated Project Assistance Completion Date. (See AIDTO Circular A-24 dated 1/26/78, paragraph C, Page 2.)

Block 7A. - Enter the FY for the first obligation of AID funds for the project.

Block 7B. - Enter the quarter of FY for the first AID funds obligation.

Block 7C. - Enter the FY for the last AID funds obligations.

Block 8 - Enter the amounts from the 'Summary Cost Estimates' and 'Financial Table' of the Project Data Sheet.

NOTE: The L/C column must show the estimated U.S. dollars to be used for the financing of local costs by AID on the lines corresponding to AID.

Block 9 - Enter the amounts and details from the Project Data Sheet section reflecting the estimated rate of use of AID funds.

Block 9A. - Use the Alpha Code. (See Handbook 3, Appendix 5A, Table 2, Page 2 for guidance.)

Blocks 9B., C1. & C2. - See Handbook 3, Appendix 5B for guidance. The total of columns 1 and 2 of F must equal the AID appropriated funds total of 8G.

Blocks 10 and 11 - See Handbook 3, Appendix 5B for guidance.

Block 12 - Enter the codes and amounts attributable to each concern for Life of Project. (See Handbook 3, Appendix 5B, Attachment C for coding.)

Block 13 - Enter the Project Purpose as it appears in the approved PID Facesheet, or as modified during the project development and reflected in the Project Data Sheet.

Block 14 - Enter the evaluation(s) scheduled in this section.

Block 15 - Enter the information related to the procurement taken from the appropriate section of the Project Data Sheet.

Block 16 - This block is to be used with requests for the amendment of a project.

Block 17 - This block is to be signed and dated by the Authorizing Official of the originating office. The Project Data Sheet will not be reviewed if this Data Sheet is not signed and dated. Do not initial.

Block 18 - This date is to be provided by the office or bureau responsible for the processing of the document covered by this Data Sheet.

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Project Data Sheet

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PROJECT PAPER AMENDMENT

I. BACKGROUND AND RATIONALE

A. Nature of the Problem

The development of indigenous entrepreneurs is an essential element toward achieving long-term and self-sustaining economic growth in Africa. That was, in brief, the conclusion of several surveys and studies undertaken by the Africa Project Development Facility's sponsors, the United Nations Development Program (UNDP), the International Finance Corporation (IFC), and the African Development Bank (ADB), in the early 1980's. The sponsors of the APDF carried out a specific survey in 1984 to support the establishment of the APDF as we know it today. The survey confirmed that throughout sub-Saharan Africa a number of private entrepreneurs existed who could make the transition to the modern business sector despite the acknowledged difficulties of the region.

Despite the rather large number of international, regional, bilateral, and national institutions available to assist the private sector, it was concluded that there was a need, through advice and direct assistance to private entrepreneurs, to unlock the potential of these existing resources for the development of private enterprise investment, with a particular emphasis on the small-medium-scale enterprise (SMSE) sector. Striving to be as effective as possible, the APDF sponsors envisioned a closely coordinated effort with this network of existing institutions and promotional facilities to maximize the use of these resources. The APDF became a UNDP project, with the IFC designated as the executing agency.

With the support of the UNDP, IFC, and ADB as sponsoring institutions, fourteen countries, including the United States, joined in committing funding to the project, and in 1986 the APDF was officially inaugurated. The APDF's first full year of operations ended with its fiscal year on October 31, 1988 (see Attachment A, APDF's 1988 Annual Report). Based on results to date, the Facility should reach or surpass the original estimates of assisting projects representing investment costs of over US\$100 million. The actual number of projects helped in the first four years should reach the 70 to 80 level. During the first years of operations the APDF has considered an annual flow of project proposals in the 500 to 600 range. The demand for APDF services cannot be met by the available staff of the Facility. At present, the APDF has a project pipeline of approximately 176 for the East and Southern Africa region and 130 for the West and Central Africa region. This level of project backlog

cannot be handled in the remainder of the initial project period which ends in June 1990. Without greater staff support and an extension of the APDF mandate, many of these promising enterprise projects will not materialize.

The IFC, in its dual role as project manager and sponsor, has proposed an extension of the APDF facility for a five-year period at an approximate cost of US\$50 million. In a letter of August 4, 1989 to W. Bollinger, Acting AA/AFR, the IFC suggested a US\$5 million from A.I.D. to support the extension of the Facility for a five-year period (see Attachments B & C - IFC Request Letter and Board Proposal, respectively). Preliminary discussions with donor countries and sponsoring agencies, including the IFC, indicate that there is strong support for a continuation of the Facility. A total of US\$43 million will be sought from the sponsoring agencies and the donor countries, the latter group including the United States.

Because of budget limitations, A.I.D. will commit \$4 million over five years (rather than the \$5 million mentioned in the IFC letter), to be provided at \$800,000 per year. This substantial amount is in proportion to the \$2.1 million A.I.D. provided in Phase I. It is acceptable to IFC and, in conjunction with contributions from other donors, will permit APDF operations to expand at a steady, efficient rate.

Commitments by other donors are moving ahead. The IFC Board itself recently approved a further \$6 million commitment by IFC for APDF over five years to be disbursed in annual increments of \$1.2 million.

B. The Bureau's Approach to Response to the Problem

In simple terms, the development of the private sector in Africa will require the mobilization of both international and indigenous sources of capital and know-how. It appears that in view of the fragile nature of most of the African economies, and the related risks to private investment, that international efforts that have access to a broader mobilization of business formation resources and serve as a catalytic and appropriate complement to bilateral business advisory services.

The logistics of covering such a vast subcontinent, the unfamiliarity of American business with Africa, and the need to provide a close, hands-on relationship during the proposal development stage represent a significant expenditure of time and money. A presence in the field, easy entre to the whole network of national and international financing sources, and the ability to provide worldwide investor matchmaking and access to technology favor an international facility like the APDF to help governments and entrepreneurs to mobilize global

b

resources for domestic business formation activity. AFR/MDI is taking advantage of the APDF's services to support its efforts to promote U.S. investment in Africa. For example, AFR/MDI has been instrumental in encouraging a U.S. investor led group to make a joint venture proposal on a tannery project in Botswana. Information provided in a APDF report on this project was very helpful in analyzing this investment opportunity and greatly facilitated decisions regarding the formulation of the group's ultimate proposal, which is being submitted as of this writing.

APDF is viewed as a reliable, independent, and professional organization. A.I.D.'s efforts in the promotion of productive private investment are often greatly enhanced by referring business proposal opportunities to the APDF. Most USAID Missions do not have enough qualified staff or time to handle investment promotion, let alone project screening and technical development. The latter function is extremely important if ideas for new business are to succeed, particularly in the African context. Once a viable business plan is put into shape, APDF's "good housekeeping seal of approval" for the plan is often critical to business organizers when they seek debt and equity capital for the venture.

C. The Objectives of the APDF

The underlying objective of the APDF is to accelerate private sector growth in sub-Saharan Africa so that the private sector can play an increasing role in broad based economic development. The focus is on generating productive employment, improving participating countries' balance of payments through expanded exports, and bringing about self-sustaining growth and development by creating and expanding small and medium-size enterprises.

APDF provides advisory services to private entrepreneurs in sub-Saharan Africa in the preparation of viable investment projects. These services include helping entrepreneurs prepare market, technical and other feasibility studies necessary for project preparation. APDF also identified business proposals advanced by promising African entrepreneurs and assists them in organizing, diversifying and expanding their businesses. The Facility works with these entrepreneurs during the whole cycle of project preparation until funding is secured. The Facility supports projects with individual total investment costs in the range of US\$.5 to US\$5 million equivalent, but may consider smaller projects depending on economic conditions in the host countries.

The APDF's services have generated a high level of response, as measured by project ideas reviewed, projects approved, consultancies provided, private investment generated, employment stimulated, and foreign exchanged

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earned. For example, as of March 1989, the APDF estimated that some 600 projects had been reviewed; 78 projects approved, and of this number 38 projects funded which represent a total investment cost of approximately US\$48 million; 3,139 jobs created; and annual foreign exchange earnings potential of US\$42 million. The relevant details to support these statistics available in the APDF's 1988 Annual Report (see Attachment B).

APDF supports projects with total investment costs of between \$500,000 to \$5 million equivalent. This wide range encompasses a wide share of viable businesses. Projects of \$5 million are considered more suitable for consideration by IFC itself or larger bilateral financial entities.

II. PROJECT DESCRIPTION

A. Project Goal and Purpose

The project goal is to increase the participation of the private sector in the development process in sub-Saharan Africa. The project purpose is to provide project development services to private entrepreneurs to encourage a higher level of private investment in small and medium size productive enterprises by indigenous investors alone or in joint ventures with foreign partners.

B. Project Outputs

The grant to the APDF under this project will be part of a larger multilateral resource base which will permit the APDF to extend its project development services over an additional five-year period and broaden the delivery capacity of such services.

The following outputs are expected to result from the APDF's services:

1. Project proposal screenings of approximately 500 per year;
2. Greater outreach capacity for project screening and design into areas previously receiving only nominal attention in Phase I;
3. Increased investment in promising small and medium size private productive enterprises and consequent impact on employment and export expansion; and
4. Increased mobilization of indigenous and international capital and technical resources for diversified private sector development.

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C. Activities Under the Project

A.I.D. funds provided under this project will be used to expand and extend the following APDF project development services:

1. Assist African entrepreneurs on a direct and confidential basis in formulating and screening project ideas;
2. Provide, on a selective basis, technical consultancy services to African entrepreneurs who need project development assistance in order to promote and implement sound investments;
3. Identify and obtain appropriate technical and managerial personnel to assist the African entrepreneur develop the business plan suitable for external financing;
4. Help to identify and select project partners and sources of debt and equity capital on appropriate terms;
5. Advise private foreign investors on investment opportunities in sub-Saharan Africa; and
6. Advise African investors interested in buying into foreign companies seeking local partners and/or responding to government requests for proposals to privatize parastatal enterprises.

III. FINANCIAL PLAN

APDF is funded by contributions from its sponsoring agencies, IFC, ADB, and UNDP, and fourteen donor countries. The APDF also generates fee income from project venture partners which helps to offset overall Facility expenditures. The initial four-year trial period runs through June 1990. An early decision on Phase II for the APDF is sought in order to give a clear signal to all concerned of the Facility's continuance. There is a need to demonstrate to both the APDF staff and its clients that the Facility is a going concern. Therefore, some form of advance funding akin to bridge financing has been discussed with the IFC Coordinator (A. Keyserlingk) to accomplish this purpose. Of course, the A.I.D. grant would not become operative until the sponsoring agencies have duly authorized the project's Phase II and obtained adequate funding commitments from the other donors.

A donor's meeting was held in April 1989, at which time the participating countries provided a strong indication of support for an extension of this initiative. Donor countries (see Attachment A, APDF's 1988 Annual Report, page 6 for a complete listing and level of commitment) and sponsoring agencies representing approximately 83% of

the APDF's current funding were present at this meeting and there was a consensus, as noted in the APDF's Chairman's conclusions, "...to continue the APDF experiment."

The proposed budget of \$50 million for the APDF extension is shown in the following table (see next page). Notice that approximately half of this budget will fund salaries and related expenses of APDF staff. Another sizeable sum is set aside for consultants. Operating costs, including travel, make up the remainder. It is expected that the donors will provide contributions sufficient to approximately reach this budget.

Disbursement procedures for Phase II of the APDF will be the same as those employed in Attachment D of the original grant agreement of August 31, 1987, which allows for funds to be used for the following budget components: project coordinator, regional managers, facility officers, consultants, administrative support, travel, Advisory Board travel, equipment, vehicles, furniture, operational and maintenance expenses. No inflationary factor is built into the expense projections; it is IFC's policy as project manager to simply operate the APDF program within the available budgetary resources provided.

IV. IMPLEMENTATION PLAN

A. Implementing Agency

The IFC is managing the APDF as executing agency of this UNDP project. A Sponsoring Agencies Committee (SAC) coordinates policy matters. The Facility has an Advisory Board consisting of senior representatives of the three sponsoring agencies and six representatives from the private sectors of Africa and the donor countries. The United States has been invited to propose a candidate as a member of this Board, which was prompted by one of the recommendations in FR/MDI's evaluation study completed in May 1989. MDI in conjunction with other elements of the Bureau will take steps to name a candidate after this PP Amendment is approved. The Board provides APDF management and staff with a forum to discuss policy and operational matters based on experience gained in the field. The presence of private sector representatives provides valuable relevant business experience to APDF management. Periodic meetings are also held with representatives of the donor countries to review activities and exchange ideas on the performance of the Facility.

The U.S. representative on the APDF Advisory Board, when appointed, will take action on the following matters, beginning in 1990.

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Africa Project Development Facility
Phase 2
Projected Expenses
Projected Expenses
In US \$

Consolidated Expenses

	Grand Total Expenses	1990 Budget 6 Mos	1991 Budget	1992 Budget	1993 Budget	1994 Budget	1995 Budget 6 Mos
1. Salaries and Benefits							
Core Staff	21,950,000	1,780,000	4,085,000	4,595,000	4,595,000	4,595,000	2,300,000
Support Staff	3,030,000	245,000	880,000	630,000	630,000	630,000	318,000
Total Salaries and Benefits	24,980,000	2,025,000	4,665,000	5,225,000	5,225,000	5,225,000	2,615,000
2. Consultants Fees and Expenses	13,255,000	1,160,000	2,475,000	2,675,000	2,775,000	2,775,000	1,395,000
3. Operating Costs							
Operational Travel	3,430,000	290,000	620,000	720,000	720,000	720,000	360,000
Equipment	640,000	230,000	145,000	85,000	85,000	85,000	10,000
Office Expenses	3,835,000	385,000	765,000	765,000	765,000	765,000	390,000
Previous Year Expenses	0	0	0	0	0	0	0
Agency Costs	3,860,000	322,300	681,000	747,450	747,450	747,450	613,900
Total Operating Costs	11,765,000	1,227,300	2,211,450	2,317,450	2,317,450	2,317,450	1,373,900
4. Total Expenses	50,000,000	4,412,300	9,351,450	10,217,450	10,317,450	10,317,450	5,383,900

- Encourage APDF to continue and improve its efforts to bring the project closer to self-sustainability over the extension period. Attention will be paid to reducing Facility costs for project development operations and overall management as well as to obtaining fees for services from those African companies which are sufficiently strong to pay such fees. For this purpose, the U.S. representative will encourage the Facility to conduct comparative analyses of costs for project development services provided by various institutions serving African firms, and to apply findings and conclusions as appropriate.

- Seek ways to encourage APDF sponsoring agencies and donors, and participating countries, to improve the financing environment (institutional sources, mechanisms and instruments) for venture capital for small and medium enterprises in Africa. In this connection, it is expected that in the normal course of screening and assisting companies to prepare projects for financing, APDF will often find opportunities to identify steps which national authorities could be encouraged to take to improve the financing environment. In some cases, APDF project development activity could provide the occasion for pertinent recommendations of the Foreign Investment Advisory Service to be brought to the attention of the proper authorities for appropriate action.

- Keep apprised of and make known the working relationship that develops between AFR/MDI and the IFC coordinating office in Washington, D.C., to enhance the participation of American companies as investors, providers of technology, and technical assistance consultants to APDF projects.

Assure that the Facility conducts assessments, as it intends, of a representative sample of projects 3 to 4 years after APDF assistance is provided. These assessments should show how well APDF is doing in stimulating the formulation and financing of viable business projects. They should also report developmental impact of successful companies in terms of new jobs created (part or full time), income generated by ventures launched, managerial and/or technical technologies introduced, products sold into domestic and foreign markets, levels of business stimulated on the part of secondary or tertiary firms servicing or collaborating with the APDF-sponsored firm, and the like.

- Assure that information on APDF operations, and impact of these operations, is circulated and made known to appropriate audiences, such as UNIDO, FAO and other UN specialized agencies, the World Bank, IMF, information arms of African ministries and bilateral development agencies, and development and scholarly journals.

The APDF currently has regional offices in Abidjan and Nairobi. During the next two years it plans to establish three more field offices in Douala, Cameroon; Harare, Zimbabwe; and Lagos, Nigeria. These three locations have been carefully selected on the basis of both workload and travel considerations. The Douala office will assist Abidjan in covering the Francophone countries, the Harare office will allow better service to the SADCC countries, and the Lagos office will concentrate on the large Nigerian economy. This is discussed more fully on page 3 of Attachment D.

The offices are staffed with personnel seconded from the IFC and qualified African and international professionals. Also, considerable use is made of consultants. Some 160 short-term consultants from 34 countries, including 22 from the U.S., were used during the 1988 operating year. Operations of the field offices and staff are supervised by the Washington-based Project Coordinator who provides the necessary links with the IFC, sponsoring agencies, and the donor countries. The APDF benefits greatly from assistance that the aforementioned entities provide on an informal basis.

A great many of the applications received by APDF are encouraged by APDF staff members who are aware of companies and entrepreneurs that might benefit and grow as a result of APDF assistance. Other applications are received "cold" by mail or in person. In either case new applications are quickly vetted by experienced project offices to determine their apparent viability and adequacy. The usual considerations applied by project and banking institutions are utilized - experience of the owners and managers, track record, financial soundness and financial plan, marketing considerations, technical soundness, etc. Many applications are turned down at this stage. Those that pass this initial screening then are assigned to project officers who work with the applicants to fill gaps in the business plans and make them more sound and attractive to financial institutions. Some applications fall out as this process proceeds because of financial, marketing, technical, or other weaknesses. The final product of the successful applications are well documented, viable, impressive dossiers that clearly describe the projects and are ready for consideration by banks for financing. APDF assists the project sponsors in seeking financing.

B. A.I.D. Support Requirements and Capabilities

The proposed A.I.D. project will be managed by the Bureau for Africa's Office of Market Development and Investment. Up to five percent of the AAA's time will be required for guidance and direction of the project, with a similar requirement for AFR/MDI professional and secretarial staff support.

C. Monitoring and Evaluation

The UNDP, in accordance with established policies and procedures, conducts an annual review of APDF operations, including progress made toward projects completed, investment funds secured, jobs and foreign exchange generated, and sectors of the economy which have been involved. This review and its conclusions are presented in a formal annual report document, which is provided to all donors, and discussed at a meeting of the APDF Advisory Board in November or December. Also, progress reports to the donors are provided at six-month intervals.

A.I.D.'s original grant for Phase I of the APDF called for a mid-point evaluation and a final one in 1990. Accordingly, AFR/MDI financed an evaluation by an independent outside contractor in May 1989 (see Attachment E). UNDP annual reviews of the APDF will continue through Phase II and are to be provided to all donors. With the planned extension of the Facility, AFR/MDI will conduct a mid-term A.I.D. evaluation in mid-1992 in lieu of the 1990 evaluation mentioned above. Also, as a result of a recommendation in the recent AFR/MDI evaluation, the IFC Coordinator has agreed to undertake periodic assessments of a representative sample of projects and companies two to three years after APDF assistance was provided; these assessments will evaluate APDF development impact and consequences to the business enterprise. MDI has just received a letter from IFC confirming this on September 19, 1989 (see Attachment H).

The recent A.I.D. independent evaluation found that our grant agreement objectives are being met. These include progress made in generating business formation by Africans. Also, the APDF's services have generated a high level of response from African entrepreneurs and the completed projects have stimulated private investment, employment creation, and export development. The APDF is consonant with A.I.D. activities in these areas and has interacted positively with USAID Missions, other bilateral assistance programs, international development agencies, and most importantly, African entrepreneurs. Also, the APDF's services and AFR/MDI's investment promotion activities complement each other, and are a valuable resource for USAID programs oriented to promoting investment in private productive enterprises.

D. Conditions and Covenants

The following conditions will be attached to this project. They are generally along the lines of those in the previous agreement.

1. Prior to the approval of A.I.D. funding for APDF, each fiscal year for which such funding may be approved, the UNDP shall furnish to A.I.D. in form and substance

satisfactory to A.I.D., an activities report describing the work of the APDF offices in Africa during the previous year. This report shall include information on the involvement of U.S. firms and consultants in the operations of APDF.

2. Prior to the approval of A.I.D. funding for APDF in each fiscal year for which such funding may be approved, the UNDP shall furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence that other donors have committed adequate funds to assure the effective operation of APDF for the forthcoming operation year.

3. Prior to the approval of A.I.D. funding for APDF in each fiscal year for which such funding may be approved, the UNDP shall furnish to A.I.D., in form and substance satisfactory to A.I.D., certification that total donor contributions were adequate to meet or exceed APDF's budget in the prior year.

V. SUMMARY OF PROJECT ANALYSIS

A. Technical Analysis

Phase II of the project will allow the APDF to continue to provide its project development services to African entrepreneurs seeking to establish or expand private productive enterprises. These services, which have been provided under the IFC managed trial program during the past three years, consisted of assisting entrepreneurs in formulating and screening project ideas; providing technical and consultancy services; identifying and obtaining appropriate technical and managerial personnel; selecting project partners and sources of debt and equity capital; helping foreign investors to identify investment opportunities; and advising local entrepreneurs interested in acquiring parastatal enterprises.

As an extension of an existing project with a positive track record, the Facility represents an effective and efficient international approach to promoting private sector development in Africa. APDF's objectives are compatible with and complementary to A.I.D.'s efforts to support initiatives which enhance the opportunities for private investment, both indigenous and foreign, in Africa. Some examples of APDF's work can be found on pages 11-17 in APDF's 1988 Annual Report, Attachment A. It is worthwhile noting that one of the project's key assumptions was that there was a large number of entrepreneurial investment opportunities in Africa which could effectively utilize project development services. The substantial response from Africa's private sector to the availability of APDF's services, and APDF's performance to date, have provided convincing evidence of the validity of this original assumption.

Based on the APDF's three-year record the record of APDF in dealing effectively with a wide range of projects in some thirty countries, we can conclude that the APDF is technically capable of successfully carrying on its activities through the proposed five-year extension period. It has demonstrated its capacity through hundreds of project reviews, with approximately forty approved projects funded from outside sources. APDF has thus demonstrated its capacity to provide timely, highly professional service on a consistent basis to African entrepreneurs needing business formation assistance, which leads to positive investment decisions.

B. Economic Analysis

Based on the experience to date, the APDF has established a proven track record in providing business formation services to African entrepreneurs who have, with the help of the Facility's project development services, expanded and/or created private business ventures. Significant positive results from this activity include, among others:

- broadening a country's entrepreneurial base;
- creating opportunities for private investment;
- transferring technical and managerial skills;
- generating employment and producing goods and services;
- stimulating exports and foreign exchange earnings;
- mobilizing local capital resources for productive investment in small and medium size enterprises; and
- stimulating foreign investor interest in joint venture projects with local partners.

It is concluded that the project is producing very favorable economic results albeit of relatively modest proportions. However, the project is demonstrating the potential for small and medium size business formation, providing increasing familiarization of this process to a growing number of private investors and financing sources, both internationally and locally. It is also reasonable to conclude that this project will produce sufficient positive experience with small and medium size business formation so that other African private entrepreneurs will be encouraged to emulate this process. By any estimation, the value of the business activity generated will be far greater than the cost of the A.I.D. inputs and those from the other donors.

C. Social Soundness Analysis

The APDF activities generate important beneficial consequences within the social context of a country's development. Job opportunities and skills learning are obvious positive contributions. In addition, and equally as important, the private entrepreneurial class is expanded. It is this middle-class businessperson who will most likely go on to expand and/or create other ventures, thereby generating more employment opportunities, productive investment alternatives for local investors, and support-enterprises supplying goods and services. In the past three years, APDF has screened over 1,000 project ideas, approved and secured financing for 41 projects in 15 countries, representing investments of almost US\$70 million which will create some 3,300 jobs. Just as important, hundreds of African entrepreneurs have been familiarized with the skills for analyzing, structuring, and developing viable business proposals. Having developed sound business proposals, the African entrepreneur is equipped to approach sources of debt and equity financing on a realistic basis. It is concluded that there are no overriding social impediments to this project's successful execution.

D. Administrative Analysis

With the UNDP as the sponsoring agency, and the IFC as its executing agency (program management), the APDF has been able to assemble a highly competent staff and field equally qualified technical and managerial consultants to help provide its project development services. The annual evaluation of APDF and an independent A.I.D. evaluation by AFR/MDI both rated the Facility as an effective organization which has met its initial operational objectives and managed its activities within established budgetary parameters. The Facility has provided valuable venture promotion networking services to U.S. businesses and USAID Missions. The IFC Coordinator in Washington, D.C. takes an interactive, collaborative posture toward American businesses interested in Africa, and a good working relationship exists with AFR/MDI in this regard. It is concluded that the APDF is an efficient and effective manager of A.I.D.'s resources provided under this grant.

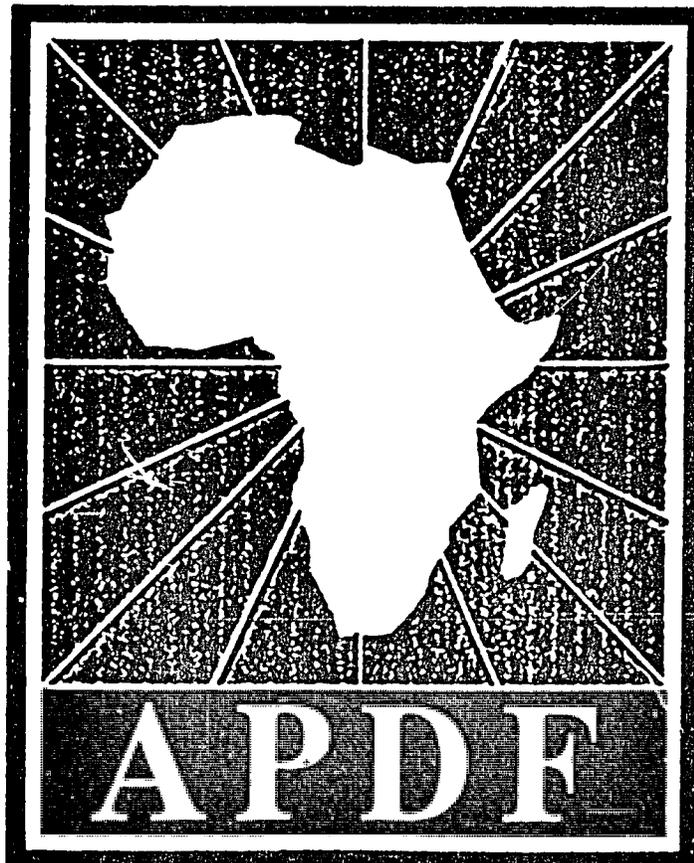
E. Environmental Analysis

The project received a categorical exclusion under the original Project Paper, as per 22 CFR, Part 216, Paragraph (c) (2) (vi), and no change in this status is implied under the proposed extension of the APDF.

ATTACHMENT A
APDF ANNUAL REPORT

The Africa Project Development Facility

REPORT
ON
OPERATIONS FOR THE 12 MONTHS
ENDED OCTOBER 31, 1988



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ENQUIRIES ABOUT APDF

Project proposals and enquiries can be sent to the following address:

Abidjan

APDF Office
Immeuble C.C.I.A.—17th Floor
01 B.P. 8669
Abidjan 01
Côte d'Ivoire
Tel: 32 96 97
Telex: 22264
FAX: 32 61 51

Nairobi

APDF Office
International House
P.O. Box 46534
Nairobi
Kenya
Tel: 722200
Telex: 25303
FAX: 339121

Zurich

APDF Office
Löwenstrasse 1
8001 Zürich
Switzerland
Tel: 1-2212320
Telex: 814456
FAX: 1-2114180

International
Finance Corporation
an affiliate of the
World Bank **IFC**

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The Africa Project Development Facility

REPORT
ON
OPERATIONS FOR THE 12 MONTHS
ENDED OCTOBER 31, 1988

December 21, 1988

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Africa Project Development Facility

Acronyms and Initials

ADB	African Development Bank
APDF	Africa Project Development Facility
BITS	Swedish Agency for International Technical and Economical Cooperation
CCCE	Caisse Centrale de Coopération Economique
CDC	Commonwealth Development Cooperation
CDI	Center for Development of Industry
DEG	German Finance Company for Investments in Developing Countries
DPDC	Danish Project Development Company
EADB	East African Development Bank
FAO	Food and Agriculture Organization of the United Nations
FINNFUND	Finnish Fund for Industrial Development Cooperation Ltd.
FINNIDA	Finnish International Development Agency
FMO	Netherlands Development Finance Company
IBRD	International Bank for Reconstruction and Development
IDA	International Development Agency
IFC	International Finance Corporation
IFU	The Industrialization Fund for Developing Countries
INDECO	Industrial Development Corporation of Zambia
KCB	Kenya Commercial Bank
ODA	Overseas Development Administration
SAC	Sponsoring Agencies Committee
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
SADEC	Southern African Development and Economic Cooperation
SIDA	Swedish International Development Agency
SWEDFUND	Swedish Fund for Industrial Cooperation with Developing Countries

Africa Project Development Facility

12 Months of Operations

Ended October 31, 1988

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ATTACHMENTS

- Attachment 1: Objectives of the APDF
- Attachment 2: Composition of the Advisory Board
- Attachment 3: Staff Chart at October 31, 1988
- Attachment 4: Projects Completed in 1987

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Africa Project Development Facility

Report On Operations for the 12 Months Ended October 31, 1988

I. BACKGROUND

1. The Africa Project Development Facility (APDF, the Facility) was inaugurated in 1986 to address the long-felt need for a mechanism to assist African entrepreneurs in the identification and preparation of viable projects. The project was approved by UNDP in April 1986 under Project Number RAF/85/022. A report dated December 3, 1987 reviewed APDF's first year of operation.

2. This report reviews the operations of the Facility during the 12 months ended October 31, 1988.

II. OBJECTIVES

3. APDF provides advisory services to private entrepreneurs in sub-Saharan Africa in the preparation of viable projects. These services include helping entrepreneurs prepare market, technical and other feasibility studies necessary for project preparation. APDF also identifies promising African entrepreneurs and assists them in organizing, diversifying and expanding their business. The Facility works with these entrepreneurs during the whole cycle of project preparation until funding is secured. The Facility supports projects with individual total investment costs in the range of US\$0.5 to

US\$5.0 million equivalent, but may consider smaller projects depending on economic conditions in the host countries.

4. A more detailed statement of objectives is given in Attachment 1.

III. SPONSORSHIP AND FUNDING

5. APDF is sponsored by the United Nations Development Programme (UNDP) jointly with the African Development Bank (ADB) and the International Finance Corporation (IFC). In addition to funding provided by the three sponsoring agencies, the Governments of 14 countries are providing financial support to APDF. The status of commitments and disbursements as of October 31, 1988 is shown in table 1 on page 6.

6. The Governments of Brazil, India and Israel have indicated their willingness to provide APDF with technical assistance by way of experts who would serve as short-term consultants. In such cases, the Facility covers travel and subsistence costs of these experts while their professional fees would be paid by the donor Governments. The Facility utilized this source of technical assistance in 1988 in a project in Kenya when experts from Brazil were dispatched to review a castor oil project.

Table 1

**STATUS OF COMMITMENTS AND PAYMENTS
AT OCTOBER 1988**

AGENCIES/COUNTRIES	COMMITMENTS		DISBURSEMENTS
	CURRENCY (MILLIONS)	(US\$MILLIONS) EQUIVALENT	(US\$MILLIONS)
UNDP	US\$2.5	2.5	—
IFC	US\$2.0	2.0	1.1
ADB	US\$1.0	1.0	0.6
USA	US\$2.1	2.1	1.4
FRANCE	FF 10	1.6	1.0
GERMANY	DM 3	1.5	0.8
ITALY	US\$1	1.0	1.0
JAPAN	US\$0.8	0.8	0.8
CANADA	CAN\$1	0.8	0.4
NETHERLANDS	DFL 1.5	0.7	0.4
BELGIUM	BF 25	0.8	0.8
FINLAND	US\$0.5	0.5	0.5
NORWAY	US\$0.5	0.5	0.5
DENMARK	US\$0.5	0.5	0.3
SWEDEN	US\$0.5	0.5	0.5
SWITZERLAND	US\$0.5	0.5	0.5
UNITED KINGDOM	£ 0.3	0.5	0.5
GRAND TOTAL:		<u>US\$17.8</u>	<u>US\$11.1</u>

IV. IMPLEMENTATION

7. APDF was established as a regional UNDP project under UNDP Project Document RAF/85/022 dated April 4, 1986. The required number of requests from African Governments needed to launch a regional UNDP project and the minimum necessary financial commitments were obtained by mid-1986 and the official project start-up date was set at July 1, 1986.

8. Since July 1986, IFC has provided five staff to the project and the balance of the core staff for the field offices was recruited internationally. During 1988, APDF recruited a professional staff member to be located in the offices of UNIDO/ITC in Zurich. This position is funded by the Government of Switzerland. A Kenyan professional, Mrs. Mou Charles, currently occupies this position. This position serves as a contact point between the field offices and potential European technical, mar-

keting and financial partners for projects to which APDF is providing assistance in Africa.

V. ORGANIZATION AND STAFFING

9. IFC is managing the APDF as executing agency of this UNDP project. The Facility has an Advisory Board consisting of senior representatives of the three sponsoring agencies and six representatives from the private sectors of Africa and the donor countries. During 1988, Mr. René Chinot, a French national, joined the APDF Board. A list of current members of the Advisory Board is given in Attachment 2.

10. The Board provides APDF management and staff with a forum to discuss policy and operational matters based on experience gained in the field. The presence of private sec-

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tor representatives, particularly from within sub-Saharan Africa, provides APDF with invaluable and relevant business experience. The Board met during the past year in Abidjan in February 1988.

11. In addition to the Advisory Board, a Sponsoring Agencies' Committee (SAC) was established, at the suggestion of UNDP, to provide better coordination between UNDP, ADB and IFC on policy matters concerning the operation of APDF. SAC members meet and consult with each other as and when required.

12. The staff strength at APDF's regional offices currently is 8 professionals in Nairobi and 8 in Abidjan, each office being managed by a Regional Manager. These staff members include two IFC-seconded personnel in each office while the other professionals were hired internationally under 2-year fixed-term renewable contracts. The field staff currently includes five African nationals. Attachment 3 shows the current composition of the Facility staff.

13. In addition, APDF makes extensive use of specialized local and international consultants to complement the skills of the core staff. During the 12 months under review, APDF hired some 160 short-term consultants from 34 countries. As a matter of policy, local consultants are given preference if the needed professional experience is available as a part of APDF's efforts to assist in the transfer of know-how to Africa.

14. Operations of the field offices are supervised by the Washington-based Project Coordinator who provides the necessary links with IFC, the other sponsoring agencies as well as with the donors.

15. The Facility continues to benefit from its contacts in Sub-Saharan countries with ADB, UNDP, IBRD and IFC. The cooperation and assistance of the field staff of these institutions allows APDF to draw on the knowledge of the local situation of these representatives.

VI. OPERATIONS

16. The Facility is expected to operate for a four-year trial period. During this trial period, the Facility is expected to assist in obtaining financing for 100 projects which will have an average capital cost of US\$1 million per project. Although the pace of funded projects is slightly behind original projections, the amount of total investments is on target and may be exceeded.

17. APDF completed its second year of operations on October 31, 1988. The Facility was officially launched on November 1, 1986 and during the first year of operation, the staff devoted a large portion of their time to making the facility known both within the region as well as in Part 1 countries. During this second year of operations, APDF was able to concentrate on the actual preparation of projects identified in the first year as well as on some of the 500 projects submitted to APDF in 1988 for assistance. During the year ended on October 31, 1988 the Facility prepared some 70 project reports and secured financing for 28 projects which will represent investments of US\$45 million equivalent. Details of these completed projects are provided later in this section.

18. In reviewing the results of the year, it is important to bear in mind the economic differences which prevail in West/Central Africa compared to those of Eastern/Southern Africa. The private sectors in many countries of Western/Central Africa are encountering serious impediments. These difficulties include the effects on existing industries of the current economic structural adjustments which are aggravated by a reluctance on the part of many foreign and local commercial banks and investors to increase their exposure in the region. This situation has made the work of the APDF team in Western/Central Africa difficult and a number of valid and sound project proposals have not yet been realized because of a lack of funding sources or because of last minute decisions by banks or investors not to provide the financing needed. In Eastern and Southern Africa, one

finds more interest on the part of local and foreign investors as one can see by the number of institutions which participated in financing APDF-assisted projects. At the same time, the commercial and development banking sectors are active in most countries in this region.

19. Despite the difficulties encountered during 1988, APDF provided a number of African entrepreneurs with assistance in securing financing which will allow them to proceed with their projects. The experience gained by APDF to date indicates that almost all project proposals which APDF agrees to prepare change substantially by the time they have been prepared by APDF for presentation to sources of finance. This usually results in a strengthening of these projects and is a major contribution of the Facility. For example, in Nigeria APDF advised a project sponsor against growing anturiums for the North American market and the project is now producing roses for the European market.

20. Banks in the region and elsewhere are also benefiting from the work of the Facility as they now are seeing an increasing flow of sound proposals which are submitted to them after being reviewed and prepared by the Facility. This has resulted in close relationships between commercial and development banks with APDF both within and outside the region. An increasing number of these financial institutions are referring clients with project proposals to APDF for assistance. The professional approach of APDF to project preparation assists financial institutions in their credit analysis of projects submitted. Examples of APDF collaboration with commercial and development banks can be seen later in this section in the individual descriptions of projects for which APDF assisted in obtaining financing in 1988.

21. A further contribution from the Facility is to draw on local and international expertise and to put it at the disposal of the local promoters. During 1988, APDF contracted some 160 experts from 34 countries for short term assignments which included quick assessments of the

local or foreign markets, assessments of second hand equipment, the identification of new technologies, designs of business plans, and detailed technical assessments of the costs of project proposals. APDF has developed an extensive network of experts through its contacts with the sponsoring and bilateral agencies and through its growing network of national and bilateral development banks. This network allows the Facility staff to consult with many sources to identify experts and expertise to assist African entrepreneurs. The professional standards set by APDF are assisting local consultants in increasing their experience while at the same time assuring them that not only will their professional work be closely reviewed and evaluated but that their own local and international reputations will be enhanced by their association with the work of APDF. The Facility has developed a network of capable and experienced local consultants as APDF continues to make special efforts to develop local consultant capacity.

22. During the 12 months to October 31, 1988, 508 projects were submitted to APDF as shown in table 2.

23. The flow of new projects identified in 1988 (table 2) remained at the same level as in 1987 in the Eastern and Southern region, however, the number of new projects identified in the West/Central region decreased by 31%, reflecting the increasingly difficult economic situation in this region. In both regions, the "Agro Industry and Fishing" category continues to represent the largest single type of project.

24. The analysis of projects by size (table 3) indicates that during 1988 the number of projects with costs higher than US\$5 million increased substantially. This could be an indication that APDF is gaining credibility with entrepreneurs able to undertake more substantial projects. These established entrepreneurs may have been reluctant to call on APDF until the facility had shown its ability to deliver real assistance.

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Table 2

**SUMMARY BY SECTOR OF PROJECTS SUBMITTED TO APDF
IN YEARS ENDED OCTOBER 31, 1988 AND 1987**

REGION	1988						1987	
	WEST/CENTRAL		EAST/ SOUTHERN		TOTAL		TOTAL	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
Agro-industry & Fishery	101	49	163	54	264	52	278	46
Manufacturing	49	24	94	31	143	28	157	26
Transport & Pharmaceuticals	34	16	15	5	49	10	23	4
Tourism	13	6	30	10	43	8	25	4
Other	9	5	—	—	9	2	119	20
TOTAL	206	100	302	100	508	100	602	100

Table 3

**SUMMARY BY PROJECT SIZE OF PROJECTS SUBMITTED TO APDF
IN YEARS ENDED OCTOBER 31, 1988 AND 1987**

REGION SIZE IN 000'S US\$	1988						1987	
	WEST CENTRAL		EAST SOUTHERN		TOTAL		TOTAL	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
Up to 5(K)	32	16	98	32	130	26	135	22
5(K) to 1(KK)	42	20	95	31	137	27	92	15
1(KK)-2(KK)	36	17	40	13	76	15	81	13
2(KK)-5(KK)	32	16	10	3	42	8	74	12
Above 5(KK)	16	8	59	21	75	15	29	5
Undetermined size	48	23	—	—	48	9	191	33
TOTAL	205	100	302	100	508	100	602	100

Table 4

**DISTRIBUTION OF TYPES OF PROJECTS CURRENTLY BEING PREPARED BY
APDF
AT OCTOBER 31, 1988 AND 1987**

REGION	1988						1987	
	WEST/CENTRAL		EAST/ SOUTHERN		TOTAL		TOTAL	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
Agro-Industry & Fishing	18	40	31	52	49	47	35	57
Manufacturing	24	53	21	35	45	43	18	30
Transport & Pharmaceuticals	1	2	2	3	3	3	2	3
Tourism	2	5	6	10	8	7	3	5
Others	—	—	—	—	—	—	3	5
TOTAL	<u>45</u>	<u>100</u>	<u>60</u>	<u>100</u>	<u>105</u>	<u>100</u>	<u>61</u>	<u>100</u>

25. The majority of the projects currently receiving APDF assistance (Table 4) continues to be the agro-industry and fishing projects. However, the number and percentage of manufacturing projects is substantially greater in 1988 for both regions. If this trend continues, the preponderance of agro projects receiving APDF assistance may give way to the manufacturing sector. Given the amount of time needed to complete the preparation of projects, the projects currently being assisted by the Facility represent two to three years' efforts. APDF is already having to indicate to entrepreneurs now requesting assistance that there is a substantial lead time before APDF can commence providing assistance.

As APDF has become better known in Africa and in donor countries, it has been able to provide assistance in an increasing number of countries in the region. The 105 projects on which APDF was working on at October 31, 1988 were located in 24 different countries. In addition, there are a further 217 projects in 25 countries which appear sound and which the Facility staff intends to assist in the near future.

26. Table 5 summarizes those projects which APDF assisted in completing financial plans during the year. Details on each project are provided following table 5.

27. APDF regional staff maintain regular contacts with the projects that have received APDF assistance, and the following project reports are based on this follow-up. Attachment 4 provides a report on projects completed in 1987.

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Table 5

AFRICA PROJECT DEVELOPMENT FACILITY (APDF)
SUMMARY OF COMPLETED PROJECTS FOR PERIOD
FROM NOVEMBER 1, 1986 TO OCTOBER 31, 1988

COUNTRY	SECTOR	TYPE	PROJECT COST	EQUITY SECURED BY APDF	LOANS SECURED BY APDF	TOTAL FINANCING SECURED	ESTIMATED	
							US\$MILLION	US\$MILLION
A. Completed Projects to October 31, 1987								
		2 Projects:	2.3	—	2.1	2.1	175	0.5
B. Completed Projects from November 1, 1987 to October 31, 1988								
Botswana	Lumber	Expansion	0.5	0.1	0.4	0.5	280	2.0
"	Paper	New	0.5	—	0.3	0.3	15	—
"	Cosmetics	New	0.5	—	0.3	0.3	25	0.6
Burundi	Brewery	New	0.8	—	0.2	0.2	55	—
"	Poultry	New	0.8	—	0.3	0.3	50	—
Cote d'Ivoire	Zipper	Rehabilitation	0.1	—	0.1	0.1	—	—
"	Fishing	Expansion	1.2	—	0.7	0.7	67	5.3
"	Pencils	New	1.1	—	0.6	0.6	35	0.3
"	Charcoal	New	1.2	0.3	0.7	1.0	33	0.1
Ghana	Tobacco	Expansion	2.5	0.5	1.0	1.5	285	2.5
"	Poultry	New	2.1	—	1.6	1.6	—	—
Kenya	Fertilizer	Expansion	2.9	—	2.9	2.9	35	—
"	Silk Farming	New	0.9	0.4	0.5	0.9	50	—
"	Cashewnut	New	6.7	—	4.5	4.5	250	3.8
"	Tourism	New	5.9	0.4	4.0	4.4	100	3.0
Madagascar	Agriculture	Expansion	2.0	—	1.0	1.0	60	—
Malawi	Coffee	New	0.5	—	0.4	0.4	55	1.5
"	Ginning	New	0.4	—	0.3	0.3	30	—
"	Poultry	Expansion	0.3	—	0.2	0.2	50	—
Mali	Aggregates	New	1.0	—	0.5	0.5	45	—
Nigeria	Rose Farming	New	1.4	—	1.0	1.0	66	0.7
Rwanda	Plant Farming	New	1.4	0.2	0.4	0.6	58	1.7
Tanzania	Handpumps	New	1.3	0.2	0.8	1.0	45	—
"	Flour Mill	Expansion	1.4	—	0.9	0.9	35	—
"	Agriculture	New	3.6	0.8	2.4	3.2	400	1.4
Uganda	Fishing	New	1.5	0.1	0.4	0.5	40	1.3
"	Handpumps	New	1.6	0.2	0.5	0.7	80	—
Zimbabwe	Mining Lights	Expansion	0.7	0.6	0.1	0.7	15	0.6
Sub-Total:		28 Projects	44.8	3.8	27.0	30.8	2259	23.5
Grand Total: (since start-up)		30 Projects	47.1	3.8	29.1	32.9	2434	24.0

Report on Projects Completed in 1988

BOTSWANA

Chobe Forest Industries

28. The company was founded in 1982 to log and produce lumber in Northern Botswana. By 1987, the company faced a major financial crisis. The Botswana Development Bank requested APDF to make a technical and financial review of the project and to establish a business plan to rehabilitate the project and to allow an increase in the indigenous shareholding in the project. APDF carried out this work

and the project is going forward under new management allowing Botswana to expand its exports and safeguard approximately 200 jobs which were in jeopardy.

Yarley Cosmetics

29. This project will manufacture Afro Hair-care Products. The sponsor acquired her experience managing a chain of hairdressing salons. Based on the business plan developed by APDF, the project will involve technical assistance of Johnson Products of USA and will

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manufacture haircare products in a new facility in Gaborone for the local as well as export markets of the SADDEC region. This US\$450,000 project will create some 15 new jobs and provide additional exports for Botswana. The factory building is now close to completion and machinery is due to arrive in the next few months.

Botswana Paper Products

30. This is a new enterprise to manufacture moulded paper containers—principally egg boxes—for the local market using waste paper as the primary raw material. The sponsor approached APDF for assistance in developing the project idea, and in preparing a viable technical and financial package. Once an initial APDF proposal had been submitted to local commercial banks, APDF then provided the sponsor technical and financial assistance in completing his submission for financial support from the Government of Botswana. The venture will also benefit from UNIDO Training Assistance, financed through the UNDP Country Program for Botswana. The factory building is now complete and machinery is due to be ordered by end 1988.

BURUNDI

Impeke Industries

31. APDF assisted a group of Burundi shareholders in obtaining the financing needed for this project which will produce the traditional cereal-based beer consumed widely in East and Southern Africa. The company will be the first to produce this traditional drink in Burundi utilizing industrial standards. The company has obtained financing from the Société Burundaise de Financement and from the Banque de Crédit de Bujumbura. In addition, the company will enter a technical assistance agreement with the Industrial Development Corporation of Zambia (INDECO) to supply brewing equipment and know-how. A grant from the Center for the Development of Industry (CDI) of the European community will cover most of the know-how costs involved. The project will

proceed on a pilot basis at a cost of US\$822,000 prior to deciding on a further expansion. Trial production runs are now underway and APDF has provided technical help to the sponsors during this start-up period.

AVICOM

32. This is a US \$815,000 project to produce poultry feed and day old chicks. APDF assisted the sponsors in reviewing the appraisal report prepared by the Danish partner, The Danish Project Development Company (DPDC). In addition to the financing provided by the technical partner and three local banks (BNDE, BCB and BANCOBU), The Danish Industrialization Fund for Developing Countries (IFU) will hold a portion of the equity. Project implementation has been delayed at least six months due to the illness of one of the principal sponsors.

COTE D'IVOIRE

Comptoir Ivoirien de Fermetures à Glissières (CIFG)

33. CIFG was established in 1985 to manufacture metallic zippers for the Ivorian market. In early 1987, the owner requested that APDF assist him in identifying a technical partner and in securing the loan and equity financing needed to restructure the company and upgrade the manufacturing facilities. APDF carried out a technical and financial review of the company and structured a rehabilitation program involving new investments of US\$108,000. The financing required was to be provided by the Crédit de Côte d'Ivoire, Frida Ltd. of the UK, and Zroko Fasteners, a Belgian zipper manufacturer. Subsequently, the sponsor decided not to implement the project and operations have been suspended.

Péchazur

34. This fish processing company received APDF advice in structuring a viable long-term development program and in expanding/modernizing its existing facilities to meet the in-

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creasing demand for its products in the European markets. This led to the design and implementation of a US\$2.1 million fish processing facility equipped to comply with the health and security standards established by the European Community. Financing for the project was obtained from internal cash generation and a US\$700,000 medium term loan from the Société Générale de Banque de Côte d'Ivoire. The new fish processing facility became operational in May 1988.

Graphicos S.A.

35. This new company will manufacture pencils in Côte d'Ivoire. APDF worked with the local sponsor reviewing the market, identifying sources of technology, estimating the total project cost and developing a business plan to be submitted to potential sources of financing. This US\$1 million project will supply the local market and export to neighboring countries. A portion of the equity needed will be provided by La Financière, an Ivorian venture capital company established by local professionals. The balance of the funding will be provided by the Société Ivoirienne de Banque, Société Générale de Banque de Côte d'Ivoire and the Conseil de l'Entente. Equipment has been ordered and should be delivered in early 1989. The plant facilities are expected to become operational by mid-1989.

La Société Carbonisation Africaine

36. This is a new company established in mid-1988 to manufacture and market industrial charcoal in the Côte d'Ivoire. With APDF's assistance, the project sponsor carried out a comparative analysis of various European charcoal manufacturing technologies and redefined the original project concept on a firmer technical basis. In addition, APDF assisted the sponsor to identify a foreign technical/financial partner and to mobilize the US\$1.2 million of financing. Equity funding amounting to US\$420,000 was provided by the local sponsors, the Dutch technical sponsor, Beckman and the Netherlands Development Finance Company (FMO). Loan financing was ex-

tended in the form of a suppliers credit by Beckman and a medium term loan by FMO. The project is being implemented and is expected to become operational by mid-1989.

GHANA

International Tobacco Ghana Ltd.

37. APDF helped this company in its plans to install additional redrying capacity and to expand tobacco leaf production for exports. APDF put the sponsors in touch with sources of financing for this US\$2.5 million project and helped negotiate with the Central Bank of Ghana arrangements needed for the retention of export earnings to service foreign debt. The project created 285 new jobs, mainly in the rural areas of Ghana. Loan and Equity funding was provided by the Netherlands Development Finance Company (FMO), the Caisse Centrale de Coopération Economique and PRO-PARCO. Project implementation is now underway.

Darko

38. This existing Ghanaian poultry producer obtained APDF assistance in restructuring its farm operations to modernize and expand its operations. APDF also helped the company define the technical scope of the project and establish its financial viability. APDF assisted the sponsors in identifying sources of financing. The Commonwealth Development Corporation (CDC), of the U.K., the Netherlands Development Finance Company (FMO), and the Standard Chartered Bank of Ghana have agreed to provide the term financing needed to implement Darko's modernization and expansion program. Loan agreements have been signed and project implementation has been initiated.

KENYA

MEA Limited

39. This is a locally owned fertilizer company established in 1961. APDF helped develop a

business plan to establish a bulk blending operation in Mombasa to bag bulk deliveries of imported fertilizers. APDF also reviewed the fertilizer market and developed a business plan for the sponsors. The project cost was estimated at some US \$2.9 million. By acquiring a mobile bagging facility, the company will be able to meet the needs of the local farmers and allow Kenya to reduce its import costs by importing fertilizers in bulk rather than the more expensive bagged fertilizer as is currently done. Financing for the project has been secured from the National Bank of Kenya and the company has placed orders for the equipment required.

Sagana Silk

40. The majority shareholders of this pioneering project to manufacture raw silk in Kenya, received APDF assistance in preparing a viable technical package for the project. APDF brought in a team of experts to develop a technical and business plan for this US \$900,000 project, and pilot trials have started. Currently a dispute over land security has developed with one of the project lenders, and efforts are underway to resolve the matter.

Kwale Cashewnut

41. The promoters of this US\$6.7 million Project obtained APDF's help in completing the appraisal of this 3,000 ton per year cashewnut processing factory. APDF conducted an extensive review of the technical viability of the project and assisted the sponsors in approaching sources of finance for their venture. Through a line of credit from the African Development Bank, The Industrial Development Bank of Kenya has provided long term financing for the project, together with the East African Development Bank and the Kenya Commercial Bank. Construction and civil works have commenced at the factory site.

Kongo Beach Hotel

42. Soon after the opening of the APDF Nairobi office the sponsors of this hotel project on the Southern Kenya coast approached APDF

for assistance to raise the finance for a US\$5.9 million tourist hotel on Diani Beach. As a result of recent changes in the tourist market for Kenya, the sponsors agreed to change the concept of the hotel from a large scale tourist facility to an up-market, club-type resort. The Commonwealth Development Corporation (CDC) of the U.K. will provide foreign exchange financing in the form of long term loans and equity, and Standard Chartered Bank of Kenya has agreed to finance the local long term debt required to complete the project financial package. The project is expected to break ground in the first half of 1989.

MADAGASCAR

La Hutte Canadienne

43. This existing Malagasy Company obtained APDF assistance to develop its rehabilitation and expansion program of its existing 25 hectare farm. The APDF study determined the scope of the program which will have an estimated cost of US \$2 million. The project will modernize the farm to allow the company to increase its egg production and to diversify its production. Financing has been obtained from the International Development Agency (IDA), the French Caisse Centrale de Cooperation Economique (CCCE) and from local banks, the BTM and the BNI. Some of the equipment has already been ordered.

MALAWI

W.O. BAPU (private) Limited

44. This firm obtained APDF assistance to acquire an existing tobacco farm and to develop a plan to diversify production into coffee. The project cost was estimated at US\$630,000. APDF employed a coffee expert (from Standard Chartered Estate Management Limited of Kenya) to assist the sponsor in the diversification. Funding for the project has been provided by the local sponsor as well as by the Commercial Bank and Indebank of Malawi. Both local banks will draw their resources from the World Bank Line of Credit for agricultural diversifi-

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cation. Some fifty percent of the projected area has now been planted with new coffee plants.

The Chigonamikango Cotton Ginning

45. This Project will provide a Malawian agricultural company with its own cotton production processing facilities and increase cotton production in the area. The project cost is US\$347,000. APDF reviewed the project concept to establish its viability and assisted the sponsor in identifying suitable funding for the project. APDF also assisted the sponsor in locating and inspecting adequate second-hand equipment to be supplied by the Continental Gin Supply Corporation in Greece. A major source of financing was obtained through the World Bank Agricultural Credit Line which is channelled through the Commercial Bank of Malawi.

Chirambe Estates

46. As part of its privatization program, the government of Malawi has offered for sale a substantial number of enterprises including this poultry farm, which has recently been purchased by a Malawian entrepreneur. APDF provided the sponsor with a fair valuation of the farm, so that he could conduct an informed price negotiation with the government authorities. A mutually acceptable price of US\$0.3 million was agreed, and the purchase has been funded through a USAID—assisted line of credit to the Commercial Bank of Malawi.

MALI

Egebat

47. As part of its privatisation program, the Government of Mali offered a stone crushing plant for sale. A Malian national purchased the quarry in early 1987. He then requested APDF help to define the structure of the project and to secure a local currency loan of US\$ 500,000. Financing was initially proposed by the Caisse Centrale de Coopération Economique with the participation of the local BIAO commercial bank. The project sponsor subsequently opted

to associate himself with a foreign contractor involved in civil works and road construction rather than implement the project approved by the financial institutions. The project has been implemented and is operational.

NIGERIA

African Roses

48. After a review of the original business plan of this flower export project in Kaduna, APDF advised the sponsor that the project concept should be modified to produce roses for the European market rather than anthuriums for the North American market. With the assistance of the French firm Meilland identified by APDF, a new business plan was developed for this project which will cost US\$ 1.4 million. The French firm will act as technical partner. Financing will be provided by a consortium of Nigerian banks headed by the local agricultural development bank. Rose planting has been initiated on a pilot basis to identify the rose varieties best suited for production in Nigeria. Full project implementation is expected to be initiated in early 1989 after a review by the technical partner of the results of this test phase.

RWANDA

Rwanda Exotique

49. The sponsors of this small-scale houseplant export operation in Kigali needed APDF assistance to study the Northern European ornamental market, and to help them secure the finance for the purchase of a 30 HA Farm to expand their operations to full commercial scale. The sponsors had secured access to air-freight space from Kigali and had already begun pilot export sales. After completion of the market study, the Banque Rwandaise du Développement and Edesa agreed to complete the financial plan for the US\$1.4 million project through the provision of equity capital, long term loans and offshore guarantees. Legal arrangements to expand the company are being finalised.

TANZANIA

: *Tanzania Handpump*

50. Through a joint IBRD/UNDP program for the promotion of privately produced water handpumps, the sponsors obtained assistance from APDF in the appraisal and securing the financing of their project. APDF worked closely with the local and foreign sponsors, the government authorities and potential financiers to produce an acceptable project design. With the presence of a strong Finnish partner, Finnfund has agreed to provide all the foreign currency term funds and equity for the US \$1.3 million project. The local sponsors, together with a local commercial bank, have completed the financing needs of this new venture. The company is currently being incorporated.

The Tanzania Food Corporation

51. This existing manufacturer of biscuits and pasta in Arusha, obtained APDF assistance in developing their plan to build a flour mill at a cost of US\$1.4 million. This will improve the company's supply of flour and its overall efficiency by securing a continuous supply of flour. The shareholders have provided the necessary equity for the project while loan financing has been provided by the East African Development Bank and overdraft facilities will be secured from the Tanzanian National Bank. Equipment orders have now been placed with major suppliers.

Farmlands Tanzania Limited

52. As a result of liberalization policies of the government of Tanzania, the sponsor purchased an estate formerly held by the Tanzania Sisal Authority. APDF developed a rehabilitation program consisting of land clearance and replacement of existing Sisal by new crops. The Tanzanian authorities have agreed to allow the company to retain a portion of its export earnings to meet its foreign exchange needs. The total project cost is set at US\$3.6 million, of which the equity needed has been provided by the existing shareholders and loan funding has been provided by the East African Develop-

ment Bank and The Netherlands Development Finance Company (FMO). The company is also expected to obtain technical assistance from the Dutch Agricultural Firm of HVA, financed in part by the Dutch Aid Program to Tanzania.

UGANDA

Victoria Fresh Food Industries

53. This is a new company to be established with APDF assistance to process and sell fish harvested from Lake Victoria for both local and export markets. APDF approached a number of development finance institutions and potential shareholders to obtain finance for this US\$1.5 million venture. The project has now been financed by the local sponsors and the Danish Industrialization Fund for Developing Countries (IFU) and the company is now being formed.

Victoria Handpumps LTD.

54. This is a new US \$1.6 million venture for the production of appropriate technology water handpumps in Uganda. Using the IBRD/UNDP design for low maintenance handpumps, the project has been financed by the Danish Industrialization Fund for Developing Countries (IFU) and the local sponsor. APDF provided a technical team to review the market and the technical aspects of the project and complete the business plan for the venture.

ZIMBABWE

Optimus Zimbabwe

55. The company was founded in 1984 to manufacture pressure stoves and paraffin lamps and is a joint venture between a group of local businessmen, Optimus International of Sweden and the technical partner, Hermann Nier of West Germany. The company is located in Kwekwe, some 200 KMS outside of Harare. APDF helped in planning the expansion of operation to manufacture mining cap lamps and to establish a tool servicing operation. APDF carried out market and financial studies for this

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US\$647,000 project which obtained the necessary financing from the partners and from Swedfund of Sweden and the Industrial Development Corporation of Zimbabwe. In addition, BITS, the Swedish Agency for International Technical and Economic Cooperation and DEG, the German finance company for investment in developing countries, have arranged to provide the company with technical assistance to train personnel.

VII. BUDGET

56. APDF was set up for a four-year trial period ending on June 30, 1990. The APDF budgets are established by the Executing Agency and approved by UNDP. A comparison of budgeted and actual expenses for the 12 months ended October 31, 1988 and actual 1987 expenses is shown below.

Table 6

BUDGETED AND ACTUAL EXPENDITURES FOR PERIOD NOVEMBER 1, 1987 TO OCTOBER 31, 1988

(XXX's of US\$)

	<u>BUDGET 1988</u>	<u>ACTUAL 1988</u>	<u>ACTUAL 1987</u>
1. SALARIES AND BENEFITS			
Core Staff	2095	2042	1725
Support Staff	<u>231</u>	<u>287</u>	<u>192</u>
	2326	2329	1917
2. CONSULTANT FEES	<u>1573</u>	<u>1288</u>	<u>334</u>
3. OPERATING COSTS			
Operational travel	394	354	310
Agency costs	320	320	—
Equipment	30	126	441
Office expenses	326	569	372
Prev. years' expenses	—	68	190
Total operating costs	<u>1070</u>	<u>1437</u>	<u>1313</u>
Grand total	<u>4969</u>	<u>5054</u>	<u>3564</u>

57. The costs of running the regional offices of the Facility were substantially underestimated for this first year of full operations. For example, the heavy volume of telephone and other communications which are expensive in the region. The 1988 equipment purchases consisted mainly of computer and office equipment needed to be able to prepare the increased number of project reports. Overall, total facility expenditures were slightly above budget for the year.

VIII. CONCLUSION

This second year of operations of APDF has provided the Facility staff with a unique insight into the aspirations and difficulties of the indigenous entrepreneurs. It is encouraging to see that the flow of project ideas continues to be strong, indicating that the African entrepreneurs continue to be willing to shoulder an increasing share of the economic activities in their countries.

It is disconcerting, on the other hand, to see experienced indigenous entrepreneurs promoting valid and sound projects who are unable to secure the financing for their ventures. It is quite clear that there is a growing need to increase the available equity funding in the region. Entrepreneurs throughout the world tend to invest all their available capital in their ventures and when an opportunity appears to expand or modernize their enterprises, they often do not have the capital required by lending in-

stitutions to finance their projects. During the last year, a number of institutions put into place new instruments to address this pressing problem. This will be an area where more assistance will be needed in the future.

Based on the experience gained by APDF since its inception, it is clear that there is a real need for the services of APDF. During the year, the Facility was able to put together the financing needed for 28 projects and the current pipeline of projects indicates that this rate of success can be maintained in the future, despite the difficult situations encountered in some countries.

APDF's current financing will allow the Facility to complete its first term which ends in June 1990. Decisions will be needed concerning a possible extension and expansion of APDF for a second term. A concrete proposal along these lines will be made to the donors in 1989 in order to obtain an early indication on the future of APDF.

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Attachment 1

AFRICA PROJECT DEVELOPMENT FACILITY (APDF)

OBJECTIVES OF THE FACILITY

The general goal of APDF is to contribute to the acceleration of productive enterprises sponsored by private African entrepreneurs by:

- (a) Assisting African entrepreneurs on a direct and confidential basis in formulating and screening projects ideas;
- (b) Providing guidance and, on a selective basis, making technical and consultancy services available to African entrepreneurs who need project preparation and feasibility studies in order to promote and implement sound project ideas;
- (c) Assisting African entrepreneurs with viable project proposals to identify and obtain appropriate technical and managerial personnel and, if needed, technical partners on terms which are equitable and fair;
- (d) Assisting African entrepreneurs to select project partners, and sources of equity and loan finance on appropriate terms;
- (e) Advising private foreign investors or financial institutions seeking to identify investment opportunities and/or local partners in sub-Saharan Africa by bringing the parties together and helping to negotiate fair and equitable conditions of cooperation; and
- (f) Advising African entrepreneurs interested in purchasing local companies from foreign shareholders or acquiring parastatal enterprises which member countries wish to privatize.

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Attachment 2

AFRICA PROJECT DEVELOPMENT FACILITY (APDF)

**COMPOSITION OF THE ADVISORY BOARD
AT OCTOBER 1988**

Chairman:

Mr. Pierre-Claver Damiba, Assistant Administrator & Regional Director for Africa, UNDP

Members:

Mr. J. B. Améthier, President, S.A.P.H, Abidjan, Côte d'Ivoire

Mr. Thomas Bata Sr., Chairman, Bata Limited, Toronto, Canada

Mr. R. Chinot, former Senior Executive with Caisse Centrale de Coopération Economique (CCCE), Paris, France

Mr. Makarand Dehejia, Vice President Engineering, IFC

Mr. Leon Hermans, Chairman, ENBI, The Netherlands

Mr. Babacar NDiaye, President, African Development Bank

Mrs. Esther Ocloo, Chairman, Nkulenu Industries, Accra, Ghana

Mr. J. Wanjui, Chairman, East Africa Industries, Nairobi, Kenya

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Attachment 3

AFRICA PROJECT DEVELOPMENT FACILITY (APDF)

STAFF CHART AT OCTOBER 31, 1988

	<u>NATIONALITY</u>
<u>COORDINATOR</u>	
Alexander N. Keyserlingk	Canadian
<u>ABIDJAN OFFICE</u>	
André Cracco, Regional Manager	Belgian
Robert Chomé	Belgian
Ralph Daniels	American
Pierre Gyss	French
Frans Hesse	Danish
Omari Issa	Tanzanian
Louis Ngassa-Batonga	Cameroonian
Sekou Soumahoro	Ivorian
<u>NAIROBI OFFICE</u>	
Richard Parry, Regional Manager	United Kingdom
Giovanni Gneccchi-Ruscione	Italian
Patrick Henfrey	United Kingdom
John James	Zimbabwean
Robin Kimotho	Kenyan
Hans-Jorgen Nyegaard	Danish
Robert Shakotko	Canadian
John Thompson	Irish
<u>ZURICH OFFICE</u>	
Mou Charles	Kenyan

Report on Projects Completed in 1987

KENYA

Bulley's Tannery

The company was officially taken out of liquidation and placed under new ownership on November 29, 1988. Further expansion and modernisation plans are expected to be implemented during 1989.

Trade and Enterprise

The company's financial situation has improved and most bank loans have now been repaid. The sponsors are seeking APDF assistance to develop an expansion into the production of roses.

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ATTACHMENT B

IFC REQUEST LETTER FOR APDF EXTENSION

Africa Project Development Facility
SERVICE DE PROMOTION ET DE DEVELOPPEMENT
DES INVESTISSEMENTS EN AFRIQUE

1818 H Street, N.W.
Washington, D.C. 20433
USA

Telephone: (202) 676-1023
Telex: 248423

August 4, 1989

Mr. Walter Bolliger
Acting Assistant Administrator
Africa Bureau
U.S. Agency for International Development
Washington DC 20523

Dear Sir:

The mandate for Africa Project Development Facility (APDF), a technical assistance project established in June 1986 under the auspices of the United Nations Development Programme (UNDP) to provide advisory services to small and medium-scale private African entrepreneurs, runs out in June 1990. The first phase of this project has demonstrated that there is a very strong need for the type of assistance APDF can offer and that APDF is able to respond to these needs. The purpose of this letter is to seek the support of your Agency for the continuation and expansion of the APDF.

We have been very encouraged by the enthusiasm and dynamism of the African private entrepreneurs in moving ahead with sound project ideas. We were frankly overwhelmed by the large number of requests for services submitted to APDF. This is a clear signal that the private sector in Africa is willing to assume an increasingly important role which is essential for the long term development of the continent.

As we had expected, a very important element of the APDF services has been the ability of the Facility to draw on consultants and firms from many countries including some 21 consultants and 6 firms from the United States. In addition, the first three years have allowed the Facility staff to develop a wide network of relationships with local and international financial institutions which have participated in APDF funded projects.

Based on the encouraging results of the first three years. I feel that it is important to assure that APDF is given the means to continue and to expand its operations beyond the first trial period. I am pleased to inform you that the IFC's Board of Directors will consider the expansion and extension of the Facility and a financial contribution by IFC of US\$6 million at a Board meeting scheduled for September 1989. In this second phase we propose to operate the Facility for a 5 year period commencing in July 1990 and to open 3 additional field offices to be located in Douala, Harare and Lagos.

It is our intention to continue this second phase of the project as a UNDP project and we hope that we can count on the support of the many countries and agencies which are working with us on this project.

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The second phase of this project will require some US\$43 million to operate for a five year period. To reach this level of funding, will require that donors provide funding equivalent to 3 times the commitments given for APDF I. In order to be able to start recruiting the additional staff needed by mid-1990, we hope to have financial commitments by November or December of 1989.

It is in this connection that I now request your Agency consider providing the APDF with a co-financing commitment of about US\$5 million equivalent to about 2.5 times the US commitment to APDF 1. These funds would be disbursed in five equal installments in 1990 through 1995. We expect that funds provided before June 30, 1990 would be utilized during the calendar year ending September 30, 1990 as APDF 2 is expected to be operational by this date.

We look forward to continuing support of your Agency in this important initiative to support the African private sector.

Yours sincerely,



Makarand V. Dehejia
Vice President

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ATTACHMENT C

BOLLINGER LETTER OF REPLY

WG 29

Mr. Makarand V. Dehejia
Africa Project Development Facility
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Dehejia:

We wish to acknowledge receipt of your letter of August 4, 1989, requesting that the Agency for International Development consider a further financial commitment to help support the extension of the Africa Project Development Facility (APDF) over the 1990-1995 period.

We take this opportunity to congratulate you and your colleagues associated with the management of the APDF program. Its advisory services are making an important contribution to private sector development in Africa. We have started our review process. As you may know, our own evaluation of APDF activities over the past three years has indicated that the program is meeting its stated objectives and represents an effective response to meeting the needs of African entrepreneurs seeking to develop productive private enterprise investment.

We hope to be able to provide you soon, with a definitive response regarding our final decision on A.I.D.'s participation.

Sincerely,

Walter

Walter G. Bollinger
Acting Assistant Administrator
Bureau for Africa

Clearances: AFR/DP/PAB, L. Stamberg _____
AA/AFR: ELSaiers _____
AFR/PD/SWAP, B. Burnett _____
AFR/MDI, K. Swanberg _____

FJohnson: 0852M: scp: 08/22/89: Stamberg/Johnson: vmf: revised: 8/23/89

ATTACHMENT D

IFC BOARD PROPOSAL FOR APDF EXTENSION

FOR OFFICIAL USE ONLY

Not USG classified

FOR
BOARD OF
DIRECTORS'
MEETING

For consideration on
Tuesday, September 12, 1989

IFC/R89-101

FROM: The Secretary

August 4, 1989

PROPOSED EXPANSION AND EXTENSION OF THE
AFRICA PROJECT DEVELOPMENT FACILITY (APDF)

Attached is a memorandum from the President entitled "Proposed Expansion and Extension of the Africa Project Development Facility (APDF)" dated August 3, 1989.

Questions on this document should be referred to Mr. Keyserlingk (X30508).

Distribution:

Directors and Alternates
President
Executive Vice President
Vice Presidents
Department Heads

For Information:

Senior Vice Presidents, Bank
Senior Management Council
Directors and Department Heads, Bank

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without IFC authorization.

YB

BARBER B. CONABLE
President

August 3, 1989

MEMORANDUM TO THE DIRECTORS

**Subject: Proposed Expansion and Extension of the
Africa Project Development Facility (APDF)**

Introduction

The mandate for the Africa Project Development Facility (APDF), a technical assistance project established in 1986 under the auspices of the United Nations Development Programme (UNDP), runs out in June 1990. The purpose of this memorandum is to seek the Board's approval in principle that the Corporation participate in the proposed expansion and extension of the Facility.

Background

The Board approved the creation of APDF in 1985 (IFC/R85-123). The project co-sponsors, the UNDP and the African Development Bank (ADB), granted their approvals on November 3, 1985 and March 3, 1986, respectively. The project was officially inaugurated on July 1, 1986 and began operations in the field on November 1, 1986.

APDF provides advisory services to private entrepreneurs in Sub-Saharan Africa in the preparation of viable projects. These services include helping entrepreneurs prepare market, technical and other feasibility studies necessary for project preparation. APDF also identifies promising African entrepreneurs and assists them in organizing, diversifying and expanding their businesses. The Facility works with these entrepreneurs during the whole cycle of project preparation until funding is secured. The Facility supports projects with individual total investment costs in the range of US\$ 0.5 million to US\$5.0 million equivalent, but may consider smaller projects depending on economic conditions in the host countries.

APDF's activities are funded by contributions of US\$18.2 million equivalent from the three sponsors and 14 donor countries. In addition, three countries are providing assistance in kind. This funding will be sufficient to continue operations until the end of FY 90.

Operations are carried out through two regional offices - one in Abidjan and the other in Nairobi - which serve a total of 45 countries in Sub-Saharan Africa. APDF has a staff of 17 professionals, including 5 IFC headquarters staff on secondment.

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In the 36 months since its start-up, APDF has assisted in securing financing for 41 projects in 15 countries, representing investments of some US\$69 million which will create some 3,300 jobs. In addition, 169 other projects are currently receiving APDF assistance and some of these will be completed during FY 90. Based on these results, the actual number of projects helped in the first four years should reach 80 to 90 projects of the 90 to 120 individual projects originally expected, despite the longer than anticipated time needed to launch the Facility and to identify the first projects. In addition, APDF 1 should surpass the original estimates of assisting projects representing an aggregate cost of US\$ 100 million.

Most importantly, APDF currently has some 200 pending requests for assistance which it is unable to service because of staff constraints. It is clear that APDF responds to a deep-seated need for technical advisory services in Sub-Saharan Africa and that, during its three years of operations, it has established a reputation for high quality, professional service. The donor community is encouraging IFC to consider ways and means of extending and expanding APDF's mandate.

APDF 2

The attached paper outlines a proposal for such an expansion of the Facility. It proposes that (a) the mandate be extended for a further period of five years ending June 1995; and (b) the number of field offices be increased in a phased manner from the present two to five with new offices being located in Douala, Harare and Lagos. APDF 2 would continue to operate as a UNDP project with IFC as the Executing Agency and the ADB as the Regional Sponsor - a formula that has worked very well.

Five-Year Term

It is expected that the need for the services of the Facility will continue and possibly increase during this period as more countries take measures to support the private sector. Based on the experience gained, it takes approximately one year to prepare a project and 18 months or so to implement it. By setting a period of five years, the Facility will be able to operate through four to five project cycles and thus increase the number of entrepreneurs assisted as well as gain valuable insights based on the implementation of these projects. With a five-year mandate for APDF 2, both entrepreneurs and staff of APDF 2 will be able to concentrate for an extended period on the goals of the Facility.

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- 3 -

Additional Field Offices

The expanded Facility would allow APDF to meet a greater portion of the demand while at the same time maintaining the supervision necessary to keep the high standards of professional work of the Facility staff.

Each APDF office currently covers some 22/23 countries which is a vast area requiring extensive travel. This results in an uneven coverage of the countries which are farther away from the regional offices. A continuing presence of an APDF office in a country or in a sub-region materially enhances the ability of the Facility to develop the trust and relationships needed in this kind of work.

It is proposed that the three new offices be located in Douala, Cameroon, Harare, Zimbabwe and Lagos, Nigeria. Air travel connections from Lagos, Douala and Harare to other countries in the neighboring regions are adequate. The office in Harare would allow better service to the SADCC countries. The Lagos office staff would concentrate its work on Nigeria, the largest economy in the region. The Douala office would cover the Francophone Central African countries. This will allow the Abidjan team to concentrate its full efforts on the other countries of West Africa. The current project pipeline indicates that there is already sufficient work for the proposed additional offices.

Eight professionals in each office is the maximum level of staff and related pipeline that a Regional Manager can adequately supervise. Under APDF 2, there would initially be four staff in each of the three new offices, while the staff in each of the two existing offices would remain at eight.

At start-up, the new regional offices would be linked. The Harare office would take over part of the Nairobi office project pipeline and the new Douala and Lagos offices would assume projects currently in the Abidjan pipeline. The staff of the Nairobi and Abidjan offices will assist the new offices during the start-up period which will ensure continuity and a quick start-up.

Funding

Preliminary discussions with donor countries and agencies indicate that there is strong support for a continuation and enlargement of the Facility. The funding needed for APDF 2 is estimated at US\$ 43 million. The Board of Directors is requested to approve, in principle, an annual budget allocation of US\$ 1.2 million in the fiscal years 1991 through 1995 for a total contribution by IFC of US\$ 6 million. IFC's participation at this level would represent 14% of the total funding required for APDF 2. For APDF 1, the IFC Board approved a contribution of US\$ 2 million over the four years which represented 14% of the US\$ 14 million sought at that time to fund the first phase of the project. Maintaining IFC's contribution at this same level of 14% in APDF 2 would be a signal to other donors of the Corporation's continued strong support.

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Staffing and Consultants

As in APDF 1, it is proposed that the Regional Managers be IFC seconded staff. This arrangement has served to maintain IFC standards and relationships and has facilitated the rotation of the field staff to and from headquarters. The Project Coordinator's position will continue to be staffed by an IFC professional, based in Washington, to maintain overall control of the Facility and to interact with donor countries and agencies. The Coordinator's office will be strengthened to deal with the increased administrative and budget work of an expanded APDF.

The balance of the professional staff will be made up of experts currently with the Facility and others recruited internationally. APDF has been successful in attracting a broad range of capable professionals including 5 from Sub-Saharan Africa.

A major contribution of APDF has been its ability to bring the expertise of local and international professionals and consultants to African entrepreneurs. Special efforts will continue to be made to identify and utilize local consultants in order to ensure that local skills and experience are enhanced.

Complementarity with IFC's Africa Enterprise Fund (AEF)

IFC's Africa Enterprise Fund will provide financing for projects of the size targeted by APDF. As the AEF becomes fully operational, several projects will benefit from AEF funding. Already two APDF assisted projects have secured funding commitments under AEF and other projects are being considered.

Implementation and Sustainability of APDF 2

APDF 2 would become effective when funding commitments of US\$ 24 million have been received. This level of funding would allow APDF 2 to operate the two existing field offices for a period of five years. During the five-year period of APDF 2, the facility staff will continue to ensure that a portion of the costs of project preparation is borne by the entrepreneurs. Several other proposals are being considered in the region including the possibility of establishing fee-charging financial institutions that could also take equity positions and management advisory responsibility for some APDF projects in certain areas.

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Administrative Arrangements

Since project start-up, annual reports to the Corporation's Board of Directors and to donors on the activities of the project (IFC/SEC M87-210 and M88-187) were submitted and interim reports were also circulated. In addition, annual financial reports required by UNDP have been prepared. An independent review of the project was also carried out in 1988 by Mr. M. Lemma, the former Governor of the Central Bank of Ethiopia. This report was also circulated to donors and to the Board.

The project has an Advisory Board which brings together representatives of the sponsoring agencies and six persons from the private sector. This Board has met four times since project start-up and has provided the Facility with valuable advice and counsel. The Board met most recently in Nairobi in February 1989. Donors' meetings were held in Abidjan in February 1988 and in Paris in April 1989. The latest donors' meeting indicated that there is strong donor support for the continuation and expansion of APDF.

Recommendation

I recommend that the Board of Directors indicate its approval in principle that the Corporation participate in the proposed expansion and extension of the Africa Project Development Facility substantially as outlined in the attached memorandum, subject to reaching satisfactory agreement with UNDP, ADB and other donors. After negotiations with other donors are completed, a report on the outcome, together with a recommendation from the President regarding the proposed contribution by the Corporation in light of such outcome, will be submitted to the Board of Directors for approval.

Bruce B. Cable

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Annex 1

PROPOSED
EXPANSION AND EXTENSION OF THE
AFRICA PROJECT DEVELOPMENT FACILITY (APDF 2)

August 1, 1989

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I INTRODUCTION

1.1 The Africa Project Development Facility (APDF, the Facility) was established in 1986 on a four-year trial basis to test whether such a facility could assist African entrepreneurs in identifying and preparing project proposals and in obtaining equity and loan financing for them. The original trial period ends June 30, 1990. An early decision on the future of the Facility is being sought in order to allow the work of the Facility to continue without interruption. At a meeting of donors held on April 27, 1989, strong support for the continuation of this initiative was expressed. This second phase of the project will be known as APDF 2.

II BACKGROUND

2.1 APDF 1 was launched in 1986 as a UNDP technical assistance project. The participation of IFC was approved by the Board on December 5, 1985 (IFC/R85-123). The African Development Bank (ADB) and the UNDP also confirmed their participation on November 3, 1985 and March 3, 1986, respectively. These three sponsoring agencies and 14 donor countries are providing the funding needed to operate the Facility. Two reports on APDF activities dated December 4, 1987 (IFC/Sec M 87-210) and December 27, 1988 (IFC/Sec M 88-187) have been circulated to the Board of Directors. An independent review of the Facility was carried out in late 1988 by Mr. Mcnasse Lemma, former Governor of the Central Bank of Ethiopia. This report was also circulated to the Board members (Operations Review of the Africa Project Development Facility, December 1988).

III OBJECTIVES

3.1 APDF provides advisory services to private entrepreneurs in Sub-Saharan Africa in the preparation of viable projects. These services include helping entrepreneurs undertake market, technical and other feasibility studies necessary for project preparation prior to submission of the projects to financial institutions and potential investors. APDF also identifies promising African entrepreneurs and assists them in organizing, diversifying and expanding their businesses. The Facility staff works with these entrepreneurs during the whole cycle of project preparation until funding is secured. The Facility also assists entrepreneurs from outside Africa who are seeking joint ventures with African entrepreneurs. The Facility supports projects with individual total investment costs in the range of US\$ 0.5 million to US\$ 5 million equivalent, although it has been flexible in assisting projects both below and above this target range where economic conditions have justified APDF assistance.

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3.2 A more detailed listing of the APDF objectives is given in Attachment 1.

IV CURRENT STATUS OF APDF 1

4.1 The project was officially launched on July 1, 1986. During the next four months, regional offices were established in Abidjan, Côte d'Ivoire and in Nairobi, Kenya and the international staff of 12 professionals was recruited. In addition, since the beginning of the project, IFC has assigned four staff members to manage the field operations and has assigned an IFC staff member as the Project Coordinator. The current staff complement is listed in Attachment 2.

4.2 Currently, the regional offices in Africa are staffed with eight professionals in each office. The staff represents a cross-section of nationalities and includes five African nationals. A special effort was made to identify qualified nationals from Sub-Saharan Africa. The short term nature of the employment contracts which APDF can offer makes it difficult to attract qualified staff interested in long-term careers. Several of the professionals were able to secure leaves of absence from their employers to assure re-entry on completion of their work with the Facility.

4.3 In August 1988, an African national was assigned as an APDF delegate in the Zurich offices of UNIDO. The Swiss Government funded this position in addition to its direct contribution. This position was created on a trial basis for one year to test whether it could effectively act as a liaison for the field staff in cases where sources of technology, finance, or markets were sought for projects being assisted by APDF. Based on the experience of this trial year, it has been agreed that such an office is not cost effective. In agreement with the Swiss authorities, this position will not be renewed.

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4.4 The Facility benefits from the support of an Advisory Board which is currently made up of senior representatives of the sponsoring agencies and six persons drawn from the private sector. Attachment 3 shows the composition of this Board. The Board has met four times since project start-up and its most recent meeting was held in Nairobi, in February 1989.

4.5 Furthermore, there is a Sponsoring Agency Committee (SAC) consisting of representatives of the UNDP, ADB and IFC which meets periodically to discuss policy matters and to assure adequate coordination between the agencies involved. The SAC met in July 1989.

4.6 By June 1989, financing for 41 projects had been secured with the help of APDF. These projects represent total investments of some US\$ 69 million of which APDF helped secure some US\$ 46 million. Attachment 4 shows the results of the Facility from start-up to June 30, 1989.

4.7 Based on these results, APDF 1 should surpass the original estimates of assisting projects representing an aggregate cost of US\$ 100 million. Given the time needed to launch the Facility and to identify the first projects, the actual number of projects helped in the first four years should reach 80 to 90 projects of the 90 to 120 individual projects originally projected.

4.8 Increasingly, the Facility has been applying the principle that the entrepreneurs and project promoters should bear a portion of the cost of the services provided by the Facility. The Facility currently requires payment of a combination of fees depending on the project, the sponsor and country circumstances. The types of fees applied are shown below:

1. a flat front-end fee varying from US\$ 1000 and upwards;
2. a share in the cost of consultant fees and/or consultant travel or subsistence costs;
3. a fee of between 0.25 and 1% of funds secured by the Facility.

4.9 To date, fees or cost sharing arrangements have been made on some 85 projects under study or completed. Promoters have paid some US\$ 175,000 towards the costs of APDF engaged consultant fees and expenses and a further US\$ 25,000 of front-end fees.

4.10 Although these fees will not provide substantial revenues to the Facility, they are a means to ascertain the level of commitment of the promoters and their ability to provide funding and to secure the equity needed. Fees also extend the resources of APDF available to bring in experts to assist in project preparation.

4.11 These fees will continue to be applied to assure the participation of the promoters in the costs of APDF services. Through the payment of fees, project promoters are forced to recognize the costs and value of APDF assistance. In some of the larger APDF projects the combination of cost sharing and success fees will cover the cost of APDF intervention.

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V FUNDING AND EXPENDITURES OF APDF 1

5.1 Funding for the first phase of the project is being provided by the sponsoring agencies and by the Governments of 14 countries. Current commitments will allow the Facility to complete its first term. Commitments and expenditures at June 30, 1989 are shown in Table 1 (next page).

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Table 1

APDFSTATUS OF COMMITMENTS
AT JUNE 1989

AGENCIES/COUNTRIES	COMMITMENTS	
	CURRENCY (MILLIONS)	(US\$ 000'S) EQUIVALENT
UNDP	US\$2.5	2,500
IFC	US\$2.0	2,000
ADB	US\$1.0	1,000
USA	US\$2.1	2,100
FRANCE	FF 10	1,600
GERMANY	DM 3	1,500
ITALY	US\$1	1,000
JAPAN	US\$1.2	1,200
CANADA	CAN\$1	800
NETHERLANDS	DFL 1.5	700
BELGIUM	BF 25	800
FINLAND	US\$0.5	500
NORWAY	US\$0.5	500
DENMARK	US\$0.5	500
SWEDEN	US\$0.5	500
SWITZERLAND	US\$0.5	500
UNITED KINGDOM	STL0.3	500
GRAND TOTAL		<u>18,200</u>

BUDGET FOR PERIOD JULY 1, 1986 TO JUNE 30, 1990
AND EXPENDITURES TO JUNE 30, 1989
(US\$ 000's)

	Total Budget	%	Total Expenditures to June 30, 1989	%
<u>1. SALARIES AND BENEFITS</u>				
Core staff	6,775	37	4,644	35
Support staff	982	5	720	5
Total Salaries and Benefits	<u>7,757</u>	<u>42</u>	<u>5,364</u>	<u>40</u>
<u>2. CONSULTANT FEES AND EXPENSES</u>	<u>4,654</u>	<u>26</u>	<u>222</u>	<u>20</u>
<u>3. OPERATING COSTS</u>				
Operational travel	1,300	7	987	7
Equipment	791	5	714	6
Office expenses	2,277	12	1,672	13
Executing Agency costs	1,421	8	1,095	9
Total Operating Costs	<u>5,789</u>	<u>32</u>	<u>4,468</u>	<u>35</u>
Total Expenditures	<u>18,200</u>	<u>100</u>	<u>13,254</u>	<u>100</u>

5.2 In addition to the funding shown in Table 1, the Governments of Brazil, India and Israel have agreed to provide APDF with experts who serve as short term consultants for entrepreneurs receiving APDF assistance. In such cases, the Facility covers the travel and subsistence costs of these experts while their professional fees are covered by the respective governments. The Facility expects to increase its use of these arrangements in the future years. To date, the Facility has used 2 experts from Brazil and formal arrangements for the use of Indian experts are being finalized with the authorities of the EXIM Bank of India.

VI LESSONS LEARNED FROM APDF 1

6.1 During the first three years of APDF, it has become clear that there is a large number of capable entrepreneurs in the region. It has also been demonstrated that the services of the Facility are needed and timely. However, a certain number of original assumptions have proven to have been overstated. These are discussed below.

1. Availability of Equity

6.2 The single most important impediment to the implementation of APDF assisted projects has been the lack of equity funding to be provided by the indigenous entrepreneurs. Several projects have been rejected at an early stage when it became clear that the entrepreneurs would be unable to provide the equity deemed prudent by financial institutions. Several new initiatives like AEF are now being put in place and are a response to this shortage of equity.

2. Availability of Project Funding

6.3 An original assumption was that there would be adequate funding available for all valid projects. The experience of APDF 1 indicates that this is not always the case. In some countries, the current economic conditions are such that development and commercial banks are restricting their activities and are reluctant to consider new projects, regardless of their strength. In other countries, the lack of foreign exchange restricts the types of projects which can be financed.

6.4 These situations have required substantially more work from the Facility staff in putting together financial packages and, in some cases, it has not yet been possible to secure the funding for otherwise viable projects.

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3. Period of Involvement of APDF

6.5 In the original concept, it had been expected that APDF staff would cease to be involved once financing had been secured. In many cases, however, the sponsors have requested APDF staff to assist them during the disbursement period. APDF has applied a flexible policy in these cases as it is important that projects not only receive funding commitments but that the funds also be disbursed and that projects be implemented in a timely manner. This policy will continue in the future.

VII THE PROPOSED FORMAT OF APDF 2

7.1 Since the Facility was established in July 1, 1986, over 1,300 project ideas have been identified by or submitted to the APDF staff. Of these proposals, 41 projects have been prepared and financed and a further 169 are currently receiving preparation assistance from APDF. Demand for APDF services now exceeds the manpower available in the Facility and already new projects are being turned down or postponed, as the Facility is not able to provide the preparation services and staff time needed.

7.2 It is, therefore, proposed to extend the mandate of the Facility for a period of 5 years commencing July 1990 until June 30, 1995. It is also proposed that the Facility which currently has a staff of 16 professionals in the two offices in Africa be gradually expanded to five offices in Africa by opening three additional field offices in Harare, Zimbabwe, Lagos, Nigeria and Douala, Cameroon. The high demand for APDF services indicates that there is a real need to increase the regional coverage of the Facility by adding these additional offices. These new offices would initially be staffed with four professionals each and expanded later based on available donor funding and actual demand for APDF services.

7.3 During the proposed second phase of APDF, various mechanisms will be examined which would allow APDF type of services to be carried out by fee-earning institutions. Venture capital institutions could provide management and supervision services to projects which have received preparatory assistance by APDF. It is also expected that these types of institutions could carry out some of the services of APDF in certain countries.

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VIII DISCUSSION OF APDF 2 PROPOSAL

A. SUPPORT FOR DEVELOPMENT THROUGH THE PRIVATE SECTOR

8.1 One of the prime goals of many African Governments has been to stimulate the development of the private sector and to ensure that the private sector assumes an increasingly important role in the economies of the region. Many of the Governments in this region have taken the necessary policy decisions to create a more enabling environment within which the private sector can operate. As reported in the World Bank/UNDP report "Africa's Adjustment and Growth in the 1980's" of March 1989, positive results of these efforts are now starting to show. Examples can be seen in the success of APDF in assisting African entrepreneurs in countries where little or no private sector activity would have been possible in recent years such as Tanzania, Madagascar and Uganda. Many Governments in the region have recognized the value of the services rendered by APDF and support its extension.

8.2 In February and March 1989, APDF invited 16 African entrepreneurs who had or were receiving APDF assistance to meet in Nairobi and Abidjan with the APDF Advisory Board and staff to discuss the services of APDF. At these meetings, there was unanimous agreement expressed by the entrepreneurs that the assistance provided by APDF had been an important element in their ability to obtain the financing to implement their projects. In discussion with the Advisory Board, the promoters indicated there was a need for the Facility staff to continue the current APDF practice of providing assistance beyond the point when financing has been committed. These entrepreneurs underlined the important contribution of the Facility staff made during the period prior to actual disbursement of funds. This has resulted in a longer involvement of APDF staff in projects than had originally been expected. However, these services are important and APDF will continue to assist as much as needed to assure that projects reach the implementation stage.

B. DEMAND FOR APDF SERVICES

8.3 As was reported in the 1988 APDF Report on Operations, demand for APDF services continued at a high level in 1988. During the first year of APDF operations, the Facility staff considered some 602 project proposals and during 1988 a further 508 project ideas were submitted. The high level of proposals indicates that there is a real and continuing interest on the part of African entrepreneurs to undertake private sector projects. The decline in proposals noted in 1988 is explained by the economic difficulties currently being

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experienced in Western and Central Africa in general and, in particular, in the francophone countries of that region. It is more difficult in many of the countries of this region to raise financing needed even in cases of valid projects sponsored by able and experienced entrepreneurs. Difficulties in raising financing confirm the need for APDF to continue to assist indigenous entrepreneurs at a time when more is being expected of them.

8.4 The demand for APDF services cannot be met with the present staff of the Facility. It is difficult to estimate the future demand for APDF services in the region, but already project ideas cannot be followed up due to staff constraints. It is therefore proposed that the new offices be staffed up on a progressive basis to respond to the need for APDF services as it develops.

8.5 APDF is actively working on a further 169 projects and still has 180 additional projects which appear viable but have not yet received assistance due to staff constraints. The details of the project pipeline are shown in Attachments 5 and 6. This level of backlog of projects cannot be handled by the current level of staff in the period remaining to the end of APDF I.

8.6 APDF provides a wide variety of support services to entrepreneurs, and the specific inputs are carefully determined by APDF staff. For example, a pharmacist in Zimbabwe who proposed launching a bandage manufacturing facility was recommended to APDF by his commercial bank. With APDF assistance, an expert in bandage manufacturing was sent to Zimbabwe to review the project with the sponsor. The resulting business plan proposed a less ambitious project but one which will allow the sponsor to start operations on a solid basis and to expand operations as he gains experience. This type of strengthening of project proposals occurs in almost all projects on which the Facility has worked to date.

C. BUILDING ON APDF I

8.7 The APDF's 1987 and 1988 Annual Operations Reports underlined that launching the Facility involved substantial staff time promoting the Facility in the countries of the region. These efforts made the Facility known throughout the region and built up the first pipeline of projects. The costs involved in setting up the existing regional offices were important and will not have to be incurred in the next phase for the existing offices.

by

8.8 APDF is now broadly known in the region and has gained a reputation for professionalism and efficiency. This reputation is evidenced by a steady flow of project ideas and sponsors. Many entrepreneurs come to APDF at the suggestion of their local commercial and development banks as well as at the recommendation of the bilateral institutions of donor and other countries. Increasingly, entrepreneurs who have received the assistance of APDF are recommending to other entrepreneurs that they seek ADPF help. The seal of approval of APDF is gaining currency amongst financial institutions and investors and is accelerating the decision processes of the financial institutions. APDF 2 would benefit from these first start-up efforts as the staff would not have to build up a pipeline nor spend much time on promotion work.

D. COMPLEMENTARITY OF APDF WITH IFC'S AMERICAN ENTERPRISE FUND (AEF)

8.9 In April 1988, the IFC Board approved US\$ 60 million for the AEF to fund small and medium sized projects which are similar in size to those being assisted by APDF. It is expected that as the AEF becomes fully operational, several of the projects prepared by APDF will be considered for financing by the AEF. Currently, AEF staff are reviewing a number of APDF projects and the relationships between the staff of APDF and of the AEF are expected to strengthen with each fulfilling a complementary part of the project cycle. Already, AEF funding has been approved for two projects assisted by APDF.

E. EXPANSION OF REGIONAL COVERAGE

8.10 In a project such as APDF where roughly 80% of the costs are made up by staff and consultant costs, there are several staffing options available in line with the demand which exists and the funding commitments which are secured. An indication of the costs involved in certain options is shown below. These costs include the expenses of the IFC headquarters based office of the Project Coordinator.

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Table 2

- Option A APDF with five field offices in Abidjan, Nairobi, Lagos, Douala and Harare and 28 field staff including 16 in the existing two offices - US\$ 43 million
- Option B APDF with three offices in Abidjan, Nairobi and Harare and 24 field staff - US\$ 31 million
- Option C APDF with same two offices in Abidjan and Nairobi and 16 field staff - US\$ 24 million
- Option D APDF with three full field offices in Abidjan, Nairobi, Harare and two smaller offices in Lagos and Douala with 32 field staff - US\$ 47 million

8.11 It is recommended that option A be implemented whereby the Facility would be expanded to five offices. It is felt that this would be the optimum level of field staff to meet the strong demand while at the same time allowing the supervision necessary to maintain the high standards of professional work of the APDF staff.

8.12 Each APDF office currently covers some 22/23 countries which is a vast area requiring extensive travel. This results in an uneven coverage of the countries which are farther away from the regional offices. A continuing presence of an APDF office in a country or in a sub-region enhances the ability of the Facility to develop the trust and relationships needed for this kind of work. Attachments 5 and 6 show that some 29% of the Nairobi office pipeline is in Kenya and 23% of the Abidjan office pipeline is located in Côte d'Ivoire. It is easier to reach entrepreneurs in the country of the regional office than those of the adjoining countries. APDF is working with local consultants in many countries to assure some ongoing presence but this has proven to be only a partial solution as project decisions still must be made by staff of the Facility.

8.13 Air travel connections from Lagos, Douala and Harare to other countries in the neighboring regions are adequate. The additional office in Harare would allow better service to the SADCC countries. The Lagos office staff would concentrate its work on Nigeria. The Douala office would cover the Francophone Central African countries. This will allow the Abidjan team to concentrate on its full efforts on the other countries of West Africa.

8.14 An analysis, by country, of the active projects of the Facility at the end of June 1989 indicates that there would already be sufficient work for the proposed additional offices. Attachments 5 and 6 give a breakdown of the pipelines of both the Abidjan and Nairobi offices in groups of countries which would be covered by the three new offices. Thus, the office in Lagos would have a pipeline of 19 projects while the Harare office covering the Southern African countries office would have 52 projects and the office in Douala for Central Africa would have a pipeline of 26 projects. Three additional offices would allow APDF to better service at least a portion of the demand and alleviate the project backlog which already exists.

8.15 The proposed new Harare office would cover some seven countries, of which Zimbabwe and Botswana would provide the main core of business activity. Botswana has been a particularly active country for the Facility during the last two years, with four projects completed and there are 10 additional projects under preparation. APDF has had difficulty developing a solid pipeline of viable businesses in Zimbabwe due to a number of reasons. In recent months, a number of projects in Zimbabwe have reached a relatively mature stage where financing is likely to be secured. Other countries in the region - Mozambique and Zambia in particular - present a substantial challenge for APDF to develop viable business proposals. Both countries have enormous potential, but face severe problems in project financing availability.

8.16 The proposed new Lagos office would cover Nigeria. Given the size of this country and its vibrant private sector, Nigeria presents a large potential demand for APDF services. To-date, one project has been completed in this country and the project pipeline is growing quickly. The Lagos office will be able to devote its full efforts to Nigeria and with a continuation of Government measures to stimulate the private sector, Nigerian entrepreneurs should be able to make considerable use of this new office.

8.17 The Douala regional office would cover the countries of Central Africa. To-date, partly because of the distances from the Abidjan offices, APDF has not yet completed projects in these countries. Cameroon and Zaire offer substantial potential and the presence of an APDF office will allow APDF staff to remain in closer contact with the entrepreneurs of the Central African region.

8.18 Eight professionals in each office is the maximum level of staff and related pipeline that a Regional Manager can adequately supervise. Under APDF 2, the build-up will initially reach four staff in the three new offices. It is expected to take 12 to 18 months from start-up to identify all the staff needed for these new offices. In APDF 1, it took 18 months to bring on board the full staff in both offices.

8.19 At start-up, the new regional offices would be linked to the established offices in Abidjan and Harare. The Harare office would take over part of the Nairobi office project pipeline and the new Douala and Lagos offices would assume projects currently serviced by Abidjan. The staff of the Nairobi and Abidjan offices will assist the new offices during the start-up period. This linkage will allow the new offices to be operational quicker than was the case when the project was first launched.

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F. LONG TERM EFFECTS OF APDF

8.20 The long-term impact of a project such as APDF is difficult to measure. In fact, the benefits resulting can really only be measured in the long term based on the analysis of the number of APDF assisted projects which are able to withstand the test of time by being self-sustaining and maintaining the employment created. A certain number of results can be already measured which include:

- a. Strengthening of African Private Sector - The prime objective of APDF 1 and APDF 2 remains the promotion of indigenous African entrepreneurs. By the end of APDF 2 in 1995, some 300 to 350 entrepreneurs will have received APDF assistance to carry out their projects. In addition to the direct effects of the projects of these entrepreneurs, there will also be the demonstration effect of successful projects encouraging others to undertake similar private sector projects.
- b. Adding to Professional Capacity of Nationals of Sub-region - APDF does and will continue to employ directly and indirectly professionals of the sub-region. Currently, one third of the field staff is African. The valuable experience gained by these members of the core staff of the Facility and by the local consultants working with the Facility will allow these professionals to assure a continuation of this type of assistance in the long term. These professionals are also developing a network of external contacts which will be valuable in their professional work.
- c. Establishing the Value of Project Preparation Services - Since its beginning, APDF has required that promoters participate in the costs of the services of the Facility. It is intended that APDF will continue to increase the percentage of these costs borne by the promoters. This will result in a gradual acceptance by private promoters to pay for such services and will allow private consultants to increasingly carry out these services on a fee basis.
- d. Demonstration effect of APDF on similar institutions - It is hoped that the principles and structure of APDF will be replicated in a number of countries either on a country or a regional basis. The ability of APDF to prepare projects and obtain the funding should lead to the establishment of similar initiatives in the region.

G. PROPOSAL TO EXTEND APDF 2 FOR A FIVE-YEAR MANDATE

8.21 As APDF 1 has now established the need for the services of the Facility, it is proposed to extend the mandate of APDF 2 for a period of five years. It is expected that the need for the services of the Facility will continue and possibly increase during this period as more countries take measures to develop the private sector. Based on the experience gained, it takes approximately one year to prepare a project which then requires 18 months for actual disbursements to be completed. By setting a period of five years, the Facility will be able to operate through four to five project cycles and thus increase the number of entrepreneurs assisted as well as gain valuable insights based on the implementation of these projects. During a five-year mandate, both entrepreneurs and staff of APDF 2 will be able to concentrate for an extended period on the goals of the Facility.

H. ESTIMATED COSTS OF APDF 2

8.22 The implementation of APDF 2 for five years with five field offices will entail costs on the order of US\$ 43 million. Currently, with the two regional offices and a Coordinator's office, the annual budget of APDF runs about US\$ 5 million per annum. A projected budget of APDF 2 is shown in Attachment 7. Under APDF 2, each new field office will start up with four professionals managed by an IFC seconded Regional Manager and the two existing offices will continue at the current levels of eight professionals each. In addition, the Project Coordinator's office at IFC headquarters will be strengthened to administer the increased volume of work and continue to be staffed by an IFC professional. A summary of the estimated costs of the continuation of the two existing offices and of the three additional offices is shown in Table 3. The costs of the Washington-based Coordinator's office are split proportionately between each office.

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Table 3

APDF 2
PROJECTED EXPENDITURES FOR THE
PERIOD JULY 1, 1990 TO JUNE 30, 1995

(US\$ 000's)				
	<u>2 existing</u> <u>offices</u>	<u>3 new</u> <u>offices</u>	<u>Consolidated</u>	<u>%</u>
1. SALARIES AND BENEFITS	(16 staff)	(12 staff)		
Core Staff	12,119	9,061	21,180	49
Support Staff	<u>1,730</u>	<u>1,240</u>	<u>2,970</u>	<u>7</u>
Total Salaries and Benefits	<u>13,849</u>	<u>10,301</u>	<u>24,150</u>	<u>56</u>
2. CONSULTANT FEES AND EXPENSES	<u>3,750</u>	<u>3,505</u>	<u>7,255</u>	<u>17</u>
3. OPERATING COSTS				
Operational travel	1,800	1,505	3,305	8
Equipment	220	295	515	1
Office expenses	2,335	1,720	4,055	9
Executing Agency costs	<u>2,046</u>	<u>1,674</u>	<u>3,720</u>	<u>9</u>
Total Operating Costs	<u>6,401</u>	<u>5,194</u>	<u>11,595</u>	<u>27</u>
TOTAL EXPENSES	<u>24,000</u>	<u>19,000</u>	<u>43,000</u>	<u>100</u>

I. BUSINESS PLAN

8.23 The expanded Facility staff is expected to prepare and obtain funding for some 200 to 250 projects over the five year period. The two existing field offices should complete 25 to 30 projects each year, or 125 to 150 projects during the five year mandate. The three proposed additional offices should complete an average of 15 to 20 projects a year to make up the balance. If the average project size remains at current levels of US\$ 1.5 million, APDF 2 would assist in promoting private investments amounting to between US\$ 300 million and US\$ 375 million. Although this is not a vast amount in the African context, it would be an important contribution in assisting the indigenous entrepreneurs of the region.

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Attachment 1**AFRICA PROJECT DEVELOPMENT FACILITY (APDF)****OBJECTIVES OF THE FACILITY**

The general goal of APDF is to contribute to the growth of productive enterprises sponsored by private African entrepreneurs by:

- (a) Assisting African entrepreneurs on a direct and confidential basis in formulating and screening project ideas;
- (b) providing guidance and, on a selective basis, making technical and consultancy services available to African entrepreneurs who need project preparation and feasibility studies in order to promote and implement sound project ideas;
- (c) assisting African entrepreneurs with viable project proposals to identify and obtain appropriate technical and managerial personnel and, if needed, technical partners on terms which are equitable and fair;
- (d) assisting African entrepreneurs to select project partners, and sources of equity and loan finance on appropriate terms;
- (e) advising private foreign investors or financial institutions seeking to identify investment opportunities and/or local partners in Sub-Saharan Africa by bringing the parties together and helping to negotiate fair and equitable conditions of cooperation; and
- (f) advising African entrepreneurs interested in purchasing local companies from foreign shareholders or acquiring parastatal enterprises which member countries wish to privatize.

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Attachment 2

AFRICA PROJECT DEVELOPMENT FACILITY (APDF)

STAFF AT JUNE 1989

	<u>NATIONALITY</u>
<u>COORDINATOR</u>	
Alexander N. Keyserlingk	Canadian
<u>ABIDJAN OFFICE</u>	
André Cracco, Regional Manager	Belgian
Robert Chomé	Belgian
Ralph Daniels	American
Omari Issa	Tanzanian
Louis Ngassa-Batonga	Cameroonian
Claude Rougeot	French
Sékou Soumahoro	Ivorian
<u>NAIROBI OFFICE</u>	
Richard Parry, Regional Manager*	United Kingdom
Giovanni Cnecchi-Ruscione	Italian
Patrick Henfrey	United Kingdom
John James	Zimbabwean
Robin Kimotho	Kenyan
Hans-Jorgen Nyegaard	Danish
Robert Shakorko	Canadian
John Thompson	Irish

* Will be replaced in August 1989 by Ignacio Maramba, a Filipino national.

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Attachment 3

AFRICA PROJECT DEVELOPMENT FACILITY (APDF)

COMPOSITION OF THE ADVISORY BOARD
AT JUNE 1989

Chairman:

Mr. Pierre-Claver Damiba, Assistant Administrator & Regional Director for Africa, UNDP

Members:

Mr. J.B. Améthier, President, S.A.P.H., Abidjan, Côte d'Ivoire

Mr. Thomas Bata Sr., Chairman, Bata Limited, Toronto, Canada

Mr. R. Chinot, former Senior Executive with Caisse Centrale de Coopération Economique (CCCE), Paris, France

Mr. Makarand Dehejia, Vice President Engineering, IFC

Mr. Leon Hermans, Chairman, ENBI, The Netherlands

Mr. Babacar N'Diaye, President, African Development Bank

Mrs. Esther Ocloo, Chairman, Nkulenu Industries, Accra, Ghana

Mr. J. Wanjui, Chairman, East Africa Industries, Nairobi, Kenya

AFRICA PROJECT DEVELOPMENT FACILITY (APDF)

SUMMARY OF FUNDED PROJECTS TO JUNE 30, 1989

COUNTRY	SECTOR	TYPE	PROJECT COST	FUNDING OBTAINED THROUGH APDF			ESTIMATED	
				EQUITY	LOANS	TOTAL	JOBS CREATED	ANNUAL FOREX IMPACT US\$ MILLION
				US\$ MILLION				
Botswana	Lumber	Expansion	0.5	0.1	0.4	0.5	280	2.6
"	Paper	New	0.5	-	0.3	0.3	15	-
"	Cosmetics	New	0.5	-	0.3	0.3	25	0.6
"	Manufacturing	Expansion	0.8	-	0.3	0.3	20	-
Burundi	Brewery	New	0.8	-	0.2	0.2	55	-
"	Poultry	New	0.8	-	0.3	0.3	50	-
Cote d'Ivoire	Zippers	Rehabilitation	0.1	-	0.1	0.1	-	-
"	Diamond Polishing	New	1.2	0.4	0.3	0.7	90	3.7
"	Dairy Products	Expansion	1.1	-	1.2	1.2	30	-
"	Fishing	Expansion	1.2	-	0.7	0.7	67	5.3
"	Charcoal	New	1.2	0.3	0.7	1.0	33	0.1
"	Manufacturing	New	0.7	0.4	-	0.4	84	-
"	Pharmaceuticals	New	1.7	0.3	1.0	1.3	29	-
Ghana	Tobacco	Expansion	2.5	0.5	1.0	1.5	285	2.5
"	Poultry	New	2.1	-	1.6	1.6	-	-
Guinea	Candle Manufact.	New	0.5	-	0.3	0.3	43	-
Kenya	Fertilizer	Expansion	2.9	-	2.9	2.9	35	-
"	Tourism	New	12.5	-	6.4	6.4	300	10.8
"	Garment Manufact.	New	0.1	-	0.1	0.1	12	-
"	Tannery	Expansion	2.0	-	1.8	1.8	150	-
"	Agriculture	Expansion	0.3	-	0.3	0.3	25	0.5
"	Silk Farming	New	0.9	0.4	0.5	0.9	50	-
"	Cashewnut	New	6.7	-	4.5	4.5	250	3.8
"	Tourism	New	5.9	0.4	4.0	4.4	180	3.8
"	Agriculture	New	0.9	0.4	0.5	0.9	50	-
"	Agriculture	New	0.7	-	0.4	0.4	20	-
Madagascar	Agriculture	Expansion	2.0	-	1.0	1.0	60	-
Malawi	Coffee	New	0.5	-	0.4	0.4	55	1.5
"	Ginning	New	0.4	-	0.3	0.3	30	-
"	Poultry	Expansion	0.3	-	0.2	0.2	50	-
Mali	Aggregates	New	1.0	-	0.5	0.5	45	-
Nigeria	Rose Farming	New	1.4	-	1.0	1.0	66	0.7
Rwanda	Plant Farming	New	1.4	0.2	0.4	0.6	50	1.7
Tanzania	Handpumps	New	1.3	0.2	0.8	1.0	45	-
"	Pineapple Farm	New	2.0	0.6	0.9	1.5	150	0.5
"	Flour Mill	Expansion	1.4	-	0.9	0.9	35	-
"	Agriculture	New	3.6	0.8	2.4	3.2	400	1.4
Uganda	Fishing	New	1.5	0.1	0.4	0.5	40	1.3
"	Handpumps	New	1.6	0.2	0.5	0.7	80	-
Zambia	Foundry	New	0.5	-	2.6	2.6	40	16.0
Zimbabwe	Mining rights	Expansion	0.1	0.6	0.1	0.2	15	0.6
Grand Total: (since start-up)	41 Projects		69.3	5.9	42.5	48.4	3297	57.9
	=====		====	====	====	====	====	====

* Projects Completed Since October 1988 Annual Report.

Attachment 4

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Attachment 5

APDF
Analysis of Project Pipeline of Nairobi Office
at June 1989

	<u>Projects</u>		<u>Total</u>
	<u>Active*</u>	<u>Possible*</u>	
A. <u>Eastern Africa</u>			
Djibouti	-	1	1
Comores	3	-	3
Ethiopia	1	-	1
Kenya	28	19	47
Madagascar	10	4	14
Mauritius	3	2	5
Somalia	3	4	7
Sudan	4	-	4
Tanzania	8	20	28
Uganda	<u>11</u>	<u>7</u>	<u>18</u>
Total Eastern Africa	<u>71</u>	<u>57</u>	<u>128</u>
B. <u>Southern Africa</u>			
Botswana	10	4	14
Lesotho	1	-	1
Malawi	4	3	7
Mozambique	3	9	12
Rwanda	6	2	8
Swaziland	2	-	2
Zambia	2	2	4
Zimbabwe	<u>6</u>	<u>3</u>	<u>9</u>
Total Southern Africa	<u>34</u>	<u>23</u>	<u>57</u>
Total East and Southern Africa	<u>105</u>	<u>80</u>	<u>185</u>

* Active projects are those on which APDF is currently working.

* Possible projects are projects which appear viable but which have not yet received APDF assistance due to APDF staff constraints.

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Attachment 6

APDF
Analysis of Project Pipeline of Abidjan Office
at June 1989

A. <u>Western Africa</u>	<u>Projects</u>		<u>Total</u>
	<u>Active*</u>	<u>Possible*</u>	
Benin		3	3
Burkina Faso	1	-	1
Côte D'Ivoire	18	12	30
Ghana	12	19	31
Guinea	8	2	10
Gambia	1	7	8
Liberia	-	2	2
Mali	4	1	5
Mauritania	2	1	3
Niger	1	1	2
Senegal	3	5	8
Togo	-	4	4
<u>Total Western Africa</u>	<u>50</u>	<u>57</u>	<u>107</u>
B. <u>Central Africa</u>			
Cameroon	6	15	21
Congo	1	3	4
Gabon	2	1	3
RCA	1	-	1
<u>Total Central Africa</u>	<u>10</u>	<u>19</u>	<u>29</u>
C. <u>Nigeria</u>	<u>4</u>	<u>24</u>	<u>28</u>
<u>Total West and Central Africa</u>	<u>64</u>	<u>100</u>	<u>164</u>

* Active projects are those on which APDF is currently working.

* Possible projects are projects which appear viable but which have not yet received APDF assistance due to APDF staff constraints.

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APDF 2
 PROJECTED EXPENSES
 IN US \$

CONSOLIDATED EXPENSES

	GRAND TOTAL EXPENSES	1990 BUDGET 6 MOS	1991 BUDGET	1992 BUDGET	1993 BUDGET	1994 BUDGET	1995 BUDGET 6 MOS
1 SALARIES AND BENEFITS							
CORE STAFF	21,180,000	2,120,000	4,235,000	4,235,000	4,235,000	4,235,000	2,120,000
SUPPORT STAFF	2,970,000	275,000	615,000	615,000	615,000	560,000	290,000
TOTAL SALARIES AND BENEFITS	24,150,000	2,395,000	4,850,000	4,850,000	4,850,000	4,795,000	2,410,000
2. CONSULTANTS FEES AND EXPENSES	7,255,000	715,000	1,325,000	1,490,000	1,490,000	1,490,000	745,000
3. OPERATING COSTS							
OPERATIONAL TRAVEL	3,305,000	340,000	655,000	655,000	655,000	655,000	345,000
EQUIPMENT	515,000	100,000	120,000	75,000	75,000	75,000	10,000
OFFICE EXPENSES	4,055,000	400,000	815,000	815,000	815,000	815,000	395,000
PREVIOUS YEAR EXPENSES	0	0	0	0	0	0	0
AGENCY COSTS	3,720,000	362,450	708,400	703,450	703,450	697,400	544,850
TOTAL OPERATING COSTS	11,595,000	1,262,450	2,298,400	2,248,450	2,248,450	2,242,400	1,294,850
4. TOTAL EXPENSES	43,000,000	4,372,450	8,473,400	8,588,450	8,588,450	8,527,400	4,449,850

JUNE 10, 1989

Attachment 7

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ATTACHMENT E

AFR/MDI APDF EVALUATION SUMMARY

ATTACHMENT F
STATUTORY CHECKLIST

SC(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded with Development Assistance loans; and B(3) applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1989 Appropriations Act Sec. 523; FAA Sec. 634A. If money is sought to obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified? Yes

2. FAA Sec. 611(a)(1). Prior to an obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance, and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? (a) Yes
(b) Yes

3. FAA Sec. 611(a)(2). If legislative action is required within recipient country, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance? N/A.

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4. FAA Sec. 611(b); FY 1989 Appropriations Act Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.) N/A
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively? N/A
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. This is both a regional and a multinational project.
7. FAA Sec. 601(a). Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions. Project will encourage countries' effort in each of these areas indirectly by assisting development of private sector enterprise.
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). A.I.D. encourages APDF to utilize private U.S. citizens and consultants.

9. FAA Secs. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars. Firms assisted by APDF are expected to meet many of the local costs of project development and implementation.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? N/A
11. FY 1989 Appropriations Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? N/A
12. FY 1989 Appropriations Act Sec. 549. Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel? NO
13. FAA Sec. 119(q)(4)-(6) & (10). Will the assistance (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other NO

- wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?
14. FAA Sec. 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)? N/A
15. FY 1989 Appropriations Act. If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? N/A
16. FY 1989 Appropriations Act Sec. 538. If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? N/A
17. FY 1989 Appropriations Act Sec. 514. If funds are being obligated under an appropriation account to which they were not appropriated, has prior approval of the Appropriations Committees of Congress been obtained? N/A
18. State Authorization Sec. 139 (as interpreted by conference report). Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision). N/A

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

- a. FY 1989 Appropriations Act Sec. 548 (as interpreted by conference report for original enactment). If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities (a) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (b) in support of research that is intended primarily to benefit U.S. producers?

N/A

- b. FAA Secs. 102(b), 111, 113, 281(a). Describe extent to which activity will (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life, and otherwise encourage democratic private and local governmental

African project development activity will create jobs and promote general economic growth, thus assist the poor and women. The project will also promote regional cooperation.

institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

- c. FAA Secs. 103, 103A, 104, 105, 106, 120-21; FY 1989 Appropriations Act (Development Fund for Africa). Does the project fit the criteria for the source of funds (functional account) being used? Yes
- d. FAA Sec. 107. Is emphasis placed on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? N/A
- e. FAA Secs. 110, 124(d). Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)? N/A
- f. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority? Yes

- g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government. Development of African private enterprises will help promote growth, institutional development, and train workers and managers.
- h. FY 1989 Appropriations Act Sec. 536. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions? No
- Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations? No
- Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? No
- i. FY 1989 Appropriations Act. Is the assistance being made available to any organization or program which has been determined to support or participate in the management of a program of coercive abortion or involuntary sterilization? No
- If assistance is from the population functional account, are any of the funds to be made available to voluntary family planning projects which do not offer, either directly or through referral to or information about access to, a broad range of family planning methods and services? No

- j. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? UN administrative procedures apply
- k. FY 1989 Appropriations Act. What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)? N/A
- l. FAA Sec. 118(c). Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (a) stress the importance of conserving and sustainably managing forest resources; (b) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (c) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (d) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (e) help conserve forests which have not yet been degraded by helping to increase N/A

production on lands already cleared or degraded; (f) conserve forested watersheds and rehabilitate those which have been deforested; (g) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (h) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (i) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (j) seek to increase the awareness of U.S. government agencies and other donors of the immediate and long-term value of tropical forests; and (k) utilize the resources and abilities of all relevant U.S. government agencies?

- m. FAA Sec. 118(c)(13). If the assistance will support a program or project significantly affecting tropical forests (including projects involving the planting of exotic plant species), will the program or project (a) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (b) take full account of the environmental impacts of the proposed activities on biological diversity?

N/A

- n. FAA Sec. 118(c)(14). Will assistance be used for (a) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; or (b) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas? N/A
- o. FAA Sec. 118(c)(15). Will assistance be used for (a) activities which would result in the conversion of forest lands to the rearing of livestock; (b) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undegraded forest lands; (c) the colonization of forest lands; or (d) the construction of dams or other water control structures which flood relatively undegraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development? N/A
- p. FY 1989 Appropriations Act. If assistance will come from the Sub-Saharan Africa DA account, is it (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) being provided in accordance with the policies contained in section 102 of the FAA; N/A

(c) being provided, when consistent with the objectives of such assistance, through African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa;

(d) being used to help overcome shorter-term constraints to long-term development, to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take into account, in assisted policy reforms, the need to protect vulnerable groups;

(e) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks, to maintain and restore the renewable natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

9. FY 1989 Appropriations Act Sec. 515. N/A
If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same general region as originally obligated, and have the Appropriations Committees of both Houses of Congress been properly notified?

2. Development Assistance Project Criteria
(Loans Only)

- a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.
- b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?
- c. FAA Sec. 122(b). Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. PROCUREMENT

1. FAA Sec. 602(a). Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? N/A
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him? No. UNDP and IFC procurement procedures will apply
3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? N/A
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) N/A

5. FAA Sec. 604(q). Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.) N/A
6. FAA Sec. 603. Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? N/A
7. FAA Sec. 621(a). If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? N/A
8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? N/A
9. FY 1989 Appropriations Act Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? N/A

10. FY 1989 Appropriations Act Sec. 524. If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)? N/A

B. CONSTRUCTION

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used? N/A
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? N/A
3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP), or does assistance have the express approval of Congress? N/A

C. OTHER RESTRICTIONS

1. FAA Sec. 122(b). If development loan repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter? N/A
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N/A

3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? N/A
4. Will arrangements preclude use of financing:
- a. FAA Sec. 104(f); FY 1989 Appropriations Act Secs. 525, 536. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; or (4) to lobby for abortion? N/A
- b. FAA Sec. 483. To make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? N/A
- c. FAA Sec. 620(q). To compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? N/A
- d. FAA Sec. 660. To provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? N/A
- e. FAA Sec. 662. For CIA activities? N/A

- f. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? N/A
- g. FY 1989 Appropriations Act Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? N/A
- h. FY 1989 Appropriations Act Sec. 505. To pay U.N. assessments, arrearages or dues? No
- i. FY 1989 Appropriations Act Sec. 506. To carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? N/A
- j. FY 1989 Appropriations Act Sec. 510. To finance the export of nuclear equipment, fuel, or technology? N/A
- k. FY 1989 Appropriations Act Sec. 511. For the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? N/A
- l. FY 1989 Appropriations Act Sec. 516; State Authorization Sec. 109. To be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? N/A
5. FY 1989 Appropriations Act Sec. 584. Will any M.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate? N/A

ATTACHMENT G

APDF, PHASE II - LOGICAL FRAMEWORK

AFRICA PROJECT DEVELOPMENT FACILITY:
AMENDMENT FOR APDF OPERATIONS 1990-1994
LOG FRAME

<u>Narrative Summary</u>	<u>Objectively Verifiable Indicators</u>	<u>Means of Verification</u>	<u>Important Assumptions</u>
<p><u>GOAL:</u></p> <ul style="list-style-type: none"> - To increase the participation of the private sector in the development process in sub-Saharan Africa. 	<ul style="list-style-type: none"> - Increased private business start-ups and expansions in sub-Saharan Africa. - Increased contribution to domestic economic activity by the private sector. 	<ul style="list-style-type: none"> - Economic indicators. - UNDP reviews, reports and evaluations. - A.I.D. project evaluations. 	<ul style="list-style-type: none"> - Relative economic & political stability. - Availability of investment environment. - Positive private enterprise environment
<p><u>PROJECT PURPOSE:</u></p> <ul style="list-style-type: none"> - To provide project development services to private entrepreneurs to start-up or expand small/medium size business and a higher level of private investment in SMSE's by indigenous investors and/or in joint ventures with foreign partners. 	<ul style="list-style-type: none"> - Demonstrated capacity of APDF to provide technical inputs to sub-Saharan African entrepreneurs. - No. of business applications screened and selected for APDF TA. - No. of business plans presented to debt and equity capital sources and financed. - Greater level of equity participation in projects undertaken. 	<ul style="list-style-type: none"> - APDF semi-annual operations reports. - APDF annual reports. - A.I.D. project evaluations. 	<ul style="list-style-type: none"> - Growing number of African entrepreneurs proposing and presenting adequate business plans warranting financing. - Availability of investment capital. - Positive private enterprise environment. - Adequate funding & operational effectiveness of the APDF.
<p><u>OUTPUTS:</u></p> <ul style="list-style-type: none"> - Project proposal screenings of up to 5000 annually. - Greater outreach capacity for project screening and design. - New African private business plans for start ups or expansions are prepared and presented to private investors, banks, equity funds etc. for financing. 	<ul style="list-style-type: none"> - At least 100 projects screened annually. - Greater diversity both geographically and by sector on industry in APDF project screenings. - At least 20 business plans prepared annually and presented for financing, and equity and debt capital secured from foreign and local sources. 	<ul style="list-style-type: none"> - APDF monthly operations and Annual Reports. - USAID mission ad hoc information on names of African entrepreneurs referred to APDF for business formation planning. - USAID and A.I.D. information American joint venture entrepreneurs referred to APDF for collaborative work with African private sector. 	<ul style="list-style-type: none"> - African entrepreneurs present new business ideas for development and implementation. - Continued APDF operational capability and expansion of services.

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LOG FRAME (Continued)

<u>Narrative Summary</u>	<u>Objectively Verifiable Indicators</u>	<u>Means of Verification</u>	<u>Important Assumptions</u>
<u>INPUTS & TYPES OF RESOURCES:</u>	<u>LEVEL OF EFFORT/ IMPLEMENTATION TARGET:</u>		
<ul style="list-style-type: none"> - A.I.D. grant of US\$4.0 million to support the five-year extension of the APDF. - AFR/MDI coordination with APDF to support USAID mission activities and US business interests re small business formation in sub-Saharan Africa. 	<ul style="list-style-type: none"> - US\$ 800,000 per year for five years. - Proportionate contributions from sponsors and other donors. 	<ul style="list-style-type: none"> - UNDP account reports provided to A.I.D. - A.I.D. disbursement account - IFC letter to A.I.D. certifying other donors have committed and are contributing in due proportion. 	<ul style="list-style-type: none"> - Continued sponsoring agency and donor support to APDF. - Continued operational effectiveness of APDF.

ATTACHMENT H

APDF Letter of September 19, 1989

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Africa Project Development Facility
SERVICE DE PROMOTION ET DE DEVELOPPEMENT
DES INVESTISSEMENTS EN AFRIQUE

1815 H Street, N.W.
Washington, D.C. 20433
USA

Telephone (202) 676-1023
Telex 240423

September 19, 1989

Mr. Warren Weinstein
Deputy Administrator
U.S. Agency for International Development
A.I.D./Department of State
Room 4527A
Washington, D.C. 20523

Dear Warren:

This to record our recent conversations regarding the Africa Project Development Facility (APDF) and its proposed extension. During these conversations, I underlined that an important measure of the success of the project will be the ability of the projects assisted to actually realize the goals which the entrepreneurs had set. This is the long term test of the APDF and I feel is one by which donors and sponsoring agencies can measure the impact of the project.

It is in this connection that we will be keeping a watch on the projects assisted in order to monitor the level of success of these projects to actually realize the goals which the entrepreneurs had set out.

In order to properly assess this, I intend to have periodic reviews carried out of a number of the APDF assisted projects on order to establish how these projects fared two to three years after they received APDF assistance.

Sincerely yours,



Alexander N. Keyserlingk
Project Manager
Africa Project Development Facility