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FINAL REPORT
REGIONAL TECHNICAL ASSISTANCE ACTIVITY (RTAA)

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Regional Center for Southern Africa
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Submitted by

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SECTION I

Introduction and Overview

A Background and Context

With the fall of apartheid in South Africa, all of southern Africa began to undergo a series of political, economic, and social transitions that are helping to lay the foundation for equitable and sustainable development. In response to these changes, and in order to facilitate further change, the U.S. Agency for International Development (AID) undertook the special Initiative for Southern Africa (ISA). A central feature of this initiative is the development of the indigenous private sector in all areas of the regional economy, most particularly small- and medium-sized enterprises (SMEs). Because SMEs play a crucial role in creating jobs and stimulating economic growth, sustainable economic development in southern Africa must involve a more fully developed SME sector.

However, SMEs in southern Africa have historically had particular difficulty obtaining the capital they need to start or expand their businesses. Therefore, as part of the Initiative for Southern Africa, AID established the Southern Africa Enterprise Development Fund (SAEDF) as its primary vehicle for extending financing to the SME sector. SAEDF was capitalized with \$100 million and given the mandate of extending debt and equity financing to SMEs throughout the region. SAEDF financing was placed directly with suitable businesses, but also through financial intermediaries, or "intermediate financial institutions" (IFIs), in the hope that regional IFIs were better placed to "extend" the financing reach of SAEDF by interacting with the smaller local players. SAEDF, although created for developmental purposes, was to operate as a commercial entity and ultimately become self-sustaining through revenues generated by its debt and equity investments.

When it established SAEDF, USAID recognized that SMEs and IFIs in southern Africa would have difficulty obtaining financing, even from a developmentally oriented source of funding like SAEDF. USAID/RCSA therefore created the Regional Technical Assistance Activity (RTAA), which was to support and accelerate SAEDF's effort to extend financing down to the smaller end of the SME sector. Specifically, RTAA was to

- 1) Identify IFIs through which SAEDF could provide capital to the smaller end of the SME spectrum
- 2) Strengthen the capacity of selected IFIs to provide technical, managerial, and financial services to potential SAEDF clients
- 3) Provide specialized support to innovative entrepreneurial projects for SAEDF investment
- 4) Provide post-investment/lending monitoring and "aftercare"

This then, was the general context in which the RTAA was initiated in September 1996.

B Project Purpose

RTAA's purpose was to provide technical assistance and training for IFIs and special project clients so that those clients could obtain access to capital from SAEDF. Such capital was in the form of debt, equity, and loan guarantees.

The project worked in 11 countries in southern Africa the Republic of South Africa, Angola Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia, and Zimbabwe

C Expected Results

RTAA contributed to the Initiative for Southern Africa's overall goal of *equitable, sustainable economic growth in a democratic southern Africa* In particular, RTAA supported USAID/RCSA Strategic Objective 2 and Intermediate Result 1

Strategic Objective 2 *A More Integrated Regional Market*

Intermediate Result 1 *Broader Participation in the Regional Market Through Reduced Barriers to Entry*

"Eliminating trade and investment barriers and increasing access to financial services will strengthen the integrated regional market by expanding opportunity and allowing more people to participate in the regional economy "

Most specifically, the RTAA contributed to USAID/RCSA Intermediate Result 1 3

Intermediate Result 1 3 *Increasing access to and utilization of financial services*

At the goal level, the RTAA contributed to two RCSA sub-goals

- 1) *Strengthened regional cooperation and increased trade and investment*
- 2) *Increased incomes and employment for rural and disadvantaged groups*

Over the course of the project, AID's strategy for southern Africa continued to evolve and the focus shifted away from Intermediate Result 1 3

D Procurement and Contracting Mechanism

To implement the RTAA, USAID used a performance-based, completion-type, cost-plus-award-fee (CPAF) contract This four-year contract was awarded to Chemonics International Inc (operating as The Star Group, a consortium that included subcontractor Carana Corporation and a business advisory network consisting of private consulting firms, professional services firms, and individual consultants located throughout the southern Africa region) on 30 September 1996, subsequent to Chemonics' proposal and the normal USAID competitive procurement procedure

The total value of the contract was \$9,499,996, of which \$8,708,749 was cost exclusive of fees, \$173,681 fixed base fee, and \$617,566 maximum possible award fee In addition, an estimated \$303,000 revolving fund was anticipated, generated from fees collected from IFI and special project clients

USAID/RCSA's use of the performance-based, completion-type CPAF contract format was innovative and in keeping with USAID's overall reengineering effort However, the application of this innovative mechanism to a complex development effort was something of an experiment, and ultimately contributed to RTAA's difficulties These difficulties, and the contract mechanism's effect on those difficulties, were eventually recognized and the contract was

changed to a more traditional cost-plus-fixed-fee structure. Indeed, it was ultimately decided that the RTAA itself was not consistent with either SAEDF's evolving investment program, or with the revised Strategy for Southern Africa. The decision was therefore made to terminate the project early, as described more fully in the body of this report.

E Scope

The scope of this document is to briefly describe the project, its activities, and accomplishments, as well as the constraints under which it operated. It also discusses the project's results and development impact, and presents a number of "lessons learned" with regard to the problem of finance in southern Africa, as well as the general issue of using performance-based contracts for international development projects. It also presents summary administrative data for the contract. The document does not include detailed discussions of the specific technical assistance and training activities undertaken or the financial and/or operational details of specific clients; these matters have been thoroughly discussed in previous reports. Readers interested in such detailed discussion are referred to those documents and to the other documents and reports that are listed herein.

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SECTION II

Activities, Accomplishments, and Results

A Start-up

Within 60 days of contract award on 30 September, 1996, Chemonics had mobilized the RTAA/Star Group team, established offices in Gaborone and Johannesburg, and commenced operations. Project management personnel from Chemonics' home office in Washington, DC, traveled to Botswana and South Africa to facilitate fielding the long-term team and coordinate start-up logistics.

During this rapid start-up, two immediate priorities were to secure housing for the four expatriate long-term team members, and to locate and establish two project offices, one in Gaborone and the other in Johannesburg. These priorities were completed by January 1997. The other main focus during this period was on establishing effective management, financial, and administrative systems. Once these initial activities were accomplished and the proper systems for project implementation were in place, the team could concentrate on providing technical assistance.

Concurrent with the mobilization, Chemonics' home office project-management unit and procurement department initiated procurement of all project equipment, including three vehicles, two computer networks, office equipment, office furniture, and various other supplies and equipment needed to maintain the two offices. All procurement was performed in accordance with applicable USAID procedures, and many commodities — including vehicles and office furniture — were sourced locally, which significantly reduced costs and speeded delivery. All major items were in place and fully operational by March 1997.

The rapid mobilization of the core team having been completed, the next step involved the installation of proper administrative and financial systems. The RTAA/Star Group team established project bank accounts for the Gaborone and Johannesburg offices, and recruited and hired accounting, administrative, and support staff. The team was fortunate to be able to draw on the knowledge and experience of another Chemonics project based in Gaborone — the USAID-financed Botswana Natural Resources Management project. This sister project's experience with local employment practices and labor policies helped the rapid recruitment and hiring of local staff. All long-term expatriate and local employees were on-board, and the office fully functional, by March 1997.

The home office project-management unit worked with the RTAA/Star Group team to ensure that all administrative and financial systems would be effective and comply both with USAID regulations and Chemonics' standardized procedures. Home office personnel and local professionals helped the Star Group team establish functioning computer networks, automated accounting systems, project administrative systems, and the like.

B Mobilization and Strategic Planning Workshops

The RTAA/Star Group team organized an initial mobilization workshop that included the core team and key partners within USAID/RCSA and SAEDF. This workshop, held 4-11 December, 1996, was used as a platform for coordinating the initial mobilization, and for laying the foundation for effective working relationships among the various players. The workshop also resulted in a detailed mobilization plan that was developed with significant input from USAID and SAEDF.

Following the actual mobilization, the team held a second workshop, in Johannesburg, from 12-14 February, 1997. This larger workshop focused on strategic planning, and included the core Star Group team, Chemonics' home office project-management staff, key personnel from USAID/RCSA, staff from several of the bilateral USAID missions in the region, SAEDF management and investment staff, employees of Chemonics' subcontractor CARANA Corporation, and several BAN members and IFI clients. This workshop helped develop a common understanding of the project, an appreciation of the different perspectives and concerns of all stakeholders, and an effective operational approach. By the conclusion of the workshop, based on the procedures and methodologies established there, the team had developed the First Annual Work Plan.

C Business Advisory Network (BAN)

In addition to prime contractor Chemonics, and its subcontractor Carana Corporation, the RTAA/Star Group included a business advisory network (BAN) that consisted of private consulting firms, professional services firms, and individual consultants located throughout the southern Africa region.

The purpose of the BAN was to extend the Star Group's leverage and ability to reach SMEs and IFIs in each of the 11 countries covered by the project. In effect, the BAN represented an informal network of regional subcontractors, and performed much of the project's work involving feasibility studies, needs assessments, technical assistance, and training. Because the BAN members were located within the region and within the specific countries, they brought to the project both cost efficiencies and in-depth knowledge of the local scene. By using such local talent, RTAA also made a modest contribution to supporting and expanding an indigenous technical assistance capability within the region. BAN members were given a high order of preference over short-term expatriate technical assistance from the US.

Each BAN member was hired through a separate fixed-price contract, generally valued at less than \$25,000 (or the local currency equivalent). These were normally completion-type, fixed-price contracts with specific deliverables, and were executed on a case-by-case, as-needed basis. This contracting procedure somewhat of a departure from the contract-in-advance, task-order type of network that was envisioned in Chemonics' proposal. Building the BAN piece-by-piece, as the work demanded, proved to be much more efficient from both an administrative and cost standpoint. The BAN procurement process was open, competitive, and based on best value.

BAN members performed essentially every kind of work performed by the core Star Group team, but mainly focused on the following key activities:

- Identifying potential clients and SAEDF borrowers/investees
- Assessing clients' technical assistance and training needs
- Conducting feasibility studies, preparing business plans, and financing proposals
- Delivering technical assistance and training to selected IFI and special project (SP) clients

Within six months of mobilization, the implementation team had developed an operational database of current and potential BAN members. New BAN members were added to this database with each new assignment, which averaged more than five per month. The database served as a useful tool in identifying potential BAN members for specific technical assignments.

A complete listing of the RTAA/Star Group BAN members is presented in Annex B. This table

includes the 25 BAN members who provided services in eight different countries, along with brief descriptions of the scopes of work and dollar values of each contract

D Joint Promotion with SAEDF

Early in the implementation of RTAA, the Star Group team worked in close collaboration with SAEDF management and investment staff to jointly market the two programs (SAEDF and RTAA) Joint promotion activities included presentations at the various bilateral USAID missions in the region, participation in regional seminars and technical/finance workshops, and promotional visits to specific clients (or potential clients) throughout southern Africa Also during this period, a significant effort was made to meet with clients (or potential clients) that had been previously identified by Chemonics, SAEDF, and USAID

E General Approach to RTAA/Star Group Assistance

The identification of clients and the provision of assistance by RTAA/Star Group involved a series of specific steps that involved the close participation of both SAEDF and USAID/RCSA These steps were largely derived from contract requirements and the February strategic planning workshop The process recognized the essential fact that though a great many potential clients would be contacted and considered, progressively fewer would be advanced to the next phase of the process, with a relatively small number of firms actually receiving financing at the end of the day It was originally anticipated that 24 IFIs and 24 SP clients would receive SAEDF financing as a result of RTAA interventions Briefly stated, the process consisted of the following steps

Initial Consultation Initial consultations were used to assess prospective clients and their needs, prospects for success, and conformity to SAEDF and RTAA selection criteria USAID and SAEDF had increasingly different notions regarding client-screening criteria, and this fact made it difficult to identify clients that could satisfy all of the necessary criteria (This challenge is described in more detail in Section III of this report)

If the client passed the initial screening, then the Star Group team would develop an "action summary document" that laid out the essential facts of the client and/or project, and that served as a basic tool for organizing subsequent discussions and approvals with SAEDF and the RCSA In order to proceed with a more thorough design of a technical assistance and/or training activity for the client, the Star Group team needed to first obtain a preliminary indication of interest from SAEDF, and a "no objection" determination from RCSA, as per the contract terms and as mandated by the workshop procedure

A great many initial consultations were conducted A complete listing of these clients — 169 clients in 11 different countries — is presented in Annex C

Assessment and Design Upon receipt of the "no objection" from RCSA and indication of interest from SAEDF, the Star Group — generally through BAN members or its subcontractor Carana Corporation — would undertake a more thorough client assessment and design of a technical assistance and/or training activity These designs generally included the requirement that the client beneficiary make a cash or in-kind contribution toward the cost of delivering the technical assistance or training in the next step

Once appropriate TA and training activities were designed, there would be a further consultation with SAEDF and RCSA to reaffirm SAEDF's interest in the transaction, and RCSA's agreement

that the transaction was appropriate. Many transactions would be eliminated at this point. Often, the second, more thorough assessment would reveal factors that rendered the client's project not viable. Other times SAEDF would decide that the client or project did not meet SAEDF's investment criteria, or RCSA would determine that the client was not eligible. Less frequently, the client would balk at the requirement of making some contribution (even a modest, in-kind contribution) toward the cost of the technical assistance. Finally, if the client and the project passed these challenges, a second "no objection" would be received, and the process would move into the implementation phase.

Implementation and delivery This phase involved the actual delivery of the technical assistance and/or training that had been previously identified. Such TA and training ran the entire gamut of what was possible, from feasibility studies and business plans, to preparation of financing proposals for SAEDF, to specialized technical assistance in particular industries or operations, to training various program beneficiaries in business practices, operations, etc.

It is possible to think of Star Group assistance in two general groupings. One grouping can be thought of as "deal packaging." Activities under this grouping included feasibility studies, needs assessments, and the like, as well as the development of business plans and financing proposals. These were technical assistance inputs that were designed to help the client secure SAEDF financing, but that did not directly or necessarily involve institutional strengthening or transfer of technology. Because the early mandate of the project was to accelerate SAEDF financing to the targeted sector — SMEs — RTAA/Star Group efforts during the first year of the project were highly concentrated in this area.

The other type of Star Group intervention can be characterized as more traditional TA and training, in which the focus was on institutional strengthening and the transfer of technology or capability in specific technical or operational areas. In this area, the Star Group team was unfettered by SAEDF or other financial packaging considerations, and the team was able to draw on a wealth of technical and institutional resources to deliver valuable inputs to the clients. The last nine months of the project in particular saw a focus on delivering this type of TA and training to the client.

All TA and training was performed with the ultimate objective of securing SAEDF financing for the client. Therefore virtually all client transactions involved deal structuring and the eventual negotiation (or at least submission) of a financing proposal to SAEDF. As is shown in the *Table of RTAA Deal Development* presented in Annex D, few of these financing proposals actually resulted in SAEDF capital being placed with clients. The reasons for this low rate of financing are many and varied, and are discussed at length in Section III of this report. However, following immediately below are descriptions of the project's most important clients and activities, together with some brief descriptions of the results achieved and development impact obtained.

F Selected Examples of RTAA/Star Group Assistance

Credicoop Credicoop is a registered financial institution located Maputo, Mozambique, and founded by a group of Mozambican businessmen in July 1996. Initial capitalization was \$646,000, provided directly by the founders. Initially established as a cooperative bank, Credicoop was nonetheless managed on a commercial basis. Although the Mozambican financial market is dominated by private banks that lacked an interest in the SME sector, Credicoop wanted to develop into a full-service commercial bank and to expand its services to the country's growing SME sector.

Helping Credicoop to succeed in this effort would serve a number of important RTAA objectives. Credicoop's main products would be short-term trade and working-capital credits specifically for the SME sector. Additionally, it would expand its salary service to employers in Maputo who used salaries as security to offer loans to employees who would otherwise have no access to formal credit. Finally, Credicoop intended to become involved in the microfinance market by providing banking services to those non-bank financial institutions that are growing rapidly in this particular sector. If it had succeeded with these plans, Credicoop would have been the first fully licensed commercial bank in Mozambique to be entirely owned by indigenous Mozambicans.

RTAA/Star Group developed Credicoop's strategic plan and established a prioritized program for its development into a financial institution with a full commercial banking license. Star Group also provided specific technical training in some areas of banking operations, and helped to develop and present a financing proposal to SAEDF. SAEDF ultimately declined to provide financing due to changes in Credicoop's management. However, as a direct result of RTAA/Star Group assistance, the FMO of The Netherlands approved an investment of \$500,000 (originally contemplated by Star Group as co-financing in conjunction with SAEDF).

Glotroh Investments/Marang Hotel Glotroh Investments was established in December 1997 by a group of indigenous women entrepreneurs interested in hotels and tourism. The company sought equity financing from SAEDF to acquire and expand the 60-room Marang Hotel in Francistown, Botswana, in conjunction with their technical and financial partner, Cresta Hospitality.

Star Group's objective in assisting Glotroh was to increase indigenous ownership in a sector where indigenous participation was limited. This project would allow a significant number of southern African women to overcome economic and social impediments and participate in a mainstream industry in Botswana. An expanded and improved Marang hotel would also create additional employment in Francistown, and would help develop Francistown as a travelers' stop and tourist destination. RTAA/Star Group, with assistance from KPMG/Johannesburg, developed a business plan and financing proposal for Glotroh. Star Group also produced a comprehensive report detailing the economic, social, and environmental benefits of hotel and tourism investments in southern Africa. Finally, the team designed and delivered a hotel ownership and management course for Glotroh, and provided business advisory services to the company.

As a result of RTAA/Star Group's actions, both SAEDF and the Botswana Development Corporation expressed an interest in this project. With potential capital from the Botswana Development Corporation, as well as co-financing from Cresta Hospitality, it is possible that this transaction will soon be consummated and the eight principals of Glotroh acquire their own enterprise.

Indefund Limited Indefund Ltd is an SME lending institution based in Blantyre, Malawi. Established in 1982, Indefund provides term credit, trade finance, working capital, and allied banking services to the SME sector, up to an operating ceiling of \$43,000. Indefund sought capital to expand its loan portfolio and range of services. It particularly hoped to increase its wholesaling of funds to farmer groups and others. A successful expansion by Indefund would result in a significant increase in wholesale lending of funds to Malawian farmers and entrepreneurs. It would also build capacity for indigenous management and staff of Indefund who are minority shareholders.

RTAA/Star Group identified more-appropriate technology, including loan monitoring and

accounting packages that dramatically improved Indefund's existing systems. Star Group also trained the staff in the systems and computer software related to these improvements. Finally, the team designed and implemented the framework for an incentive-pay scheme within Indefund that will increase staff productivity at all levels.

Indefund eventually became disenchanted with the SAEDF program, and opted to not submit an application for financing from SAEDF. However, Indefund is now better placed to increase staff productivity, enlarge its portfolio, and meet the targets in its Strategic Plan for 1998-2002. According to Indefund's general manager, this could not have been accomplished without Star Group's assistance. (Indefund is one of the "winners" in the IFI sector and, subsequent to Star Group's assistance, did obtain an undisclosed amount of capital from sources other than SAEDF.)

International Trade Finance and Commodities Co Ltd (ITFC) and Simonka Investment Group Ltd Simonka Investment Group Ltd is a group of indigenous Tanzanian businessmen that sought assistance in acquiring an equity stake in ITFC, a financial intermediary. RTAA/Star Group designed a technical assistance program that supported Simonka's acquisition and ensured the group a 19 percent equity stake in a commercially viable enterprise within an industry that traditionally had not been represented by indigenous persons. Additionally, Star Group helped two primary societies, Marangu West and Nombeko Rural Cooperative, become shareholders of Simonka — transferring equity to, and enhancing the societies' ability to obtain financing for, more than 2,500 member farmers.

RTAA/Star Group organized a task group composed of BAN members, short-term technical consultants, and personnel from its core long-term team. The technical assistance was implemented in two phases: deal structuring and training.

- *Deal structuring* Star Group developed a business plan and financing proposal for submission to SAEDF. The plan advised Simonka on the creation of a corporate shell company that would facilitate the management buy-in for the indigenous Tanzanians and the two primary societies. Star Group also designed a program to enhance the ability of the primary societies to increase their capacity and likelihood of obtaining credit for needy members.
- *Training* Star Group created a training program to assist the primary societies with membership orientation and basic administrative skills so that the members would be better able to access formal sources of credit and exercise their roles as shareholders in Simonka. This training provided a general understanding of key concepts of cooperative functions, coffee marketing, and financial operations. The team provided technical instruction on topics related to crop productivity and quality, including
 - Coffee Marketing
 - Marketing Finance
 - Coffee Quality Issues
 - Crop Productivity Issues
 - Organizational Governance
 - In-Service Workshops
 - Management Aspects
 - Savings and Credit

SAEDF ultimately declined to fund this transaction because it believed that the owners would not

be at mutual risk, and that SAEDF would thus bear a disproportionate share of the risk. Nonetheless, the TA and training was exceptionally well received, and well executed by the Star Group core team, consultant Jeffrey Nash, and Ban members Technoserve and Vertex Consulting. Though SAEDF did not fund the transaction, important development impact resulted. As a result of the training exercises, Nombeko was able to attract and secure crop financing options from member farmers. The Tanzanian government's coffee marketing board decided to reconsider a former decision and will provide \$1.2 million in financing to Marangu West for this next season. Both societies are offering (through extension) training to other non-member coffee farmers. It is projected that in three years' time, more than 2,000 coffee growers in the region will receive the training and will become members of Nombeko.

The program has had other ripple effects. A key theme of Star Group's training program was the concept that better-quality coffee will result in higher prices for the farmers. As a result, many of the farmers realized that the best way to assure higher-quality coffee production for the future was to start nurseries in order to implement the correct processes. For example, the Ngaruma Women's Group, comprising 15 women farmers, started a nursery of coffee seedlings using the techniques taught by Star Group. The Coffee Institute of Tanzania has decided to contribute 10,000 seedlings to this group, which is sufficient to plant 50 acres. In addition, the coffee board has decided to give a subsidy of \$750 to every grower that participates in this program. This money will be used to fund a microenterprise development program for the community. Due to RTAA/Star Group's actions, the USAID mission in Tanzania has expressed an interest in funding further training for this initiative.

Both Marangu West and Nombeko have devised self-marketing schemes as a consequence of the training received from Star Group. It is anticipated that this will result in a 50 percent increase in the sales price of their product, with a commensurate increase in household incomes for farmers. Both groups will be saving a portion of the high price yield to institute an input financing scheme for member farmers.

O'Enem Meat Suppliers (Pty) Ltd Construction of this pig abattoir began in 1997 with financial support from the Danish Fund for the Industrialization of Developing Countries, however, the concept of the project changed during construction, leading to additional costs and stagnation of the project. Rather than construct a small-scale abattoir, the owner decided to construct it according to European Union standards. Star Group helped to modify the business model to make the enterprise viable, and provided assistance in securing capital financing to complete the project. Pigs would be supplied by the abattoir and by local small- and large-scale pig farmers. The output would be sold to Danmeats, an independent meat-processing company that wished to expand its export market. The pork supplies from O'Enem would be targeted at the South African market.

Star Group identified several development features of this project. It would generate employment and increase incomes in a rural area, it would encourage local small-scale farmers to expand their production, thereby increasing farm incomes, and it would help to diversify the pig industry away from the dominance of COLCOM, the main purchaser of pigs and the main processor of pork products in Zimbabwe, with 85 percent of the market. RTAA/Star Group's design of the fattening scheme would help O'Enem improve the quality and quantity of pigs to be sold, thereby strengthening the abattoir project and increasing incomes.

The team developed a business plan and financing proposal with assistance from BAN member Imani Development Pty. SAEDF rejected the \$557,000 financing proposal because it considered

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the amount requested to be too small, however, Star Group secured financing from other sources in Zimbabwe. Funding was raised from the following sources:

Zimbabwe Progress Fund	\$62,500
DANIDA	\$48,000
Danmeats	\$112,000
Commercial Bank of Zimbabwe	\$120,000
Continental Capital	\$45,000
<hr/> Total	<hr/> \$387,500

This funding is sufficient to allow the abattoir to operate at less than the originally projected cost. Star Group also helped O'Enem apply to the Open Society Initiatives for Southern Africa for concessionary funds worth \$504,000.

In addition to securing financing for O'Enem, the team designed the fattening scheme. This ultimately led to the formation of an association of pig farmers in the Chiweshe area. This is something the farmers had been discussing for years, and with the assistance provided by Star Group, it has achieved the following:

- The association will help provide support to the small-scale pig producers in Chiweshe. Specifically, this support will go toward improving the production infrastructure, skills, and abilities of the pig farmers, thereby improving their profitability and standard of living.
- The association has established links with a stockfeed supplier to buy on a bulk basis and reduce costs. The association has now started to negotiate better rates with transporters.
- The association will promote maize and soya bean production in Chiweshe.
- The Grain Marketing Board has agreed to provide grain storage space.

Pandu Ondangwa Hotel Pandu Holdings, and its subsidiary Pandu Ondangwa Properties, are owned by a consortium of shareholders that includes United Africa, the Mine Workers' Fund, and the people of the Oshana region of Namibia. Pandu was in the process of establishing a new hotel venture in northern Namibia with equity participation by SAEDF, the International Finance Corporation, and private investors when Star Group was asked to provide technical assistance and training.

This project represented a joint venture between an established hotel operation and a company owned by indigenous, previously disadvantaged entrepreneurs. Shareholder dividends accruing to the project would be used for roads, schools, and infrastructure-building in Ondangwa. Pandu wished to operate a concession program in the new hotel through which indigenous craftspeople and artists would decorate the hotel with crafts that would be for sale to hotel guests. Additionally, Pandu planned to subcontract its landscaping and tourist-transport needs to indigenous, previously disadvantaged groups that would form as a result of the project.

RTAA/Star Group, with assistance from local BAN member Namibia Resource Consultants, designed and implemented a community-based outsourcing program whereby indigenously owned businesses and small-time entrepreneurs would be assured of becoming subcontractors to the hotel.

upon its completion. The team delivered comprehensive technical and business training for 16 businesses and hotel functions, and assisted each of the entrepreneurs/ subcontractors in drafting their business plans and financing proposals. Some of the key activities Star Group performed included

- Conducting a survey of the community surrounding the planned site for the hotel, to determine the level of business sophistication
- Assessing the levels and types of training required by pre-selected businesses, as well as determining the profile of suitable candidates for the training
- Holding meetings with project sponsors and the principals of Pandu to determine which hotel functions were most suitable for outsourcing

Through the services of Star Group, 210 participants and 17 business owners received training. The team expects that 120 jobs will ultimately result, and that the availability of willing and qualified services providers will greatly facilitate capital investment by SAEDF, the IFC, and the private partners.

Swazi Business Growth Trust (SBGT) SBGT was established in 1992 to increase business in the Swazi SME sector. It set up two subsidiary companies: Growth Trust Corporation, to handle banking activities, and Growth Trust Capital Corporation, to handle joint ventures and franchises. Despite assistance from USAID in the form of a \$5 million endowment, SBGT's weak internal systems, training, and volume of business resulted in poor performance. RTAA/Star Group conducted a detailed assessment in 1996 that revealed a number of previously unrecognized problems and provided a true picture of SBGT's financial situation. Securing additional financing was clearly not an option at that point, and so RTAA/Star Group terminated assistance. SBGT was ultimately put into liquidation in February 1998. Although Star Group's interventions did not result in financing for this troubled IFI, it did provide perhaps the first clear picture of SBGT's status, information that proved valuable to USAID's subsequent efforts to clean up the program.

SEED Foundation The SEED Foundation is an IFI operating in South Africa. Initial assessments done by core Star Group staff indicated that although the institution was faced with significant challenges, it did serve an important role in downlending to South African SMEs and individuals. Star Group commissioned a detailed needs assessment, and produced a comprehensive review of SEED's financial and operational situations, as well as a roadmap for achieving profitability. SEED's challenges were considered by SAEDF to be too formidable to warrant an investment. RTAA/Star Group therefore terminated any further assistance. However, largely as a result of the assessment and recommendations made by Star Group, SEED was able to secure \$300,000 worth of technical assistance, and commitments for \$1 million of capital infusion from the Australian Government and Khuala Enterprises.

Truckafrica Truckafrica, established in 1950, is one of the largest commercial transport companies in southern Africa. Based in Gaborone, Botswana, the company employs more than 150 indigenous truck drivers. Imperial Holdings, one of the largest transport conglomerates in the world, owns 55 percent of Truckafrica. Affiliation with Imperial provides Truckafrica with the financial leverage to expand its transportation operations throughout the region. Additionally, Truckafrica has entered into an exclusive arrangement to sell, lease, and maintain trucks imported from Navistar, a major U.S. truck manufacturer.

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RTAA/Star Group recommended, and Truckafrica agreed, that the company should form an associate company to lend funds to its employee drivers through a lease/purchase arrangement. This arrangement will provide an opportunity for these employees to become owner-drivers — that is, to own the trucks that they drive. This will result in a significant and sustainable transfer of ownership to a previously disadvantaged segment of the population.

Star Group developed a business plan and financing proposal for Truckafrica, including the design for the owner-driver scheme and corresponding operating structure within the company. Truckafrica was on the verge of proceeding with this plan when the dramatic devaluation of the South African Rand materially increased the cost of the trucks and temporarily made the scheme unfeasible. The framework for the project remains, and Truckafrica's management has expressed its intention of proceeding once the exchange rate moderates and the economic situation stabilizes. Truckafrica and Imperial have in principle committed \$1 million toward the venture once it is operational. More than 250 drivers are expected to enroll in the program and become owners.

Womens' Finance Trust of Zambia Womens' Finance Trust of Zambia (WFTZ) is a limited guarantee company that specializes in small- and micro-scale borrowers. It focuses on the growing market of low-income women seeking access to credit facilities. Because WFTZ only lends to low-income women, increased operating and expansion funds were necessary for the company to provide financing in other areas of the country. This is especially true in the western part of Zambia, where WFTZ wished to establish a group lending initiative for women who lack access to capital from mainstream commercial lending institutions.

RTAA/Star Group viewed WFTZ as an excellent example of a microfinance firm that operated profitably while serving a low-income and historically disadvantaged group. The team developed a business plan and financing proposal for \$1 million in funding from SAEDF. Star Group provided to the WFTZ credit training that focused on prospecting, repayment analysis, packaging, monitoring, and troubled-loan identification. The team also reviewed the current credit policies of WFTZ and recommended various amendments for approval by the WFTZ board. These amended policies were designed to affect lending operations, lending limitations, credit analysis, credit facility types, drawdowns, grading, security, credit administration, and remedial action. Based on these recommendations, Star Group revised WFTZ's credit-policy manual, which was approved by the WFTZ board for adoption.

Star Group's interventions resulted in an extensive analysis of WFTZ's lending policies and practices. The strength and relevance of this analysis, along with the assistance detailed above, helped WFTZ expand operations. SAEDF ultimately declined to finance this IFI, but due in large measure to the RTAA/Star Group's business plan, WFTZ was able to secure additional capital from Micro-Bankers Trust, a wholesale microfinance house established by the European Union.

Zambuko Trust Zambuko Trust of Harare, Zimbabwe, finances microenterprises, generating employment and creating income in Zimbabwe while promoting the transformation of microenterprises into small businesses. It was created in 1992 by a group of community leaders and business people as a wholly owned, for-profit subsidiary of Geshu Trust. In August 1997, Star Group, with assistance from BAN member Imani Development, developed a business plan for an employee finance facility (EFF) — a revolving line of credit that would allow Zambuko Trust to borrow funds from SAEDF and on-lend these funds to historically disadvantaged individuals through the individuals' employers.

Star Group delivered technical assistance services to Zambuko Trust in two phases. In the first phase, it conducted a comprehensive institutional analysis of the organization, assessing its strengths and weaknesses, and determining where RTAA/Star Group intervention might be most effective. In addition, the Star Group conducted a marketing and feasibility analysis, and designed the EFF program, including the operational framework and the marketing program. Finally, the team developed a business plan and financing proposal seeking \$1.7 million from SAEDF for implementation of the EFF. A portion of the required capital was to be contributed by Zambuko Trust.

In the second phase of assistance, RTAA/Star Group identified several corporations interested in entering their employees into the EFF program. The team helped Zambuko canvass local financial institutions in the hope of identifying a co-financier for SAEDF.

As a result of the technical assistance provided by Star Group, Zambuko Trust upgraded its investment and lending policies while implementing stricter operating guidelines. It was able to identify a market niche for the efficient delivery of microlending services, namely the EFF program. In assuring the imminent success of the EFF program, Star Group's technical assistance resulted in the identification of three Zimbabwean-based corporations that wish to enroll in the program. The total combined-financing request is \$1.5 million. Once established, 575 employees will be enrolled in the EFF. Two financial institutions, Alliance Ventures and National Social Security Association, have begun talks with Zambuko and are interested in providing financing to "jump start" the EFF program.

Zambia Pork Products Limited (ZAPP) ZAPP was at one time the largest abattoir and meat processing plant in Zambia, with a total processing capacity of 3 million kilograms per year. ZAPP was purchased from the Zambian Privatization Agency by a local businessman in August 1996. The new owner needed help in raising financing for the rehabilitation and expansion of the pig abattoir and pork processing plant. He sought \$1.5 million from SAEDF to upgrade processing equipment, freezing facilities, and cold rooms, and to provide working capital.

With assistance of various BAN members, RTAA/Star Group carried out the initial appraisal of ZAPP and confirmed its potential viability. The team conducted the market survey and, based on the results, developed a business plan and financing proposal for submission to SAEDF. In addition, RTAA/Star Group identified a technical partner in Durban, South Africa, who was willing to take an equity stake of 10 percent and provide industry-specific technical assistance to ZAPP. Star Group facilitated this collaboration, which resulted in technical and investment inputs. The Star Group business plan and financing proposal, plus the inclusion of a technical and financing partner, encouraged SAEDF to approve both debt and equity capital for ZAPP, and \$1,050,000 was placed with ZAPP in July of 1988 (\$650,000 debt, \$400,000 equity).

The successful provision of SAEDF financing to this enterprise was the direct result of RTAA/Star Group technical assistance and training interventions, and as such represents one of the bigger successes of the project.

In addition to securing the financing from SAEDF, Star Group's assistance provided a number of other benefits to the client. Technical assessment of the physical plant encouraged management to refurbish existing refrigeration equipment — rather than purchase new equipment — thereby creating a savings of more than \$100,000. Other Star Group inputs led to the purchase of new computer equipment and accounting systems needed to improve management efficiency.

Finally, Star Group created an in-kind credit program for swine production, which will greatly benefit small-scale pig farmers as well as ZAPP. Under this program, small-scale pig farmers will supply pigs at a pre-agreed price to ZAPP. Producers will receive feed, veterinary services, and other inputs from ZAPP on a small-scale credit basis.

RTAA/Star Group's guidance in the use of new technologies, agricultural systems, credit schemes, and production organization for ZAPP created positive market conditions for pig farmers in Zambia and throughout the southern Africa region. The team's intervention resulted in SAEDF's disbursement of \$1.05 million to ZAPP in July 1998. On the strength of the Star Group business plan, NORFAD, a Scandinavian development bank in Lusaka, disbursed an additional \$300,000 to ZAPP.

This program, and the successful rehabilitation of ZAPP has revitalized the pig industry in Zambia and reduced the volume of imports. ZAPP's output has increased five times since March 1998. Export orders have been received from Angola and the payment mechanisms are now being agreed upon prior to shipment. The payment for these exports will be made in dollars and will help to service ZAPP's foreign exchange loans.

G Other

A summary of the major technical assistance and training activities undertaken by RTAA/Star Group is presented in Annex E. The table is representative, and does not include all clients or all activities. Please see previous Quarterly Reports, and the three Semi-Annual Award Fee Reports for more complete discussions of project activities and accomplishments.

H Project Closeout

On 31 March, 1998, USAID/RCSA advised Chemonics that it had decided to terminate the RTAA project for the convenience of the government, with such termination to become effective 30 September, 1998. The circumstances surrounding the decision to terminate are discussed in the subsequent sections of this report. The immediate impact of the termination on RTAA activities, however, was to limit the scope of work to providing technical assistance and training to a set of 11 previously identified clients, and to cease efforts at developing deals or "accelerating SAEDF financing." Implementation focus shifted accordingly, and a very significant amount of more "traditional" technical assistance was delivered during the last six months of the contract.

Also during this period, but particularly during the last two to three months of the contract, Chemonics conducted an efficient and orderly closeout. Chemonics' home office project-management personnel traveled to Gaborone and Johannesburg to supervise the conclusion of the ongoing technical assistance agenda, and to assist in the administrative and programmatic closeout of the project. This was accomplished in close collaboration with mission staff, and resulted in a particularly smooth and efficient end to the activity.

Through a coincidence of timing and the proactive efforts of all concerned, Star Group was able to facilitate the implementation of the new STRENGTH project by turning over its fully functioning, furnished, and equipped office to a newly arrived contract-implementation team in Gaborone. As a result of the proactive and unselfish efforts of the RTAA/Star Group administrative staff, this new project was able to "hit the ground running" and accelerate its implementation schedule by a matter of months.

SECTION III

Constraints

Like any ambitious development project, RTAA faced a number of challenges. Some challenges, such as those related to the general economic climate in southern Africa or the business environment in which the activity operated, were well understood and anticipated in the project design. Indeed, technical or economic challenges of that nature are part and parcel of any attempt to improve SME financing in southern Africa.

However, other unforeseen challenges emerged and presented serious obstacles to project success. Many of these were "process" challenges or had to do with the project's relationship to its partner, SAEDF. Others came as a consequence of the innovative but unproven contracting mechanism used for RTAA. Most of these challenges did not become apparent until the technical assistance team was in the field and project implementation had begun. Though many challenges were resolved by the team working in collaboration with its partners at USAID/RCSA and SAEDF, others were never resolved and contributed to the early termination of the project.

Before considering the specific constraints facing the project, it is useful to review the general economic environment in which the activity operated, and to review the constraints faced by southern African SMEs and IFIs in general.

The economic challenges facing SMEs in southern Africa are daunting, and although the situation is improving in many respects, the challenges are nonetheless formidable. This difficult economic environment is, of course, the most obvious constraint to SME development in the region. It is well documented and need not be repeated here. But clearly, lending and/or investing in southern Africa is not for the faint-of-heart. The rate of business failure is very high, and lenders/investors are correspondingly reluctant to commit capital. Indeed, there is more capital available in southern Africa than there are bankable projects to put the capital into. So, the problem isn't *availability* of capital per se, but that available capital remains on the sidelines or is deployed elsewhere because of the lack (or perceived lack) of viable investment opportunities in the region.

Because there is adequate capital but an inadequate number of bankable projects, the obvious way to increase capital flow is to increase the pool of viable investment opportunities — to increase the pool of *bankable* projects. Liquidity is not the problem — there are enough private and public sources of debt and equity financing, and it is unnecessary and even superfluous to provide new investment funds. Nor is it reasonable to expect capital markets to lower their risk/return ratios or to provide special terms for "development" projects in the region. Capital will flow wherever the promise of security of principal and potential for profit are most favorable. Businesses in southern Africa are having to compete for capital in an increasingly efficient global market. Businesses (and economies) that cannot offer a favorable risk profile will be penalized by capital markets, which will demand increasingly high rates of return. The solution is to lower the risk and improve the bankability of the borrowers and investees.

This, of course, was the precise mandate of the RTAA project — to provide technical assistance and training inputs to special projects and IFI clients so that they would qualify for and receive financing from SAEDF, and subsequently be able to service or retire the debt or equity.

Common challenges faced by SMEs include insufficient collateral, inadequate business-planning skills, insufficient credit history, low educational levels of the principals in the business, low levels of business training and experience, and weak entrepreneurial skills and orientation.

Common weaknesses of IFIs in the region include a lack of ability and experience managing an SME portfolio, a lack of ability to analyze SME credit risk, a culture of non-payment, and a lack of liquidity¹

RTAA provided technical assistance and training that directly addressed these problems. However, because of its mandate, RTAA could only work with projects that SAEDF was interested in financing. Thus RTAA was limited to a subset of the general pool of investment projects in southern Africa.

A Diverging Investment Priorities between SAEDF and RTAA

RTAA's mandate was to accelerate SAEDF financing to the lower end of the SME spectrum. Transactions in that lower market segment generally have a higher degree of risk and a lower rate of return than transactions at the higher end of the business spectrum. They are also generally smaller in terms of dollar value.

A fundamental assumption at the outset of RTAA was that SAEDF was committed to use at least 10 percent of its investment fund (that is, at least \$10 million dollars) for the lower end of the SME market. However, it soon became clear that SAEDF's operational investment priorities were working to discourage, if not actually eliminate, such downmarket transactions. SAEDF's imperatives were to move money and to become financially self-sustaining. These two imperatives served to drive SAEDF up-market toward larger transactions that held the promise of lower risk and higher rates of return. These diverging priorities caused SAEDF to move directly away from the type of less-profitable transactions that formed the RTAA mandate. Indeed, SAEDF ultimately prohibited transactions below \$750,000, a threshold three times higher than RTAA's \$250,000 transaction ceiling.

The divergence between SAEDF investment priorities and the RTAA mandate created an "investment gap" with the result that SAEDF was not interested in the size and type of transactions that were brought to the table by RTAA. This ultimately proved fatal for RTAA deals. Because RTAA transactions were not free to be shopped elsewhere, independently of SAEDF, they had to either receive SAEDF funding or be terminated. With a few exceptions, they were terminated. A significant number of RTAA clients ultimately received financing as a direct result of RTAA interventions — however, this financing generally came from sources other than SAEDF. The fact that there was such financing demonstrates that there were and are viable investments outside of the narrow scope that SAEDF set for itself and RTAA. But because the RTAA mandate was to accelerate SAEDF financing in particular, rather than to accelerate financing from other sources, the divergence of SAEDF's investment priorities from its original mandate and from the RTAA mandate ultimately proved fatal for the project.

B SAEDF Rate of Disbursement

During the two years of RTAA, SAEDF struggled to increase its rate of disbursement, which was rather slow. To a certain extent, this low rate of disbursement was caused by SAEDF's own investment policies, some of which reduced its ability to compete in the capital markets. For

¹The challenges facing SPs and IFIs have been well documented elsewhere, including the project design documents and Chemonics' proposal. Readers desiring more information regarding this subject are particularly encouraged to refer to Chemonics' report of October 1998 titled, *Intermediate Financial Institutions Study and Overview of SME financing in SADC Region*.

example, SAEDF's policy of lending only in dollars placed the foreign exchange risk entirely on the shoulders of the borrower. Only borrowers with significant foreign exchange earnings could afford to take on the risk of rate fluctuation, and so the majority of potential borrowers were immediately excluded.

In addition, SAEDF's hurdle rates for return on investment and degree of risk were high relative to the market and similarly served to eliminate many potential borrowers/investees. Debt-service requirements simply made many projects nonviable at the higher rates. In other cases, the high rates of return simply made SAEDF non-competitive, borrowers and investees could get cheaper money elsewhere.

Finally, there was a general perception in the market — reported to RTAA/Star Group by numerous sources — that SAEDF was not nimbly in processing and closing transactions. The financial and administrative transactions costs of working with SAEDF were perceived to be too high. These factors combined to make SAEDF less than competitive with other sources of financing that were and are available in southern Africa.

SAEDF's rate of disbursement was therefore disappointingly low. This compounded with the fact that SAEDF's money was being targeted toward a higher end of the market than was served by RTAA, meant that it was impossible for RTAA to achieve its targets for numbers of transactions closed and amount of financing placed with RTAA beneficiaries.

C Differences between USAID/RCSA and SAEDF Regarding the Role of RTAA

There was a lack of consensus between USAID and SAEDF regarding the role of RTAA and its relationship to the SAEDF program. The RTAA project design, the RFP, Chemonics' proposal, and the contract itself all assumed a close working relationship between the RTAA implementing contractor and SAEDF. The relationship described in those documents called for RTAA to provide technical assistance and training to SAEDF's borrowers/investees (or potential borrowers/investees), and for RTAA to thereby pull marginal borrowers/investees into the circle of "bankable" institutions. In other words, RTAA was supposed to improve clients' bankability so that they would better qualify for SAEDF financing.

However, in the course of project implementation, it became increasingly clear that SAEDF did not share this vision, and indeed had never shared that vision, even during the design of the project. Rather than a closely integrated collaboration, SAEDF's vision for RTAA was for it to have a technical assistance and training capability that would respond to, and be under the control of, SAEDF management. SAEDF envisioned an operational relationship perhaps more in line with a traditional investment-banking model, rather than the developmental model envisioned by both USAID and Chemonics as being more appropriate within the context of economic development for southern Africa.

Chemonics, SAEDF, and USAID each made sincere efforts over the course of the project to resolve this ambiguity and resolve the differences of perception that did exist. As the contractor hired by USAID to implement the contract, Chemonics naturally respected USAID's guidance. However, SAEDF ultimately decided to distance itself from RTAA unless and until RTAA was made an appendage of SAEDF, which never occurred. This distance was implemented through the operational separation of RTAA and SAEDF staff in the second year of the project, and ultimately, with RTAA's Johannesburg staff being relocated to other offices outside SAEDF.

D Linkage to SAEDF

RTAA's linkage to SAEDF had other, more direct consequences. RTAA activities had as their ultimate objective the placement of SAEDF financing with the client. That is, all of RTAA's TA and training activities were intended to ultimately result in SAEDF financing the SP or IFI client. While co-financing from other, non-SAEDF sources was encouraged and permitted, there was the strong imperative that RTAA's activities eventually result in financing specifically by SAEDF. This imperative produced the following results:

- The pool of possible transactions was limited to those that interested SAEDF. As we have noted, SAEDF's investment priorities and investment agenda were increasingly divergent from those originally mandated for either SAEDF or RTAA. They were also (naturally) different from the larger public and private financing community. By requiring all RTAA transactions to be financed by SAEDF, RTAA was in effect prohibited from working on the greater majority of potential transactions, regardless of the development merit of those transactions.
- The imperative to develop and/or facilitate deals exclusively for SAEDF removed the "competition" for RTAA/Star Group deals. It therefore removed the incentive for SAEDF investment officers to address RTAA transactions in a timely manner. In the normal course of things, investment and lending opportunities must be acted on rapidly. Otherwise they will be lost to competing sources of finance, or simply be overtaken by events and the opportunity will have passed. Capital markets are thus efficient even in southern Africa, and a businessperson with a good, "bankable" project can take his or her business elsewhere. However, in the case of opportunities developed by RTAA/Star Group, the SAEDF investment officers were well aware that RTAA deals could not and would not be offered to the general market. It is therefore not surprising that RTAA transactions were frequently set aside while SAEDF's investment staff focused attention on opportunities that required more immediate action. RTAA transactions suffered from this.

Had the linkage to SAEDF been revised to give SAEDF first priority, rather than exclusive, rights, then RTAA/Star Group could have more effectively facilitated access to financing by the targeted beneficiaries. Its bonafides having been established, perhaps it could have been more successful in accelerating SAEDF's financing as well.

E Effort to Realign

The preceding discussion raises an obvious question: If so many of the challenges faced by RTAA were caused by the nature of its relationship to SAEDF, then why not uncouple or at least loosen the bonds between the two activities? And if there were programmatic changes that could have been made to save or improve the project, then why were these not made? None of the problems described above were insurmountable, and they could have been remedied through a conceptual realignment of the project and a corresponding contract amendment. It is not unusual for complex technical assistance projects to undergo one or even several significant revisions.

Indeed, Chemonics initiated discussions of this nature as early as February 1997, and continued a "realignment" dialog with USAID and the principal partners right up until the notice of termination in March 1998.

Why then was such an adjustment not made? We believe the answer lies in the following facts:

- The main objective of RTAA was to accelerate the placement of SAEDF financing with the lower end of the SME sector. There was a reluctance on the part of USAID to de-link or even loosen the bonds between the two activities for fear that such an action would compromise SAEDF financing of that target sector.
- There was uncertainty as to whether RTAA's difficulties in achieving its performance targets were being caused by fundamental design or activity-alignment issues, or simply the result of team performance issues (of which there were some).
- The RTAA contract used an innovative format — a performance-based, completion-type cost-plus-award-fee contract with which neither USAID nor Chemonics had much experience. The nature of that contract actually made it more, not less, difficult to evaluate performance and reach consensus regarding the need for change.
- The USAID strategy for southern Africa underwent significant changes, and largely abandoned the effort to “increase access to, and utilization of financial services” (SO 2, IR 1 3).

F The Contract Mechanism

In acquiring the services of a contractor to implement RTAA, USAID/RCSA used an innovative contracting approach and innovative contract mechanism. The chosen vehicle was a performance-based, completion-type cost-plus-award-fee contract. In keeping with USAID's overall reengineering program, the idea was to use a flexible mechanism to bring the parties closer together, align the contractor's interests with those of the USAID program, incentivize the contractor to achieve project objectives, and ultimately bring about the results set out by the RCSA program for southern Africa.

Chemonics supports the USAID reengineering effort and is fully in favor of the effort to streamline the agency's procurement and contracting procedures. Chemonics is an active participant in the PSC Roundtable for Reengineering and actively supports any mechanism that improves the ability of Chemonics and the rest of the development community to affect beneficiaries. We were correspondingly eager to work under the innovative contract for the RTAA project.

However, as it gradually became apparent that RTAA was “misaligned,” it also became apparent that the nature of the contract itself was impeding efforts to rationalize or realign the project. Indeed, the nature of the contract itself made it more, not less, difficult to reach a consensus about programmatic changes and contract realignment, despite the good intentions and professional competence of everyone concerned.

This unforeseen and undesirable result of the new contracting mechanisms has not been limited to RTAA experience alone, but has been experienced by a number of other contractors and USAID missions on a number of projects in different countries. Both USAID and the contracting community have been discussing aspects of this problem since the new systems were introduced a few years ago. RTAA's experience is important and instructive, because it was one of the first projects to use the new mechanisms.

The difficulties experienced in the case of the RTAA project included the following:

- *Most of the performance criteria, and virtually all of the quantifiable measures were outside of the contractor's manageable interest* That is, the achievement of these performance targets was not within the control of the contractor, but depended on other factors including the performance of other parties. The most obvious example of this problem was the main set of quantifiable performance measures: (a) the amount of SAEDF funding placed with IFIs, (b) the amount of SAEDF funding on-lent to SMEs, (c) the amount of SAEDF funding placed with SPs, (d) the number of IFI and SP agreements signed, etc. All of these performance measures were outside of the manageable interest of Star Group. The team could not achieve the targets on its own, but had to rely on the performance of an outside party (SAEDF). Though the targets may have been desirable programmatically, and might have been a valid measure of success for the overall program, they were outside the manageable interest of the contractor.
- *Some of the performance targets and fee incentives were misplaced in that they put the emphasis on activities that were not necessarily the most important or what the project needed at the time* The clearest example would be the early emphasis on closing financing deals with SAEDF when, programmatically speaking, that effort may have been better expended on other technical assistance or training activities that would have eventually produced funded transactions, even if only after a year or more of effort. As a contractor and development practitioner, Chemonics was caught between competing obligations — what it believed was best developmentally, what it was obligated to do contractually.
- *Unrealistic performance targets created an early perception of failure that compromised implementation and efforts to realign the project* Chemonics itself proposed the specific target numbers and so it must accept responsibility for them. The targets were proposed and negotiated in good faith, but they were nonetheless unrealistically optimistic and largely unachievable. The early failure to achieve these unrealistic targets helped to create a perception of failure that compromised effective project implementation and hindered later attempts to realign the project. There are important lessons to be derived from this experience (see Section IV).
- *The contracting mechanism got in the way of realigning the activity* Perhaps most importantly, the realignment of the project and revision of the contract were made more difficult by the nature of the contract. The fact that the contract was a performance-based, completion-type cost-plus-award-fee contract made it impossible to discuss programmatic realignment or timing of project results without introducing the topic of performance criteria and fees. This in turn created some apprehension on the part of USAID regarding the motives of the contractor. Rather than bringing USAID and the contractor closer together, the nature of the contract served to create doubt as to the motivations of the respective parties and, in effect, put them on the opposite sides of the table. Despite Chemonics' long-term commitment to development and its strong reputation as a development practitioner, attempts to realign and renegotiate may have been viewed as self-serving attempts to improve or protect the company's short-term interests in the contract. We believe this materially affected our ability to bring about the necessary realignment of the project and contributed to its early termination.

The issue of performance-based contracting sometimes hindering, rather than fostering, effective collaboration is larger than the particular RTAA experience, affecting as it does the overall USAID contracting and project-implementation program. It is discussed in more detail in Section IV, "Lessons and Recommendations."

G Evolution of the USAID Strategy for Southern Africa

A second reason why the project was not realigned was because the USAID strategy for southern Africa evolved, and USAID's commitment to facilitating and encouraging access to financing was de-emphasized. SO 2 IR 1 3 in particular was reduced to "shadow" status, and the missions' attention and resources were diverted elsewhere.

H Termination of the Project

These factors ultimately led USAID/RCSA to terminate the project effective 30 September, 1998, and to concurrently terminate the technical assistance contract for the convenience of the government.

The reason for the termination, as stated in USAID's termination letter dated 31 March, 1998, were

" the RCSA has concluded that the objectives of SAEDF and the RTAA are not aligned, and, as a result, the RTAA as an activity, is no longer serving the purpose for which it was designed. Moreover, any revision to the RTAA objectives would not be consistent with the USAID/RCSA strategy "

Further explanation was given in State cable GABORONE 1168 of 8 April, 1998, which stated

"Broad support and technical assistance to SMEs throughout the region is not, we believe, an activity which is best managed from a regional platform, and it would be inconsistent with the RCSA's new long-term strategy, which no longer features indigenous business development as a strategic objective "

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SECTION IV

Lessons and Recommendations

Separate and apart from achieving the development results described in the previous sections, RTAA produced a number of lessons that can be applied to future projects. These lessons can be grouped under two general headings: (a) technical information regarding the state of finance in southern Africa, and (b) "process" lessons regarding the use of performance-based contracting mechanisms.

The technical lessons generally confirm the project's original assumptions regarding finance in southern Africa. The process lessons revealed some challenges that were not anticipated by either USAID or the Star Group, but that should be of considerable value as the USAID reengineering program continues to evolve, and as USAID and the contracting community continue to develop performance-based mechanisms. RTAA was in some respects considered an "experiment." If that was the case, then it is important to draw whatever lessons may be derived from the results.

A Finance Issues

- *Access to financing is still the critical "missing piece" for SME development in southern Africa.* It is vital to make the distinction between the *availability* of financing, and *access* to that financing. Although many SMEs and even IFIs complain of a lack of funds, experience has shown that there is plenty of liquidity in southern Africa for qualified borrowers/investees. Lack of funds is not generally the constraint to downmarket lending or investing. Indeed, there is more money available than there are good, "bankable" deals. The real problem is that the great majority of SMEs cannot gain access to that financing, and so there remains a major disconnect between the money and the would-be users. There are several reasons for this disconnect, including lack of information regarding available sources of capital, inadequate business planning and management skills, insufficient credit history, low educational levels of principals of the business, and the like. These issues are well documented in Chemonics' *IFI Study and Overview of SME Finance in the SADC Region*, dated October 1998.
- *Technical assistance and training can facilitate access to, and use of, financing.* The financing is available, but most SMEs are either unaware of the opportunities, don't know how to apply for and obtain the financing, or don't qualify for the financing because of certain deficiencies in their operation. Most of these constraints can be overcome through the selective provision of technical assistance and training. TA and training can make borderline enterprises viable, and can pull marginal or unbankable opportunities into the circle of bankable deals able to receive financing in the capital markets. This was the fundamental premise of the RTAA project, and it is still valid. If one wants to facilitate SMEs' access to and use of financing in southern Africa, then the answer is not to provide enterprise funds that simply add to the excess of funds already chasing viable deals in the market, but to provide the technical assistance and training that will enable SMEs to access the capital that is already available. Moreover, technical assistance and training should not be tied or limited to a single source of funds like SAEDF. It should be free to exploit the entire range of financing options that are available in the market.
- *There are IFIs throughout the region that can and do downlend to SMEs.* Chemonics' experience implementing RTAA and the October 1998 IFI study demonstrate that virtually every country within the SADC region has one or more IFIs that are downlending to

SMEs and that would like to expand and further develop their SME lending programs. Every country in the region with the possible exception of Mozambique and Angola, has IFIs that would qualify for a credit line to conduct such downlending. Most of these IFIs need technical assistance — including TA to the SME borrowers themselves — to mitigate the risks inherent in SME lending, as well as assistance in such specific areas as analyzing SME risk, managing SME portfolios, and developing products and services that are tailored to SME clients. In sum, there are viable IFIs throughout the region that merit investment by SAEDF and other institutions. Further, these IFIs can benefit from reasonable infusions of technical assistance and training, and such inputs would improve SME access to and use of financing. (Please refer to the October IFI study for detailed information on specific IFIs.)

- *SMEs in southern Africa continue to need technical assistance and training to ensure their viability and increase their profitability.* The private sector, and particularly SMEs are increasingly recognized as the engines for sustainable economic growth in the region. However, indigenous and previously disadvantaged SMEs still suffer from a lack of business experience and training, weak business planning skills, weak management skills, relatively low educational levels, and weak entrepreneurial skills. Even after securing finance, SMEs need continual “aftercare” to strengthen management skills and enhance profitability. APDF, ESSA, AMSCO, and similar institutions continue to operate in the region for this very reason.

B Performance-Based Contracting and Process Issues

- *Performance criteria must be within the manageable interest of the contractor.* Performance targets that are outside the manageable interest of the contractor do not truly measure the performance of the contractor. Such targets can be divisive, and do not support the principles of performance-based contracting. Contractor performance criteria must be specific to the contractors’ own scope of work. If necessary, other criteria should be developed to measure the success of other players or of the program as a whole.
- *Performance criteria and performance incentives must be placed on the important milestones.* Performance criteria are strong motivators and need to be placed on those milestones that actually lead to the desired results — that is, on the important steps along the critical path. Though this principle may seem self-evident, in reality it poses a difficult challenge, because important milestones are not always easily measured. Particular care should be taken to avoid defining the milestones on the basis of what can be easily measured, or on program-reporting requirements, if that would compromise the need to keep the contractor firmly on the critical path toward producing the desired results. Finally, it is important to note that good contractors are at least as concerned about successful implementation and development as they are about incentive fees and the like. Achieving the performance milestones is a strong incentive in and of itself, and there should be no significant differences between those milestones and milestones used for fee-type incentives, if any.
- *Performance targets must be simple, realistic, and achievable.* Regardless of the process used to establish the targets, the targets must be realistic and achievable. Overly optimistic targets will inevitably result in the contractor (and by extension, the project) failing to achieve the expected results, perhaps unreasonably tainting an otherwise successful activity. The processes of project design, proposal preparation, and contract negotiation

should allow sufficient time for both USAID and its prospective contractors to develop realistic notions of what results are achievable, and these notions must be reflected in the eventual contract. Indeed, even after negotiation, as implementation evolves, there should be a flexible process to review targets and adjust them in accordance with implementation realities. Contractors certainly must be held accountable for negotiated performance targets, but there should be a balance struck between accountability and realistic targets.

- *Performance based contracts should promote collaboration, and not be divisive*
Performance-based contracting mechanisms are still relatively new to USAID and its contracting community. There needs to be a better understanding by all parties of how these new mechanisms are intended to work, of the interests, authorities, and responsibilities of the respective parties, and of how contractors and the USAID teams need to interact with each other and within their respective institutions to bring about the desired results. There also needs to be an appreciation of the administrative burden this places on both the contractor and USAID regarding the need to monitor, report, and evaluate the performance criteria and award-fee mechanism, if used. Performance-based contracting mechanisms can be powerful vehicles for bringing about better results, but they can be effective only within the context of a flexible, mutually supportive partnership in which both parties share the same goals and development objectives.

ANNEX A

Summary Financial Data

REGIONAL TECHNICAL ASSISTANCE ACTIVITY (RTAA)
USAID CONTRACT No 690-0285-C-00-6267-00
Total Expenditures Invoiced through October 31, 1998

Major Line Item	Invoiced Through 10/31/98	Remainder
Salaries, Long Term	\$726,355 00	\$729,860 00
Salaries Short Term	66,502 18	(2,098 18)
Salaries, Home Office	142,526 27	(97,163 27)
Salaries, Local LT Professional	29,673 87	55,179 13
Salaries, Local ST Professional	27 359 70	19 309 30
Salaries Local Support	54 052 55	98 683 45
Subtotal Salaries	1 046 469 57	803 770 43
Fringe Benefits LT Expatriate	253 756 25	226 794 75
Fringe Benefits ST Expatriate	0 00	0 00
Fringe Benefits Home Office	50 219 42	(35,249 42)
Fringe Benefits LT Local	58 10	111 90
Fringe Benefits LT Local In-Country Exp	3 096 89	22 466 11
Fringe Benefits ST Local	43 78	(43 78)
Fringe Benefits Local Support In-Country Exp	6,199 97	(6 199 97)
Subtotal Fringe Benefits	313,374 41	207 879 59
Overhead LT Expatriate	627 271 19	612 258 81
Overhead, ST Expatriate	42,561 40	(1,343 40)
Overhead, Home Office	142 631 80	(97,985 80)
Overhead LT Local	21 010 47	35 947 53
Overhead ST Local	17 538 22	12,329 78
Subtotal Overhead	851 013 08	561 206 92
Travel & Transportation	417 468 64	402 776 36
Allowances	378 144 42	242,845 58
Other Direct Costs	276 711 24	264 973 76
Equipment Vehicles & Freight	188,745 67	(12,530 67)
Subcontractors Salaries	39 129 13	89,677 87
Subcontractors Other	45 919 86	136 844 14
Business Advisory Network Fund (BAN)	610 456 94	1 508,920 06
Subtotal Other Direct Costs	1 956 575 90	2 646 037 77
Subtotal	4 167,432 96	4 206,364 04
General & Administrative	187 117 75	147 834 25
Subtotal All Costs Exclusive of Fee	4,354 550 71	4,354,198 29
Fixed Fee	323,727 89	242 341 11
Total	\$4 678 278 60	\$4 596 539 40

ANNEX B

List of BAN Members

LOCAL FIRMS CONTRACTED UNDER BAN

Country	Client	Ban Member	Activity	Amount
Botswana	Glotroh	KPMG/Johannesburg	Trained Glotroh staff in hotel operations	7 300 00
Botswana	IFI Study	Price Waterhouse Coopers Gaborone	IFI Study	13 920 00
Botswana	Truckafrica	Bud Eaton	Client Screening	13 809 50
Malawi	Indefund Limited	Peter Roussos Consultancy Services	Implemented incentive pay scheme	21 827 00
Malawi	Indefund Limited	BUMAS	Computer applications training	5 807 00
Malawi	IFI Study	Price WaterhouseCoopers Blantyre	IFI study	10 200 00
Malawi	Indefund Limited	Coopers & Lybrand/Johannesburg	Identification of computer based loan monitoring	5 000 00
Mozambique	IFI Study	Price Waterhouse Coopers Maputo	IFI study	23 000 00
Namibia	IFI Study	Coopers & Lybrand Windhoek	IFI study	13 000 00
Namibia	Pandu Ondangwa	Namibia Resource Consultants	Designed community based hotel support	18 438 33
Namibia	Pandu Ondangwa	Namibia Resource Consultants	Phase 1 Clarify service requirements	12057 67
Namibia	Pandu Ondangwa	Namibia Resource Consultants	Phase 2 Selection of candidates for training	21 06 50
Namibia	Pandu Ondangwa	Namibia Resource Consultants	Phase 3 Design of training program	14 033 83
Namibia	Pandu Ondangwa	Namibia Resource Consultants	Phase 4a TA&T for generic business training	10 964 83
Namibia	Pandu Ondangwa	Namibia Resource Consultants	Phase 4b Facilitation of generic business training	24 238 50
Namibia	Pandu Ondangwa	Namibia Resource Consultants	Phase 5 Provision of technical training	10 430 50
Namibia	Pandu Ondangwa	Namibia Resource Consultants	Phase 6 Consolidation of program	6771 00
South Africa	IFI Study	KPMG/Johannesburg	IFI study South Africa	46 000 00
South Africa	IFI Study	Business Research and Information	IFI study SMEs	4 500 00
South Africa	Quality Press	Coopers & Lybrand Johannesburg	Installation of an accounting system	9 975 00
South Africa	Quality Press	OPS Consulting	Market survey on textbook printing	2 700 00
South Africa	Quality Press	D Hough	Needs assessment of accounting system	1 043 00
South Africa	ACOCO	Resource Development Corporation	Bakery project feasibility study	8 085 00
Tanzania	ITFC/Simonka	Technoserve	Training for Nombeko Rural Cooperative Society	19 314 00
Tanzania	ITFC/Simonka	Technoserve	Training for Marangu West Cooperative Society	24 609 00
Tanzania	FEDHA Fund	Vertex Consulting	Business proposal preparation	4000 00
Tanzania	Simonka	Vertex Consulting	Business proposal Preparation	11 000 00
Tanzania	IFI Study	Vertex Consulting	IFI study I	6 500 00
Tanzania	IFI Study	Vertex Consulting	IFI study II	7 500 00
Zambia	ZAPP	Deloitte & Touche Lusaka	Upgraded and computerized accounting system	18 213 00
Zambia	IFI Study	DevCorp	IFI study I	7 815 00
Zambia	IFI Study	Grant Thornton	IFI study II	2 720 00
Zambia	ZAPP	Grant Thornton	Market study	26 696 00
Zambia	WFTZ	Grant Thornton	Business proposal preparation	22 031 25
Zambia	ZAPP	Boyd Clark Associates	Feasibility Study	3 324 00
Zambia	ZAPP	Poul Bertelsen	Refrigeration facilities review and	4 363 64
Zambia	WFTZ	Emerging Market Investors	Feasibility Study	21 000 00
Zimbabwe	IFI Study	Imani Development Pty	IFI study	11 600 00
Zimbabwe	Zambuko Trust	Imani Development Pty	Assisted with identification of firms interested	5600 00
Zimbabwe	O Enem Meat	Imani Development Pty	Strategic planning	7 108 75
Zimbabwe	O Enem Meat	Imani Development Pty	Logistic and administrative services	12 050 00
Zimbabwe	Zambuko Trust	Imani Development Pty	EFF design	18 000 00
Zimbabwe	O Enem Meat	Imani Development Pty	Market survey	10 000 00

*Most BAN costs were paid in local currencies. Amounts shown are USD equivalent

ANNEX C

Clients Screened

FIRMS SCREENED BY STAR GROUP (169)

ANGOLA

DW Intermediate Financial Institution

BOTSWANA

AMBOT Intermediate Financial Institution
 Barclays Bank Intermediate Financial Institution
 Botswana Dev Corp Intermediate Financial Institution
 Bots Furn Manufacturers SP furniture manufacture
 Bottled Water SP bottle water project
 Caltex SP trust fund for acquisitions
 Glotroh Investments SP acquisition of Marang Hotel
 Kalahari Tiles SP floor tile manufacturing
 Marang Hotel SP Training in tourism manag
 Marula Fruit SP Collection/Processing of fruit
 Motor Glass SP automotive glass manuf
 Phane Worm SP Collection/proc of worms
 Poly Foam SP plastics manufacturing
 Thusang Basadi Intermediate Financial Institution
 Truckafrica SP-Trucker owner/operator
 Tsweleo Intermediate Financial Institution

LESOTHO

BAPS Intermediate Financial Institution
 Maseru Town Clinic SP-small medical clinic
 LCCI Security SP security company
 Micro finance Institution Intermediate Financial Institution

MALAWI

C&M Ltd SP buy out of a drug company
 Dairy Board Privatization SP privatization of Govt Dairy
 Duwa Patch SP prod /export of cut flowers
 FINCA Malawi Intermediate Financial Institution
 Fruit Juice SP growing/processing of fruit
 INDEFUND Intermediate Financial Institution
 INDEBANK Intermediate Financial Institution
 IT Company SP-expansion of an IT company
 Jeans Manufacture SP manufacture of jeans
 Malawi Rural Fin Co Intermediate Financial Institution
 Leasing & Finance Co Intermediate Financial Institution
 Small Industry Dev Intermediate Financial Institution
 Zalewa Fruit Juices SP-fruit juice processing plant

MOZAMBIQUE

BCI Intermediate Financial Institution
 Credicoop Intermediate Financial Institution
 Ferrao Investments SP plastic sack manufacture
 Fund for Dev of SME Intermediate Financial Institution
 Office for Assist of SME Intermediate Financial Institution

MOZAMBIQUE CONTINUED

Universal Leasing Intermediate Financial Institution
 World Vision Intermediate Financial Institution
 Truckafrica Moz SP-creation of owner/drivers
 Tonga Enterprises SP manuf of HH chemicals

NAMIBIA

Barded International SP truck and auto assembly
 Com Bank of Namibia Intermediate Financial Institution
 Cygus SP-commercial trucking
 Finnish Church Prog Intermediate Financial Institution
 Inst of Mgmt&Lead Tr Intermediate Financial Institution
 IPBC Intermediate Financial Institution
 Meat Board of Namibia Intermediate Financial Institution
 Namibia Asset Mang Intermediate Financial Institution
 Namibia Dev Corp Intermediate Financial Institution
 Namibia Oyster Factory SP-fishery and cannery project
 Ostrich Project SP-ostrich abattoir and tannery
 Pandu Ondangwa Prop SP-hotel project
 Private Sector Found Intermediate Financial Institution
 Revolving Credit Prog Intermediate Financial Institution
 Simpson Mickie Intermediate Financial Institution
 Walvis Bay Hotel SP new hotel

R SOUTH AFRICA

ACOCO SP bakery project
 Africa s Favorite Chicken SP-restaurant
 Akhona Wmn s Inv Trust Intermediate Financial Institution
 AV Ventura Resorts SP resort deal
 Bonganı Trust SP purchase of a warehouse
 Canon Karabo SP office products
 Cape of Good Hope Bank Intermediate Financial Institution
 Contextual Software SP software company
 Digital Science SP expansion of an IT company
 Eco-tourism SP tourism project
 Ezakenı Poultry SP-buy-out of a poultry company
 Get Ahead Foundation Intermediate Financial Institution
 Grand Finance Intermediate Financial Institution
 Hebron Quarry SP-a new stone quarry
 Highland Essential Oils SP essential oils
 Imperial Holdings SP ESOP
 Independent Center Intermediate Financial Institution
 Josh Levy SP distribution of vegetables
 KFC Intermediate Financial Institution
 Mama s Jazz Joint SP restaurant/ conference center
 Maja Maja Car Wash SP car wash franchise
 Makoti Stove SP manufacturing of stoves
 Maluti Dairies SP privatization of a dairy

R SOUTH AFRICA CONTINUED

Maziya Furniture	SP furniture company
Newlands Farm	SP-frozen vegetable
NM Radio	SP new radio station
O Brian s Advertising	SP a new advertising agency
Petite Upholstery	SP upholstery company
Princeton Computers	SP computer training
Project 23	SP hotel/tourism/training complex
Quality Press	SP-production of textbooks
Rural Finance Facility	Intermediate Financial Institution
Rustenburg Trucking	SP trucking operation
Rustenburg Poultry	SP Poultry farm sale
SECRO Compost	SP a compost project
Seed Foundation	Intermediate Financial Institution
Small Ent Foundation	Intermediate Financial Institution
TECOR	SP information technology
Tembisa Bakery	SP bakery operation
Tissue Manufacturing	Intermediate Financial Institution
Trackprops 16	SP agricultural contracting
Transet Divestment	SP-transport company
Unity Financial	Intermediate Financial Institution
Vitafoods	SP bakery expansion

SWAZILAND

Lulote (BMEP)	Intermediate Financial Institution
SIDC	Intermediate Financial Institution
Swazi Bus Growth Trust	Intermediate Financial Institution

TANZANIA

Coop & Rural Dev Bank	Intermediate Financial Institution
FEDA	Intermediate Financial Institution
FEDHA Fund	Intermediate Financial Institution
ITFC/Simonka	SP-creation of finance company
Nat Bank of Commerce	Intermediate Financial Institution
Precision Air	SP air charter company
Songoro Marine	SP shipping co manufacturing
Tanganyika Dev Co	Intermediate Financial Institution
Tanz Pharmaceuticals	SP pharmaceutical manufacture
Tanz Venture Cap Co	Intermediate Financial Institution
Tea Packing	SP-tea packing project
Women s Trust	Intermediate Financial Institution

ZAMBIA

Africare Oilseed	SP-edible oil production
Arulusssa	SP essential oil production
Blue Gum Farms	SP-tree outsourcing
Castor Production	SP castor seed production
CAVMONT Merch Bank	Intermediate Financial Institution
Chipata Hotel	SP a new hotel

ZAMBIA CONTINUED

Cooper Mining & Ent	Intermediate Financial Institution
Cotton Co	IFI-rural farmers 10% ESOP
Credit Mgmt Services	Intermediate Financial Institution
Dickenson Associates	SP-cotton growing
Emerging Market Inv	Intermediate Financial Institution
Finance Building Society	Intermediate Financial Institution
Finance Building	Intermediate Financial Institution
Game Ranch Ltd	SP-a game trophy ranch
High Protein Ltd	SP-edible oil production
Mines Air	SP-buy out of airline
Mpelembe Drilling	SP-water drilling
Original Concepts	SP expansion of existing business
Poly Packers	SP freight packing operation
Small Scale ENT Dev	Intermediate Financial Institution
Small Bus Inv Co	Intermediate Financial Institution
Soldering Wire	SP-soldering wire project
Village Industry Trust	Intermediate Financial Institution
Welding Electrodes	SP-welding electrode project
Zambia Ceramics Ltd	SP ESOP component in an MBO
Zambia Exp Grw Assoc	SP-growing/export of cut flowers
Zambia Foam	SP expansion of foam business
Zambia Honey	SP expansion of honey production
Zambia Port Product	SP meat processing plant
Zamdet	Special Project

ZIMBABWE

Dairy Board	SP-privatization
Doryan Clothing	SP production of men s wear
Comm Bank of Zim	Intermediate Financial Institution
Kazzine Mines	SP-new mine venture
Kingdom Securities	SP investment company
Kubi Cosmetics	SP cosmetics manufacture
LCZ	Intermediate Financial Institution
Mana Trading	SP environmentally safe coffins
Assoc of Credit Unions	Intermediate Financial Institution
O Enem Meat Company	SP-hog abattoir
Southend Cargo	SP-new charter airline
Southern Nedia Comms	SP film production company
Spring Cabinet	SP furniture cooperative
Systems Technology	SP software design
Tamglass	SP-production of windscreens
Tarehwa Group	SP-printing company
Women s Finance Trust	Intermediate Financial Institution
Zambuko Trust	Intermediate Financial Institution
Zim Cannery	SP canning operation
Zim Progress Fund	Intermediate Financial Institution
Zimsolar	SP-solar power project

ANNEX D

RTAA/Star Group Deal Development

RTAA/STAR GROUP DEAL DEVELOPMENT

Business Proposals Approved for Funding By SAEDF

Country	Client	Type
Zambia	Zambia Pork Products Limited	SP Expansion of meat processing plant

Business Proposals Presented to SAEDF/RCSA for SAEDF Consideration and Financing

Botswana	Truckafrica	SP Trucker owner/operator creation
Mozambique	Credicoop	IFI
Namibia	Pandu Ondangwa Holdings	SP Hotel project
South Africa	Quality Press	SP Production of school textbooks
Tanzania	FEDHA Investment Fund	IFI
Tanzania	ITFC/Simonka	SP Creation of finance company
Zambia	Women s Finance Trust	IFI
Zambia	Zambia Pork Products Limited	SP Expansion of meat processing plant
Zimbabwe	O Enem Meats Supplier (Pty) Ltd	SP Creation of pig abattoir
Zimbabwe	Zambuko Trust	IFI

Prospective Clients Presented to SAEDF/RCSA for 'No Objection and Consent' to Implement a Technical Assistance and Training Package

Botswana	Glotroh Investments	SP Acquisition of Marang Hotel
Botswana	Truckafrica	SP Trucker owner/operator creation
Malawi	Indefund Limited	IFI
Mozambique	Credicoop	IFI
Namibia	Pandu Ondangwa Holdings	SP Hotel project
South Africa	ACOCO	SP Bakery creation project
South Africa	Quality Press	SP Production of school textbooks
South Africa	Princeton Computing Training Solutions (Pty) Ltd	SP Sale of computer systems to schools
Tanzania	FEDHA Investment Fund	IFI
Tanzania	ITFC/Simonka	SP Creation of finance company
Zambia	Cavmont Merchant Bank	IFI
Zambia	Women s Finance Trust	IFI
Zimbabwe	Zambia Pork Products Limited	SP Creation of meat processing plant
Zimbabwe	Zambuko Trust	IFI
Zimbabwe	O Enem Meats Supplier (Pty) Ltd	SP Creation of hog battoir

Prospective Clients Presented to SAEDF/RCSA for No Objection and Consent' to Design a Technical Assistance and Training Package

Botswana	Glotroh Investments	SP Acquisition of Marang Hotel
Botswana	Poly Foam (Pty) Ltd	SP Plastics Manufacturing
Botswana	Marang Hotel	SP Training in tourism management
Botswana	Truckafrica	SP Trucker owner/operator creation
Malawi	Indefund Limited	IFI
Mozambique	Credicoop	IFI
Namibia	Pandu Ondangwa Holdings	SP Hotel project
South Africa	Princeton Computing Training Solutions (Pty) Ltd	SP Sale of computer systems to schools
South Africa	Seed Foundation	IFI
South Africa	Trackprops 16	SP Agricultural contracting
South Africa	Quality Press	SP Production of school textbooks
South Africa	ACOCO	SP Bakery creation project
South Africa	Highland Essential Oils	SP Growth/processing of essential oils
South Africa	KFC	IFI
Swaziland	Swazi Business Growth Trust	IFI
Tanzania	FEDHA Investment Fund	IFI
Tanzania	ITFC/Simonka	SP Creation of finance company
Zambia	Mpelembe Drilling	SP Privatization of drilling company
Zambia	Women s Finance Trust	IFI
Zambia	Zambia Pork Products Limited	SP Expansion of meat processing plant
Zambia	Cavmont Merchant Bank	IFI
Zimbabwe	Zambuko Trust	IFI
Zimbabwe	Spring Cabinet	SP Expansion of furniture cooperative
Zimbabwe	O Enem Meat Suppliers (Pty) Ltd	SP Creation of hog abattoir

ANNEX E

Primary TA & Training Efforts

PRIMARY TECHNICAL ASSISTANCE AND TRAINING EFFORTS

COUNTRY	CLIENT	PROJECT DESCRIPTION	ASSISTANCE DELIVERED Technical Assistance and Training	RESULTS
Botswana	Women s Finance House	A local microfinance institution seeking capital for on lending to rural women entrepreneurs	Credit training and orientation to staff Business advice on structuring operations	Feasibility Study Business Plan Finance Proposal Discussions with Cresta Hospitality/Best Western regarding \$50 000 in technical assistance funding and \$800 000 in equity financing
Botswana	Glotroh Investments	A group of indigenous women entrepreneurs seeking equity financing in order to acquire a hotel in Francistown Botswana	Consultation and development of a business plan and financing proposal Designed a hotel management and ownership course	Business Plan Finance Proposal Hotel Industry Study Analysis of hotel s operations
Malawi	Indefund Limited	A lending institution providing trade finance and working capital to the SME sector seeking to expand its loan portfolio and range of services	Identified a new loan monitoring and accounting systems Trained staff to work with new computerized system Provided training programs for loan officers in project appraisal loan monitoring and debt collection Designed and implemented framework for an incentive pay scheme	Indefund staff are now installing terminals and have been trained in the use of word processing and spreadsheet packages Indefund is now better placed to meet the targets outlined in its Strategic Plan 1998 2002
Mozambique	Credicoop	A commercial cooperative bank providing finance to SMEs seeking to develop into a full commercial bank in order to expand its services	Development of a business plan and establishment of a prioritized program for the development of the bank into a financial institution with a full commercial banking license	Business Plan FMO of The Netherlands committed \$500 000 in debt financing

Namibia	Pandu Ondangwa Hotel (Pandu Holdings)	An indigenous company seeking to establish a mid range hotel property in Namibia including a concession program which would establish a market for local artists products	Development of business plan and financing proposal Identification of co investors Assistance with rural based arts and crafts concession program Trained entrepreneurs overseeing the concession program landscaping and tourism transport companies	Business Plan Financing Proposal Business Plans for 18 SME service companies Discussions with the IFC regarding \$60 000 in technical assistance funding Possible debt financing of \$1 000 000 from SAEDF
South Africa	Quality Press (Pty) Limited	Black owned and operated commercial printing company seeking to expand operations	Development of business plan and financing proposal Installed effective accounting system Improved financial controls and developed a sound marketing strategy for competition in mainstream textbook printing Conducted market survey of the school textbook market in South Africa	Business Plan Financing Proposal
South Africa	Seed Foundation	A microfinance organization seeking capital for on lending to SME and microfinance clients	Organizational and restructuring assistance Analysis of change off policy Review of lending practices	Business Plan Feasibility Study Amended Change off Policy Discussions with the Australian government and Khula Enterprises regarding \$300 000 in technical assistance funding and \$1 000,000 in debt financing
South Africa	Truckafrica	A regional commercial transport trucking company seeking to establish an owner driver company and equity ownership plan	Development of business plan and financing proposal Designed owner driver scheme and corresponding operating structure Designed equity ownership plan which would allow employee drivers to obtain financing to purchase their own trucks	Business Plan Financing Proposal Training module design for owner drivers Truckafrica now has the necessary framework to institute the program once the Rand stabilizes
Swaziland	Swazi Business Growth Trust	An IFI supported by two subsidiary companies dedicated to strengthening Swazi business in the SME sector	Development of a business plan and financing proposal Assisted SGBT in its negotiations with the Development Bank of Southern Africa	Client slow to carry out recommended action and went into liquidation in February 1998 Presented first realistic picture of SGBT s financial and organizational problems

Tanzania	International Trade Finance and Commodities Co Ltd (ITFC)/ Simonka Investment Group Ltd	ITFC is an IFI specializing in the financing of commodity imports and exports as well as the provision of financing programs to agricultural buyers and sellers in Tanzania and abroad. Simonka seeks an equity stake in ITFC.	Development of business plan and financing proposal. Advised Simonka on creation of a corporate shell company which would facilitate the management buy in to ITFC. Designed program which would enhance the ability of two primary societies: Marangu West and Nombeko Rural Cooperative, to increase their capacity for obtaining credit for needy members. Trained these two societies in various topics so that members would be better able to exercise their roles as shareholders and managers.	Business Plan Financing Proposal Both Marangu West and Nombeko Rural Cooperative have devised self marketing schemes as a result of Star Group's training. Training resulted in better quality coffee and higher prices for member farmers. Members are now conducting their own training in credit management and financing schemes. Discussions with the Tanganyika Coffee Growers Association regarding \$75 000 in technical assistance funding.
Tanzania	Equity Investment Management (EIM)/FEDHA Investment Capital Fund	EIM is a venture capital management company seeking to establish the FEDHA fund which will be used to make equity investments in small indigenous companies involved in critical industries.	Developed financing proposal. Conducted market analysis for venture capital transactions. Analyzed investor and investee prospects. Advised EIM on entrepreneurial training schemes for 5 SME investee companies which would assist them in becoming investment ready for the FEDHA fund.	Financing Proposal Investment Suitability Report Memorandum for investors
Zambia	Zambia Pork Products Limited (ZAPP)	The largest abattoir and meat processing plant in Zambia seeking to expand and upgrade its processing equipment, freezing facilities and cold rooms as well as to provide working capital.	Conducted initial appraisal of ZAPP and confirmed its viability. Conducted market survey and developed business plan and financing proposal. Designed and implemented in kind credit program for swine production which has resulted in a pilot program under which small scale pig farmers will supply pigs at an agreed price to ZAPP. Advised ZAPP on refurbishment of existing refrigeration system as well as upgrade of accounting system and purchase of new computer equipment.	Business Plan Financing Proposal Market Survey SAEDF approved project for funding in February 1998 and disbursed \$1.05 million in July 1998. NORSAD disbursed \$300 000 in February 1998.
Zambia	Womens Finance Trust	A woman based guarantee company seeking to expand its lending and microcredit portfolio to low income Zambian women.	Development of business plan and financing proposal. Assisted with improvements in credit supervision policies and portfolio management. Provided credit training to loan officers. Reviewed operations and made recommendation regarding collection and change off policy.	Business Plan Financing Proposal Revised Credit Manual Discussions with the Swedish Embassy Womens Program regarding \$500 000 in technical assistance funding.

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Zimbabwe	O Enem Meat Suppliers (Pty) Ltd	A pig abattoir seeking to expand its size and operations to EU standards	Development of business plan and financing proposal. Designed pig fattening scheme which resulted in the formation of an association of pig farmers in the Chiweshe area. Design followed by implementation of support activities for small scale pig producers. Involved both technical assistance and training. Provided logistical and administrative support.	Business Plan Financing Proposal Feasibility study Although SAEDF rejected the project (the application was considered too small) \$387,500 was raised from other sources. This allows the abattoir to operate at less than the cost projected in the business plan.
Zimbabwe	Zambuko Trust	An IFI which finances microenterprises, generating employment and creating income while promoting the transformation of microenterprises into small businesses. Seeks to structure an employee finance facility (EFF) program.	Development of a business plan and financing proposal. Assisted strategic planning and product development. Identified improvements in loan and portfolio administration practices. Conducted a feasibility study. Designed employee finance facility. Identified sources of funding of the program.	Business Plan Feasibility Study Credit Policy Manual (revisions) Financing Proposal Designed Employee Finance Facility (EFF) Discussions with the Australian Embassy regarding \$50,000 in technical assistance funding and \$300,000 in debt financing.

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ANNEX F

Documents and Reports Produced for Clients

RTAA/STAR GROUP PRODUCTS DEVELOPED FOR INTERMEDIATE FINANCIAL INSTITUTIONS AND SPECIAL PROJECT CLIENTS

Country	Client	Prepared By	Product
Botswana	Glotroh Investments	KPMG/Johannesburg	Assessment of the Climate for Investment in the Hotel Industry in Southern Africa
Botswana	Glotroh Investments	KPMG/Johannesburg	Proposal to provide technical assistance to Glotroh Investments
Botswana	Glotroh Investments	KPMG/Johannesburg	KPMG Leisure and Tourism Workshop
Botswana	Glotroh Investments	KPMG/Johannesburg	Glotroh Workshop
Botswana	Glotroh Investments	KPMG/Johannesburg	Operational and Financial Performance Review of the Marang Hotel Francistown, Botswana
Botswana	Glotroh Investments	KPMG/Johannesburg	Star Group Proposal to Provide Technical Assistance to Glotroh Investments
Botswana	Glotroh Investments	KPMG/Johannesburg	The Marang Hotel Background and Financial Information
Botswana	Truckafrica	Star Group	Business Plan and Proposal A New Venture Providing Equity and Partnership for South African Truck Drivers
Botswana	Tswelelo (Pty) Ltd	KPMG/Johannesburg	Evaluation of Investment Merit
Botswana	Women s Finance House	Star Group	Needs Assessment for Women s Finance House of Botswana
Malawi	Blantyre Dairy Products Ltd	Tayamba Group	Proposal for the Establishment of Blantyre Dairy Products Ltd
Malawi	Duwa Patch	Malawi Investment Promotion Agency	Feasibility Report for a Cut Flower Project Lilongwe, Malawi
Malawi	Indefund Limited	Indefund Limited	Request for Pre Qualifications
Malawi	Indefund Limited	Peter Roussos Consulting Services in association w/EDA	Indefund Limited Product and Market Survey
Malawi	Indefund Limited	Peter Roussos Consulting Services	Proposal for Staff Incentive Scheme
Malawi	Indefund Limited	Coopers & Lybrand	Identification of Computer Based Systems
Mozambique	Credicoop	Hanney Associates	CrediBanco Ltd Strategic Plan and Business Proposal
Mozambique	Credicoop	Hanney Associates	Business Plan

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Namibia	Pandu Ondangwa Hotel	Namibia Resource Consultants	Delivery of Technical Services Assisting Pandu Ondangwa Properties Phase I Report to Clarify Service Requirements
Namibia	Pandu Ondangwa Hotel	Namibia Resource Consultants	Generic Business Training Program and Technical Assistance Program
Namibia	Pandu Ondangwa Hotel	Namibia Resource Consultants	Design of a Community Based Hotel Support Program Final Report
Namibia	Pandu Ondangwa Hotel	Namibia Resource Consultants	Proposed Work Plan for Phase II Selection of Candidates for Training and Phase III Design of Training Programs
Namibia	Pandu Ondangwa Hotel	Namibia Resource Consultants	Delivery of Technical Services Assisting Pandu Ondangwa Properties Phase IV and V Reports
Namibia	Pandu Ondangwa Hotel	Werner Gathard Amutenya	Business Plan of Werner Gathard Amutenya
Namibia	Pandu Ondangwa Hotel	Namibia Resource Consultants	Proposal for the Design of a Community Based Hotel Support Program
Namibia	Pandu Ondangwa Hotel	KPMG/Johannesburg	Market and Financial Feasibility Study for a Hotel in Ondangwa Namibia
Namibia	Pandu Ondangwa Hotel	Namibia Resource Consultants	Delivery of Technical Services Assisting Pandu Ondangwa Properties Phase VI Consolidation of Program
Namibia	C E S Projects (Pty) Ltd	C E S Projects (Pty) Ltd	Policy and Program on Small Business Enterprises
South Africa	Quality Press (Pty) Limited	OPS Consulting	Study Report Publications and Printing of School Textbooks in South Africa
South Africa	Tecor	Tecor Group	Tecor Investment Proposal
South Africa	Seed Foundation	Star Group	Needs Assessment
South Africa	African Consumer Council, Schulstadt Group A/S and Star Group	New Vision Strategy Consultants on behalf of Resource Development Consultants (Pty) Ltd	Feasibility Study The Establishment of a Bakery Business in the Greater Durban Region
South Africa	ACOCO	ACOCO	Action Plan Preparation of Pre Investment Study/Joint Venture between Africa Consumer Council (ACOCO) and the Schulstad Group A/S

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South Africa	ACOCO	New Vision	ACOCO/Schulstad Feasibility Study Terms of Reference Preparation of Pre Investment Study/Joint Venture Between Africa Consumer Council and the Schulstad Group A/S
South Africa	ACOCO	International Food Industry Consultants (IFICON)	Bakery in Kwazulu Natal Engineering and Supervising Contrast
South Africa	ACOCO	ACOCO Mills and Bakeries	ACOCO Mills and Bakeries Business Plan Bakery and Milling
South Africa	ACOCO	Andre Bakker	Business Plan for ACOCO Mills and Bakeries on DMF Mill Model 1800 RW
South Africa	ACOCO	International Food Industry Consultants (IFICON)	Bakery in Kwazulu, Natal Management Systems Implementation
South Africa	ACOCO	Resource Development Consultants (Pty) Ltd	Project Proposal Development of economically viable nursery business as urban greening services providers in the Gauteng area
South Africa	ACOCO	ACOCO	Budget and Finance Plan Preparation of Pre Investment Study/Joint Venture Between Africa Consumer Council and the Schulstad Group A/S
South Africa	Princeton Computing Training Solutions (Pty) Limited	Prescient Consulting	Business Plan for Princeton Computing Training Solutions (Pty) Limited
Swaziland	Swazi Business Growth Trust	Star Group	Analysis of Current Situation and Strategies for the Future of Swazi Business Growth Trust
Swaziland	Swazi Business Growth Trust	Star Group	Prospectus
Swaziland	Growth Trust Corporation Limited	Swazi Business Growth Trust	Project Proposal Start up Project Fund
Swaziland	Swazi Business Growth Trust	Group Dynamics	Strategic Work Session July 1997
Swaziland	Swazi Business Growth Trust	Swazi Business Growth Trust	Prospectus - Growth Trust Corporation Limited
Tanzania	International Trade Finance and Commodities Co Ltd /Simonka Investment Group Ltd	Technoserve	Final Report Coffee Training Activity for Marangu Rural Cooperative Society

Tanzania	FEDHA Investment Capital Fund	Equity Investment Management Limited and Commonwealth Development Corporation	Information Memorandum
Tanzania	International Trade Finance and Commodities Co , Ltd	International Trade Finance and Commodities Co , Ltd	Investment Proposal for Trade Finance Company
Tanzania	International Trade Finance and Commodities Co , Ltd	International Trade Finance and Commodities Co Ltd	Business Plan 1998 2000
Tanzania	FEDHA Investment Capital Fund	Vertex Consulting	Technical Assistance for Equity Investment Management and FEDHA Investment Capital Fund
Zambia	Zambia Pork Products Limited (ZAPP)	Coopers & Lybrand	Proposal for the Upgrading and Computerization of the Accounting System
Zambia	Zambia Pork Products Limited (ZAPP)	Star Group/Jeffrey Nash	In Kind Program for Swine Production
Zambia	Zambia Pork Products Limited (ZAPP)	Star Group/Jeffrey Nash	Initial Implementation of In Kind Credit Program for Swine Production
Zambia	Zambia Pork Products Limited (ZAPP)	Sigma Software Ltd	Proposal Computerization of Accounting Systems
Zambia	Zambia Pork Products Limited (ZAPP)	Deloitte & Touche	Proposal for the Upgrading and Computerization of the Accounting System
Zambia	Zambia Pork Products Limited (ZAPP)	Coopers & Lybrand	Business Plan - Final Report
Zambia	Women s Finance Trust of Zambia	Star Group	Business Plan 1997 2000
Zambia	Women s Finance Trust of Zambia	Emerging Market Investors	Analysis of Internal Operations Business Plan Legal Structure, Financial Operations Recommendations from Star Group
Zambia	Women s Finance Trust of Zambia	Coopers & Lybrand	Provisions for Technical Assistance and Training for Women s Finance Trust of Zambia
Zambia	Women s Finance Trust of Zambia	Star Group	Final Report

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Zambia	Women s Finance Trust of Zambia	Star Group	Business Plan 1996 1997 and Strategic Perspective up to 2000
Zambia	Women s Finance Trust of Zambia	Emerging Markets Investment	Statement of Capabilities
Zimbabwe	Zambuko Trust	Imani Development (Pty) Ltd	Report and Business Plan for Zambuko Trust Employee Finance Facility Final Report
Zimbabwe	Zambuko Trust	Star Group	Needs Assessment
Zimbabwe	Zambuko Trust	Opportunity International	Examining the Options for Expanding the Loan Portfolio of Zambuko Trust Commercial Loans or Savings
Zimbabwe	Zambuko Trust	Deloitte & Touche	Financial Report Zambuko Trust
Zimbabwe	Zambuko Trust	Imani Development (Pty) Ltd	Final Report Phase II
Zimbabwe	Zambuko Trust	Star Group	Business Plan and Business Proposal for Zambuko Trust Final Report
Zimbabwe	O Enem Meat Suppliers (Pty) Ltd	Imani Development (Pty) Ltd	Market Survey and Financial Analysis on the Feasibility of the Establishment of a Pig Abattoir
Zimbabwe	O Enem Meat Suppliers (Pty) Ltd	Star Group/Jeffrey Nash	Support Activities for Small Scale Pig Producers in Chiweshe Zimbabwe
Zimbabwe	Zimbabwe Progress Fund	Star Group	Investing in Financial Projects and Economic Progress
Zimbabwe	Cold Storage Company Ltd	Heritage Investment Bank Ltd	Privatization Proposal for the Cold Storage Company Ltd
Zimbabwe	Crown Securities Holdings Ltd	Star Group	Project Proposal for a Phased Establishment of a One Stop Financial Center
Zimbabwe	Zimbabwe Progress Fund	Zimbabwe Progress Fund	Investment Memorandum Zimbabwe Progress Fund Investing for Financial Profit and Economic Progress
Zimbabwe	South End Cargo Airlines	Tulwar Trading (Pty) Ltd	Feasibility Study Examining the establishment of reliable efficient and adequate commercial international air freight services

ANNEX G

Contract Deliverables

RTAA CONTRACT DELIVERABLES

Report Title	Date Submitted to USAID
Mobilization Work Plan	January 10, 1997
First Quarterly Progress Report (December 31, 1996)	January 10, 1997
First Annual Work Plan (September 30, 1997)	February 28, 1997
Second Quarterly Progress Report (March 31, 1997)	April 12, 1997
Third Quarterly Progress Report (June 30, 1997)	July 10, 1997
First Semi-Annual Award Fee Report (March 31, 1997)	July 31, 1997
Second Annual Work Plan (September 30, 1998)	September 15, 1997
First Annual Property Report	October 2, 1997
Fourth Quarterly Progress Report (September 30, 1997)	October 10, 1997
Second Semi-Annual Award Fee Report (September 30, 1997)	October 10, 1997
Fifth Quarterly Progress Report (December 31, 1997)	January 12, 1998
Special Report on RTAA Relevance	March 12, 1998
Sixth Quarterly Progress Report (March 31, 1998)	April 10, 1998
Third Semi-Annual Award Fee Report (March 31, 1998)	April 10, 1998
RTAA Termination Closeout Plan	April 30, 1998
Seventh Quarterly Progress Report (June 30, 1998)	July 10, 1998
RTAA Property Transfer Plan Final Accounting and Disposition	September 23, 1998