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Africa Project Development Facility Evaluation

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APDF 1988 Annual Report

I. Executive Summary

The Africa Project Development Facility (APDF) provides a full range of business advisory services to African entrepreneurs to assist them in developing, financing, and implementing investments in productive private enterprise activities. The United Nations Development Program (UNDP), International Finance Corporation (IFC), the African Development Bank (ADB), and 14 donor countries, including the United States, provided the financial support to establish the APDF in 1986. The APDF completed its first full year of operations in October 1988 under the management of the IFC. Its regional offices, staffed by resident professionals, are located in Abidjan and Nairobi.

In 1987, A.I.D. provided a 3-year, $2.1 million grant as its contribution to the establishment of the APDF. The purpose of this interim evaluation is to provide AFR/MDI and the Bureau for Africa with findings, conclusions, and recommendations on A.I.D.'s involvement to date in the APDF, and to give consideration to APDF's proposal for additional contributions to this project. To date, all conditions precedent have been met.

In general, the APDF provides assistance to private entrepreneurs in Africa by (1) identifying and screening project opportunities; (2) providing direct assistance and/or technical and managerial consultancy services; (3) facilitating the identification and selection of joint-venture partners, and (4) undertaking to arrange debt and equity financing for approved projects.

The APDF's services have generated a high level of response, and it has met the grant agreement objectives of generating private investment, creating employment, and stimulating exports. The APDF is consonant with A.I.D. activities in these areas and has interacted positively with USAID Missions, other bilateral assistance programs, international development agencies, and, most importantly, African entrepreneurs. The APDF experience compares favorably to that of the Caribbean Project Development Facility, after which it was modeled, and has incorporated a number of improvements in its approach. After its initial startup stage, the APDF is reaching an increasingly acceptable level of operational effectiveness, and by employing a fee-based approach to its services, it is helping to finance a larger share of its operating costs through fee income. Through both joint-venture investments and consultancies, the U.S. business community has had a reasonable level of involvement with APDF activities. Also, the APDF's services and AFR/MDI's investment promotion activities complement each other, and are a valuable resource for USAID programs oriented to promoting investment in private productive enterprises.

In brief, it is recommended that the APDF undertake follow-up evaluations of completed projects to determine the long-term effects of its services to the enterprises being assisted. It is in the best interests of all parties involved to improve and expand on the interaction between AFR/MDI, the USAID Missions, and the APDF to maximize the use of the APDF's resources and first-hand African investment experience. Greater A.I.D. involvement through participation on the APDF's Advisory Board and working more closely with IFC's APDF Coordinating Office in Washington, D.C., may help to increase U.S. business interest in Africa. The availability and access to debt and equity financing remains a significant challenge to the APDF's ultimate success. The financing environment issue, while not directly within the purview of the APDF program, needs to be addressed by its sponsors and donor agencies. In view of the favorable experience with the APDF, it is recommended that A.I.D. give positive consideration to participating as a donor in the proposed extension of the APDF.

II. Activity to be Evaluated: APDF

In 1987, A.I.D. approved a $2.1 million grant to cofinance with other donor agencies the Africa Project Development Facility. The 3-year project (fiscal years 1987, 1988, and 1989) is sponsored by the United Nations Development Program and managed by the International Finance Corporation. It is designed to provide a full range of advisory services to African entrepreneurs to assist them in developing, financing, and implementing investment in productive private enterprise activities.

III. Purpose of the APDF Evaluation

A.I.D.'s Project Paper calls for two evaluations of the project: the first one at a midpoint and the final one in early 1990. This evaluation covers the interim review contemplated and addresses the request for additional support from the sponsoring agencies and donor group for an extension of the APDF for another 4 years.

The purpose of the evaluation is to provide AFR/MDI and the Bureau for Africa with critical information on the performance of this project in the form of findings, conclusions, and recommendations. The lessons learned from this project should assist AFR/MDI in considering APDF's proposal for additional A.I.D. contributions.

IV. Background on the APDF Project

A. Development Objectives

The underlying objectives of the APDF project are to accelerate private-sector growth in sub-Saharan Africa so that the private sector can play an increasing role in its economic development. The focus is on generating productive employment, improving participating countries' balance of payments through expanded exports, and bringing about self-sustaining growth and development by creating and expanding small and medium-size private enterprises. The APDF supports projects with individual total investment costs in the range of US$0.5 to US$5.0 million equivalent, but also considers smaller projects depending on economic conditions in the host countries.

B. Project Origins

The development of indigenous entrepreneurs is an essential element toward achieving long-term and self-sustaining economic growth in Africa. That was, in brief, the conclusion of several surveys and studies undertaken by the APDF's sponsors, the UNDP, the IFC, and the African Development Bank (ADB) in the early 1980's. It was felt that increased private-sector activity was achievable even under the well-known difficult conditions afflicting the region. There were clear indications that an emerging private sector in Africa would need competent business advisory support to respond effectively to the opportunities and challenges in this environment.

The sponsors of the APDF carried out a specific survey in 1984 to support the establishment of the APDF as we know it today. The survey confirmed that throughout sub-Saharan Africa a number of private entrepreneurs existed who could make the transition to the modern business sector despite the acknowledged difficulties of the region. In quantitative terms, the survey revealed that the number of entrepreneurs who could potentially use assistance from the APDF was greater than that originally estimated. Even some countries in which the private sector had not been active appeared to offer a potential use of the APDF's

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services as the result of recent government policy changes more favorable to private enterprise.

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

With the support of the UNDP, IFC, and ADB as sponsoring institutions, 14 countries, including the United States, joined in committing funding to the project, and in 1986 the APDF was officially inaugurated. Organization and staffing occupied the early period of the APDF's implementation period. The APDF's first full year of operations ended with its fiscal year on October 31, 1988 (see Attachment A, APDF's 1988 Annual Report).

C. General Description of Activities

The APDF's operations are managed by the IFC through a Project Coordinator based in the IFC in Washington, D.C., and two regional offices in Abidjan and Nairobi. Each regional office has a manager seconded from the IFC and seven professionals and support staff. In addition, the Swiss government is funding a professional position of a staff member based in the Zurich offices of United Nations Industrial Development Organization (UNIDO). To supplement the work of the core staff, the regional offices make extensive use of independent consultants for short-term technical assistance. An Advisory Board, comprised of senior representatives of the three sponsoring agencies and six private-sector representatives from Africa and the donor countries, meets regularly to provide management with a forum to discuss policy and operational matters. Also, a Sponsoring Agency Committee coordinates the activities of the sponsoring agencies.

The APDF's operational activities are composed of the following areas of assistance to private entrepreneurs in Africa:

(1) Identifying and screening project opportunities for commercial viability

(2) Providing direct assistance and arranging for consultancy services to help implement the project

(3) Identifying technical and managerial personnel and/or partners for the proposed venture

(4) Assisting in the selection of joint-venture investors

(5) Facilitating the linkage of foreign investors with indigenous entrepreneurs in Africa

(6) Arranging debt and equity financing for approved projects

It appears that the current status of the APDF is healthy. During the initial period of operations, the APDF established not only the need for its services but also the capacity to respond to the needs of indigenous entrepreneurs in Africa. Between its startup in late 1986

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and March 1989, the APDF identified and/or responded to some 1,100 project ideas. Approximately 10 percent of these were considered as doable, a fairly standard figure in the venture capital field. The APDF has been able to complete 36 projects with a total investment cost of $65.1 million, successfully arranging $43.1 million in debt and equity financing. It is estimated that some 3,139 jobs have been created and $42.2 million has been generated in foreign exchange.

Perhaps the most important factor in considering the current status of the APDF is its substantial pipeline of "active" and "possible" projects as of April 1989: 130 in the Abidjan office and 176 in the Nairobi office. This volume of business exceeds the present capacity of the organization to effectively review these projects. The APDF project's funding commitments are being met in a timely fashion and the operations are running within the corresponding budget parameters, which are deemed adequate to complete the trial period ending in 1990.

V. Evaluative Questions: Findings and Conclusions

A. Are the Grant Agreement Objectives for the Facility Being Met Through Operations to Date?

Findings: The APDF's services have generated a high level of response, as measured by project ideas reviewed, projects approved, consultancies provided, private investment generated, employment stimulated, and foreign exchange earned. The relevant statistics to support this finding are available in the APDF's 1988 Annual Report. As of March 31, 1989, approximately halfway through its 1989 fiscal year, the APDF continues to show steady progress.

Yearend October 31, 1988, and interim March 31, 1989, comparisons show the following: Approved projects have increased from 30 to 36; project investments are up $18 million to $65.1 million from $47.1 million; total funding obtained by APDF has increased from $32.9 million to $43.1 million; and the estimates for employment and foreign exchange generation are up from 2,434 to 3,139 and $24 million to $42 million, respectively. Refer to Table 1 for details on projects completed since APDF's startup.

In addition, as of April 1989, the APDF has a growing pipeline of potentially viable projects in both regional offices: 176 in Nairobi and 130 in Abidjan. APDF management has stated that as the APDF has performed and acquired credibility among the private sector in Africa, the quality of the projects being presented for review has improved noticeably. This phenomenon will surely translate into a higher percentage of these pipeline projects being approved in the future than were approved during the startup period.

Within this favorable context of accomplishments, one frustrating problem seems to be a constant. The difficulty in raising equity capital from indigenous sources, as well as debt financing from institutional sources, has hindered the APDF's ability to successfully complete a significant number of commercially viable projects. This is a negative element pervasive in sub-Saharan Africa and is not attributable to the APDF; however, it does have an impact on its ability to perform. In this regard, it should be noted that the Central/West Africa subregion is a more difficult market than the East/Southern Africa subregion, which enjoys a somewhat better financing environment. The issue of financing approved projects is problematical and recognized as such by APDF management. The higher quality of projects now being presented to the APDF should help somewhat in this regard.

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AFRICA PROJECT DEVELOPMENT FACILITY (APDF)

SUMMARY OF FUNDED PROJECTS

COUNTRY	SECTOR	TYPE	PROJECT COST	FUNDING OBTAINED THROUGH APDF: EQUITY	LOANS	TOTAL	ESTIMATED: JOBS CREATED	ANNUAL FOREX IMPACT
			US$ MILLION					US$MILLION
Funded Projects to March 31, 1989								
Botswana	Lumber	Expansion	0.5	0.1	0.4	0.5	280	2.0
"	Paper	New	0.5	-	0.3	0.3	15	-
"	Cosmetics	New	0.5	-	0.3	0.3	25	0.6
Burundi	Brewery	New	0.8	-	0.2	0.2	55	-
"	Poultry	New	0.8	-	0.3	0.3	50	-
Cote d'Ivoire	Zippers	Rehabilitation	0.1	-	0.1	0.1	-	-
"	* Diamond Polishing	New	1.2	0.4	0.3	0.7	90	3.7
"	* Dairy Products	Expansion	1.7	-	1.2	1.2	30	-
"	Fishing	Expansion	1.2	-	0.7	0.7	67	5.3
"	Pencils	New	1.1	-	0.6	0.6	35	0.3
"	Charcoal	New	1.2	0.3	0.7	1.0	33	0.1
Ghana	Tobacco	Expansion	2.5	0.5	1.0	1.5	285	2.5
"	Poultry	New	2.1	-	1.6	1.6	-	-
Guinea	* Candle Manufact.	New	0.5	-	0.3	0.3	43	-
Kenya	Fertilizer	Expansion	2.9	-	2.9	2.9	35	-
"	* Tourism	New	12.5	-	6.4	6.4	380	10.0
"	* Garment Manufact.	New	0.1	-	0.1	0.1	12	-
"	Tannery	Expansion	2.0	-	1.8	1.8	150	-
"	Agriculture	Expansion	0.3	-	0.3	0.3	25	0.5
"	Silk Farming	New	0.9	0.4	0.5	0.9	50	-
"	Cashewnut	New	6.7	-	4.5	4.5	250	3.8
"	Tourism	New	5.9	0.4	4.0	4.4	100	3.0
Madagascar	Agriculture	Expansion	2.0	-	1.0	1.0	60	-
Malawi	Coffee	New	0.5	-	0.4	0.4	55	1.5
"	Ginning	New	0.4	-	0.3	0.3	30	-
"	Poultry	Expansion	0.3	-	0.2	0.2	50	-
Mali	Aggregates	New	1.0	-	0.5	0.5	45	-
Nigeria	Rose Farming	New	1.4	-	1.0	1.0	66	0.7
Rwanda	Plant Farming	New	1.4	0.2	0.4	0.6	58	1.7
Tanzania	Handpumps	New	1.3	0.2	0.8	1.0	45	-
"	* Pineapple Farm	New	2.0	0.6	0.9	1.5	150	0.5
"	Flour Mill	Expansion	1.4	-	0.9	0.9	35	-
"	Agriculture	New	3.6	0.8	2.4	3.2	400	1.4
Uganda	Fishing	New	1.5	0.1	0.4	0.5	40	1.3
"	Handpumps	New	1.6	0.2	0.5	0.7	80	-
Zimbabwe	Mining Lights	Expansion	0.7	0.6	0.1	0.7	15	0.6
Grand Total: (since start-up)		36 Projects	65.1	4.8	38.3	43.1	1139	42.2

* Completed Since October 1988

Finally, at the April 1989 Advisory Board meeting of the APDF in Paris, the donor country representatives were uniformally favorable in their views of the APDF's progress to date. In general, it appears that there is a positive donor attitude toward further support for the continuation and expansion of the APDF.

Conclusions: The APDF project does not present any extraordinary problems; to the contrary, it appears to be delivering quite well on the assumptions made during the design period, on the basis of which sponsoring agency and donor support was provided. It has been effective in identifying and screening commercially viable private investment opportunities in Africa. It has delivered valuable technical assistance on a professional basis to African entrepreneurs interested in starting businesses and/or expanding existing enterprises. Considering that the startup phase is a difficult one for any organization, the APDF has done an admirable job in staffing and involving local and international consultants in the process of project implementation. The resulting impact on private-sector activities in the countries where it has operated is positive and conforms to the overall objectives of the project.

Lastly, in view of the problematical conditions affecting the business climate in Africa, it is hard to imagine that the APDF would have had the success it has had without the grassroots, comprehensive approach it has taken to bringing proposals to fruition. Restricting itself to the role of just brokering financing would have had very limited success. The role of selecting and nurturing business proposals, sometimes over extended periods, has been an essential element to getting projects launched. In this regard, the ability to bring in specific, short-term technical expertise is considered a critical factor to the APDF's success.

Because direct financing is outside the purview of the APDF, it is perhaps in its best interest, as well as that of its supporters, to encourage other programs to address the issue of financing new business in Africa as a necessary complement to its activities. It is obvious from the APDF experience that the role of venture capital financing is a critical one to any program attempting to develop private enterprise activities in the African countries. Increasing capital flows to viable projects and existing enterprises trying to expand is very much related to the activities of the APDF. Institutions and mechanisms that stimulate the access to and growth of capital resources for private business in Africa need to be promoted.

B. Is an International Facility the Most Appropriate Vehicle for Providing Project Development Assistance to Private Entrepreneurs in Africa?

Findings: While the region is endowed with an abundance of natural resources, overall there is a striking contrast between the potential of its resources and the poverty of much of its population. The difficult economic conditions prevailing in Africa present a formidable obstacle to the development of private investment and expanded private-sector activities. There is no need here to repeat the many challenges facing the private entrepreneur in Africa, let alone the foreign investor. Suffice it to say that the uncertainties and instability of the marketplace, the many years of state-run economies, and scarce human and capital resources dictate that the process of private-sector development is going to be an evolutionary one.

External assistance can and is helping in this regard, but it appears to most informed observers that the process is going to be a long-term endeavor, one that will require a broad range of support from as many

sources as possible. Also, it is the experience of the APDF that entrepreneurs have preferences for know-how and equipment of varying national origin. APDF's international approach facilitates and enhances the arrangement of these foreign inputs.

Conclusion: In simple terms, the development of the private sector in Africa will require the mobilization of both international and indigenous sources of capital and know-how. It appears that in view of the fragile nature of most the African economies, and the related risks to private investment, that international efforts that have access to a broader mobilization of the necessary resources are more appropriate in terms of both cost and effectiveness than strictly bilateral efforts.

This is not to say that bilateral efforts are not appropriate. It would appear that bilateral efforts benefit substantially from multilateral approaches like the APDF. The logistics of covering such a vast subcontinent, the unfamiliarity of American business with Africa, and the need to provide a close, hands-on relationship during the proposal development stage represent a significant expenditure of time and money. A presence in the field, easy entre to the whole network of national and international financing sources, and the ability to provide worldwide investor matchmaking and access to technology seem to favor an international facility like the APDF.

AFR/MDI's efforts to promote U.S. foreign investment in Africa can take advantage of the APDF's services to support its activities in this regard. The multilateral approach to providing project development assistance opens up more doors, has the potential to involve more players--parties interested in participating in the investment--and can bring to bear relevant experience in a marketplace where American business involvement has been nominal.

C. Is the Association With an International Program of Value to the Promotional Needs of the African Entrepreneur?

Findings: There is no doubt that the prestige and professionalism of the APDF carry substantial weight with potential investors and lenders, both internationally and locally. APDF management, recognizing the difficulties in obtaining financing in the African countries, attribute their success (admittedly somewhat limited) in obtaining equity funds for approved projects to their "international connections." It appears that project sponsors place a high value on the credibility of the APDF as opposed to their views toward many local institutions, particularly those that are government controlled. Abuses of confidence, corruption, and unwarranted influence are often cited by businessmen as necessary evils in dealing with government development agencies. Even private institutions are sometimes subject to pressures that are not always in the best interest of the entrepreneur. Also, the APDF is receiving numerous project proposal referrals from donor agencies and local financial institutions that are not in a position to undertake project appraisals and development.

Conclusion: APDF is viewed as a reliable, independent, and professional organization. The issue of confidentiality is extremely important to the African private entrepreneur, who most often is working within a relatively small market where such considerations are important. A.I.D.'s efforts in the development of productive private investment can be greatly enhanced by referring business proposal opportunities to the APDF. Most USAID Missions do not have enough qualified staff or time to handle investment promotion, let alone project screening and development. The latter function is extremely important to new business ideas, particularly in the African context. In brief, APDF's "good

housekeeping seal of approval," as applied to its efforts to obtain financing for approved projects, has been a key factor in virtually all the proposals considered.

D. When Comparing the APDF to the CPDF, What Are the Lessons Learned?

Findings: The Caribbean Development Facility (CPDF) began operations in 1981 and was the model for the APDF. However, there have been important differences in their respective developments. A comparison of measurable progress indicators will contrast the operations of the two organizations. We will use APDF statistics that reflect less than 2 years of operations, and CPDF statistics that reflect more than 8 years of experience:

Progress Indicator	CPDF	APDF
Total Project Investment	$98.5MM	$65.1MM
Funding Raised	$63.4MM	$43.1MM
Project Completions	46	36
Jobs Created (Estimates)	3,347	3,139

Considering the much longer operating period for the CPDF, the APDF track record indicates a much more favorable experience. It appears that this better performance is due to the following factors, which were taken into consideration by both the designers and the managers of the APDF project:

(1) The APDF considered it essential that the program get as close as possible to its potential clients in the field; therefore, it set up its operations in Abidjan and Nairobi. The CPDF has operated out of Washington, D.C., and just opened a field office in 1988. Being situated in relatively large markets in Africa, the two APDF offices had the advantage of close proximity to potential deals.

(2) The APDF countries represent larger internal markets than those covered by the CPDF, and thus enjoy a relative marketplace advantage in terms of population size, even though they are very limited in terms of purchasing power.

(3) APDF management cites its extensive use of short-term consultants in the field as the key to its success. It adds to the cost factor but appears to be an effective use of resources. In contrast, the CPDF only began the use of field consultants in 1988 and at a level of effort far below that of the APDF. Also, the APDF has encouraged the use of local consultants, enhancing and strengthening African consulting firms.

(4) The APDF is applying "fees" to a much greater extent than the CPDF, which is just now (1988) utilizing this approach. It is worthwhile noting that the CPDF has experienced a significant loss of projects due to sponsor disinterest. Fees, however modest, became an integral part of APDF's approach early on in their operations.

Conclusions: There is no doubt that the APDF's ability to provide consultants to nurture their projects to the stage of completion is an important lesson learned. The fragility of the African economies and their underdeveloped financial markets make it all too easy for even the best project ideas to fail.

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Another important lesson learned relates to the important factor of being close to your entrepreneur clients and their markets. This is valuable as a business development tool as well as affording APDF staff with the market intelligence so essential to the proper screening of project ideas.

Finally, the early application of some form of "user" fee by the APDF has definitely limited the number of less-than-serious project sponsors without diminishing the deal flow. In fact, as mentioned previously, APDF is now experiencing a significant backlog of higher quality projects for review.

E. How Has A.I.D. Influenced the Facility's Objectives and Operational Effectiveness?

Findings: At the time the APDF proposal came under consideration by A.I.D., the Bureau for Africa already had a program for private enterprise development in Africa under way. The proposed APDF and its objectives were consonant with the Bureau's private-sector strategy. The potential benefits of participating in a regional effort to help promote the development of investment in and the expansion of the private sector in Africa were recognized as compatible with A.I.D. objectives.

At the operational level, the Bureau for Africa successfully influenced two important aspects of the APDF's approach. First, the issue of fees was considered important to the success of the project, not from the viewpoint of attaining a self-sustaining financial position, but rather to ensure that the program was not perceived as another "giveaway." APDF management was uncertain in its early stages about the application of fees but very quickly adopted the policy of charging its clients for services rendered. The fee policy is now firmly embedded in APDF's modus operandi.

To date, fees or cost-sharing arrangements have been made on some 85 projects under study or completed. These fees, totaling some $200,000, are not likely to come close to putting the APDF on a self-sustaining basis in the near future. However, they establish the principle that APDF services have a real value, help to ensure that the project entrepreneur is serious about his request, and extend the resources of the APDF. AFR/MDI continues to press for higher fee income so that APDF actual costs are reduced significantly. Nevertheless, as stated elsewhere, it is felt that it is unrealistic to expect the APDF to become fully self-sustaining from this type of fee income. The nature of the market and clientele simply work against this possibility.

Second, cost-effectiveness was another A.I.D. concern. The organizers of the APDF project readily accepted the premise that it would be prudent to apply reasonable standards of cost control on individual projects. According to APDF management, field staff and consultant time on a project is carefully monitored. The range of project review and development expense to APDF runs between $50,000 to $80,000. Considering the logistics required in putting together a project in Africa, and the propensity for Third World markets to live by "Murphy's Law," these costs are reasonable. Also, it must be remembered that the APDF is dealing with relatively small enterprises, which are usually more labor intensive when it comes to providing them with business services.

Conclusions: The APDF project objectives and methods of operation are compatible with those of A.I.D. The points of concern have been duly recognized and their application to the APDF's approach to project

review has been readily accepted by management. Partial cost recovery and attention to cost control are an integral part of the APDF's operations. Nevertheless, it would be unreasonable to expect that the APDF is structured to become self-sufficient. The nature of the marketplace, the type of services rendered and the clientele dictate against this.

It is appropriate here to deal with the overall issue of establishing and maintaining the APDF with donor funds. If APDF's performance is measured strictly in quantitative terms of the return on funds employed, it would appear that the APDF is a high-cost operation. That is to say, in actual figures APDF's expenditures through December 1988 totaled $10.4 million, with some 30 projects being completed. Thus, simple math tells us that each project costs almost $350,000. However, a number of qualitative considerations need to be factored in to this equation to get the true picture.

First, a significant percentage of the APDF's expenditures are attributable to startup costs and, in normal accounting terms, would be capitalized and not charged against operations. It would be within reason to capitalize as much as $2.0 million of the APDF's first year's outlays. This would translate to a lower cost per project completed. As indicated in the following point, even this figure is inflated by the low volume of projects approved in the early stages of the APDF's operations. Project costs will come down with increased volume. The large "project pipeline" mentioned earlier substantiates this assumption, and clearly indicates that future completed project expenses will be considerably less than experienced to date. Second, as mentioned above, the project processing cycle in the early stages is not indicative of the APDF's normal operating cycle; thus, the initial figure of 30 projects completed understates the APDF's true capacity. Third, quantitative measurements alone do not account for the expertise and market intelligence the APDF is acquiring, which can conceivably make it the primary source for data on private investment and related resources in Africa. Fourth, many bilateral assistance programs benefit in ways that are not quantifiable; for example, the use of the APDF's information resources and institutional networking. Fifth, while completed projects are obviously the ultimate test of the APDF's effectiveness, the total number of projects reviewed also is an important indicator of cost-effectiveness. An increasing number of African entrepreneurs are benefiting from a considerable amount of objective professional business advice. And last, are there viable alternatives to the APDF? In Africa, where the American business presence is not strong, it is in A.I.D.'s best interests to take advantage of an international effort and its network of resources to help U.S. companies enter the African marketplace through direct investment, technology transfer, and consulting services.

F. Have Conditions Precedent Been Met?

Findings: A.I.D.'s Project Paper calls for (1) an annual evaluation of the performance of the APDF prior to each year's disbursement and (2) prior to the second and third annual disbursements, certification that total donor contributions were adequate to meet the APDF's budget for the prior year. The APDF has complied with these conditions. In addition, APDF management has been readily available for informal discussions on the APDF's activities. If A.I.D. were to require additional information, the APDF appears ready and able to accommodate any reasonable request.

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Conclusions: Not applicable.

G. What Is the Level of Interaction Between the APDF and the USAID Missions in Africa?

Findings: It appears that, while there is room for improvement, the APDF and the USAID Missions are working with one another in a complementary way. Examples of this include a horticulture project in Uganda that is receiving a line of credit from USAID designed to promote nontraditional exports. The export credit line formed part of the financing package arranged by the APDF on behalf of the project's sponsor. In another instance, a USAID grower-outreach program in Swaziland is complementing an APDF-supported flour-milling project. Other examples of cooperation include APDF's use of International Executive Service Corp (IESC) consultants, consideration by USAID/Zimbabwe in funding an APDF regional office, and the participation of APDF's Regional Manager at the African Mission Directors Conference in 1988. APDF staff call routinely on all representatives of the donor agencies when they are on country missions.

Conclusions: Because of the newness of the APDF program, it is assumed that the breadth and depth of APDF contact with the USAID Missions in Africa could stand continuous reinforcement. The greater the level of familiarity on the activities of both parties, USAID Missions and APDF, the more likely that they will interact to their mutual benefit. APDF's services can be helpful to USAID Missions who have been approached by interested foreign investors from the United States Indigenous entrepreneurs seeking foreign partners or technology could be directed to the APDF through the USAID Missions. It seems that USAID private-sector officers and advisors and designated staff need to maintain constant communication so that they can take full advantage of their respective areas of assistance.

H. What Has Been the U.S. Involvement in the APDF's Activities?

Findings: Two U.S. companies, Johnson Products and Abercrombie & Kent, are involved in approved projects. Two more American firms are participants in projects currently under study. Some 22 U.S. consultants have been used by the APDF in a wide variety of project review and implementation activities. It is estimated that these consultancies represent approximately 15 percent of the APDF's total consultant usage. Because two U.S. consultants have been used as semipermanent staff in the field, the actual amount of consultant time booked is well above this percentage.

Conclusions: The Washington, D.C., location of the APDF's Coordinating Office is a positive factor for U.S. participation in APDF projects in an area of the world that, until recent years, has been the recipient of only nominal interest from American business. Also, AFR/MDI's investment promotion activities create a natural line of communication and involvement with the APDF on a regular basis.

VI. Recommendations

A. Establish Followup Evaluations of Completed Projects

Although the Project Paper calls only for interim and end-of-project evaluations, it will be necessary to see what happens to the projects (and the enterprises involved in the projects) at some future date. The final judgment on any type of investment advisory service can be made only after a reasonable period of time has passed. Therefore, it is recommended that APDF commit to establishing a reporting system to

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provide periodic assessments of a representative sample of projects and companies 2 to 3 years after APDF assistance was provided to evaluate its development impact and consequence to the business enterprise.

B. Expand on the Interaction Between APDF, AFR/MDI, PRE/I, and the USAID Missions

While there is evidence that A.I.D. is taking advantage of APDF services, more interaction between the APDF, AFR/MDI, PRE/I, and the USAID Missions is recommended. All parties concerned need to take a more proactive approach in communicating each other's interests and needs. Some form of formal communication and information system that would increase the frequency and substance of information exchanges should be implemented. The APDF is a useful tool for promoting private investment in productive enterprises in Africa, an objective that is receiving more direct assistance from A.I.D., particularly through the efforts of AFR/MDI, which should take the lead in this regard.

C. Seek U.S. Representation on APDF Advisory Board

It is recommended that the United States seek to place a representative on APDF's Advisory Board. The degree of U.S. financial support to the APDF warrants this consideration and it could help to increase greater American business interest in Africa.

D. Encourage Greater U.S. Business Involvement in APDF Activities

It is recommended that AFR/MDI encourage greater U.S. business involvement in APDF activities. In this connection, AFR/MDI can accept the offer of the U.S.-based APDF Project Coordinator to provide the type of clearinghouse services that the APDF Office in Geneva provides to European firms. The coordinator, located at IFC headquarters in Washington, D.C., can be called on at any time by businesspeople and stands willing to brief U.S. firms and groups. Such collaboration would be mutually beneficial and cost-effective for AFR/MDI and the APDF. The APDF could draw on AFR/MDI contacts with American companies as investors, providers of technology, and technical assistance consultants to APDF projects. Correspondingly, AFR/MDI, USAID Missions in Africa, and PRE can tap into the primary-source market intelligence that the APDF is accumulating. In view of the volatility of most markets in Africa, this first-hand, up-to-date information is an extremely valuable resource that A.I.D. could provide to American business interests.

E. Seek Ways to Enhance the Financing Environment in Africa

The issue of access to and availability of debt and equity capital for private enterprise development, while outside the functions of the APDF, needs to be addressed by the APDF's supporters. The APDF experience has clearly demonstrated the need for venture capital, both equity and debt financing, as defined within the context of Africa. Although it is not the responsibility of the APDF to resolve this issue, the consequences have a direct impact on its ability to perform. It is recommended that the APDF encourage its sponsoring agencies and donors to seek ways to improve the financing environment (institutional sources, mechanisms, and instruments) for small and medium-sized businesses through their respective development assistance programs.

F. Consider A.I.D. Participation in APDF 5-Year Extension

It is recommended that A.I.D. give positive consideration to participating as a donor in the proposed 5-year extension of the APDF. Considering the weak American business and investment position in sub-Saharan Africa, a case can be made for piggybacking on an international

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program that is effective in the region. AFR/MDI's foreign investment efforts are in their beginning stages and can use the APDF to further its objectives of increasing U.S. business interests in Africa. The USAID Missions can use the APDF as a vehicle to help promote investment in productive private enterprises in their respective markets. Some USAID Missions are using the APDF services, but more participation would benefit all concerned. In brief, A.I.D.'s support of the APDF is akin to an investment that has both a current return (in the form of services performed) and a residual value that A.I.D. and others can tap into for investment assistance for years to come.

VII. Attachments

APDF 1988 Annual Report

XD

Attachment A

APDF 1988 Annual Report

The Africa Project Development Facility

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

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Africa Project Development Facility

Acronyms and Initials

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

Africa Project Development Facility
12 Months of Operations
Ended October 31, 1988

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ATTACHMENTS

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

Africa Project Development Facility
Report
On
Operations for the 12 Months Ended
October 31, 1988

I. BACKGROUND

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

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

II. OBJECTIVES

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

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

III. SPONSORSHIP AND FUNDING

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

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

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Table 1

STATUS OF COMMITMENTS AND PAYMENTS
AT OCTOBER 1988

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

IV. IMPLEMENTATION

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

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

V. ORGANIZATION AND STAFFING

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

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

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

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

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

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

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

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

VI. OPERATIONS

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

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

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

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

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

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

21. A further contribution from the Facility is to draw on local and international expertise and to put it at the disposal of the local promoters. During 1988, APDF contracted some 160 experts from 34 countries for short term assignments which included quick assessments of the local or foreign markets, assessments of second hand equipment, the identification of new technologies, designs of business plans, and detailed technical assessments of the costs of project proposals. APDF has developed an extensive network of experts through its contacts with the sponsoring and bilateral agencies and through its growing network of national and bilateral development banks. This network allows the Facility staff to consult with many sources to identify experts and expertise to assist African entrepreneurs. The professional standards set by APDF are assisting local consultants in increasing their experience while at the same time assuring them that not only will their professional work be closely reviewed and evaluated but that their own local and international reputations will be enhanced by their association with the work of APDF. The Facility has developed a network of capable and experienced local consultants as APDF continues to make special efforts to develop local consultant capacity.

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

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

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

Table 2

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

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

Table 3

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

REGION	1988						1987	
	WEST/CENTRAL		EAST SOUTHERN		TOTAL		TOTAL	
SIZE IN 000'S US$	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
Up to 500	32	16	98	32	130	26	135	22
501 to 1000	42	20	95	31	137	27	92	15
1001-2000	36	17	40	13	76	15	81	13
2001-5000	32	16	10	3	42	8	74	12
Above 5000	16	8	59	21	75	15	29	5
Undetermined size	48	23	—	—	48	9	191	33
TOTAL	205	100	302	100	508	100	602	100

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Table 4

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

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

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

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

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

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

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Table 5

AFRICA PROJECT DEVELOPMENT FACILITY (APDF)

SUMMARY OF COMPLETED PROJECTS FOR PERIOD FROM NOVEMBER 1, 1986 TO OCTOBER 31, 1988

COUNTRY	SECTOR	TYPE	PROJECT COST	EQUITY SECURED BY APDF	LOANS SECURED BY APDF	TOTAL FINANCING SECURED	ESTIMATED JOBS CREATED	ESTIMATED ANNUAL FOREX IMPACT
			US$MILLION					US$MILLION
A. Completed Projects to October 31, 1987								
		2 Projects:	2.3	—	2.1	2.1	175	0.5
B. Completed Projects from November 1, 1987 to October 31, 1988								
Botswana	Lumber	Expansion	0.5	0.1	0.4	0.5	280	2.0
"	Paper	New	0.5	—	0.3	0.3	15	—
"	Cosmetics	New	0.5	—	0.3	0.3	25	0.6
Burundi	Brewery	New	0.8	—	0.2	0.2	55	—
"	Poultry	New	0.8	—	0.3	0.3	50	—
Cote d'Ivoire	Zippers	Rehabilitation	0.1	—	0.1	0.1	—	—
"	Fishing	Expansion	1.2	—	0.7	0.7	67	5.3
"	Pencils	New	1.1	—	0.6	0.6	35	0.3
"	Charcoal	New	1.2	0.3	0.7	1.0	33	0.1
Ghana	Tobacco	Expansion	2.5	0.5	1.0	1.5	285	2.5
"	Poultry	New	2.1	—	1.6	1.6	—	—
Kenya	Fertilizer	Expansion	2.9	—	2.9	2.9	35	—
"	Silk Farming	New	0.9	0.4	0.5	0.9	50	—
"	Cashewnut	New	5.7	—	4.5	4.5	250	3.8
"	Tourism	New	5.9	0.4	4.0	4.4	100	3.0
Madagascar	Agriculture	Expansion	2.0	—	1.0	1.0	60	—
Malawi	Coffee	New	0.5	—	0.4	0.4	55	1.5
"	Ginning	New	0.4	—	0.3	0.3	30	—
"	Poultry	Expansion	0.3	—	0.2	0.2	50	—
Mali	Aggregates	New	1.0	—	0.5	0.5	45	—
Nigeria	Rose Farming	New	1.4	—	1.0	1.0	66	0.7
Rwanda	Plant Farming	New	1.4	0.2	0.4	0.6	58	1.7
Tanzania	Handpumps	New	1.3	0.2	0.8	1.0	45	—
"	Flour Mill	Expansion	1.4	—	0.9	0.9	35	—
"	Agriculture	New	3.6	0.8	2.4	3.2	400	1.4
Uganda	Fishing	New	1.5	0.1	0.4	0.5	40	1.3
"	Handpumps	New	1.6	0.2	0.5	0.7	80	—
Zimbabwe	Mining Lights	Expansion	0.7	0.6	0.1	0.7	15	0.6
Sub-Total:		28 Projects	44.8	3.8	27.0	30.8	2259	23.5
Grand Total: (since start-up)		30 Projects	47.1	3.8	29.1	32.9	2434	24.0

Report on Projects Completed in 1988

BOTSWANA

Chobe Forest Industries

28. The company was founded in 1982 to log and produce lumber in Northern Botswana. By 1987, the company faced a major financial crisis. The Bostwana Development Bank requested APDF to make a technical and financial review of the project and to establish a business plan to rehabilitate the project and to allow an increase in the indigenous shareholding in the project. APDF carried out this work and the project is going forward under new management allowing Botswana to expand its exports and safeguard approximately 200 jobs which were in jeopardy.

Yarley Cosmetics

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

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

Bostwana Paper Products

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

BURUNDI

Impeke Industries

31. APDF assisted a group of Burundi shareholders in obtaining the financing needed for this project which will produce the traditional cereal-based beer consumed widely in East & Southern Africa. The company will be the first to produce this traditional drink in Burundi utilizing industrial standards. The company has obtained financing from the Société Burundaise de Financement and from the Banque de Crédit de Bujumbura. In addition, the company will enter a technical assistance agreement with the Industrial Development Corporation of Zambia (INDECO) to supply brewing equipment and know-how. A grant from the Center for the Development of Industry (CDI) of the European community will cover most of the know-how costs involved. The project will proceed on a pilot basis at a cost of US$822,000 prior to deciding on a further expansion. Trial production runs are now underway and APDF has provided technical help to the sponsors during this start-up period.

AVICOM

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

COTE D'IVOIRE

Comptoir Ivorien de Fermetures à Glissières (CIFG)

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

Pêchazur

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

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

Graphicos S.A.

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

La Société Carbonisation Africaine

36. This is a new company established in mid-1988 to manufacture and market industrial charcoal in the Côte d'Ivoire. With APDF's assistance, the project sponsor carried out a comparative analysis of various european charcoal manufacturing technologies and redefined the original project concept on a firmer technical basis. In addition, APDF assisted the sponsor to identify a foreign technical/financial partner and to mobilize the US$1.2 million of financing. Equity funding amounting to US$420,000 was provided by the local sponsors, the Dutch technical sponsor, Beckman and the Netherlands Development Finance Company (FMO). Loan financing was extended in the form of a suppliers credit by Beckman and a medium term loan by FMO. The project is being implemented and is expected to become operational by mid-1989.

GHANA

International Tobacco Ghana Ltd.

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

Darko

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

KENYA

MEA Limited

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

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

Sagana Silk

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

Kwale Cashewnut

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

Kongo Beach Hotel

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

MADAGASCAR

La Hutte Canadienne

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

MALAWI

W.O. BAPU (private) Limited

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

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

The Chigonamikango Cotton Ginning

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

Chirambe Estates

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

MALI

Egebat

47. As part of its privatisation program, the Government of Mali offered a stone crushing plant for sale. A Malian national purchased the quarry in early 1987. He then requested APDF help to define the structure of the project and to secure a local currency loan of US$ 500,000. Financing was initially proposed by the Caisse Centrale de Coopération Economique with the participation of the local BIAO commercial bank. The project sponsor subsequently opted to associate himself with a foreign contractor involved in civil works and road construction rather than implement the project approved by the financial institutions. The project has been implemented and is operational.

NIGERIA

African Roses

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

RWANDA

Rwanda Exotique

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

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TANZANIA

Tanzania Handpump

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

The Tanzania Food Corporation

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

Farmlands Tanzania Limited

52. As a result of liberalization policies of the government of Tanzania, the sponsor purchased an estate formerly held by the Tanzania Sisal Authority. APDF developed a rehabilitation program consisting of land clearance and replacement of existing Sisal by new crops. The Tanzanian authorities have agreed to allow the company to retain a portion of its export earnings to meet its foreign exchange needs. The total project cost is set at US$3.6 million, of which the equity needed has been provided by the existing shareholders and loan funding has been provided by the East African Development Bank and The Netherlands Development Finance Company (FMO). The company is also expected to obtain technical assistance from the Dutch Agricultural Firm of HVA, financed in part by the Dutch Aid Program to Tanzania.

UGANDA

Victoria Fresh Food Industries

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

Victoria Handpumps LTD.

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

ZIMBABWE

Optimus Zimbabwe

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

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

VII. BUDGET

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

Table 6

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

((000)'s of US$)

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

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

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VIII. CONCLUSION

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

It is disconcerting, on the other hand, to see experienced indigenous entrepreneurs promoting valid and sound projects who are unable to secure the financing for their ventures. It is quite clear that there is a growing need to increase the available equity funding in the region. Entrepreneurs throughout the world tend to invest all their available capital in their ventures and when an opportunity appears to expand or modernize their enterprises, they often do not have the capital required by lending institutions to finance their projects. During the last year, a number of institutions put into place new instruments to address this pressing problem. This will be an area where more assistance will be needed in the future.

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

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

Attachment 1

AFRICA PROJECT DEVELOPMENT FACILITY (APDF)

OBJECTIVES OF THE FACILITY

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

(a) Assisting African entrepreneurs on a direct and confidential basis in formulating and screening projects ideas;

(b) Providing guidance and, on a selective basis, making technical and consultancy services available to African entrepreneurs who need project preparation and feasibility studies in order to promote and implement sound project ideas;

(c) Assisting African entrepreneurs with viable project proposals to identify and obtain appropriate technical and managerial personnel and, if needed, technical partners on terms which are equitable and fair;

(d) Assisting African entrepreneurs to select project partners, and sources of equity and loan finance on appropriate terms;

(e) Advising private foreign investors or financial institutions seeking to identify investment opportunities and/or local partners in sub-Saharan Africa by bringing the parties together and helping to negotiate fair and equitable conditions of cooperation; and

(f) Advising African entrepreneurs interested in purchasing local companies from foreign shareholders or acquiring parastatal enterprises which member countries wish to privatize.

Attachment 2

AFRICA PROJECT DEVELOPMENT FACILITY (APDF)

COMPOSITION OF THE ADVISORY BOARD AT OCTOBER 1988

Chairman:

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

Members:

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

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

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

Mr. Makarand Dehejia, Vice President Engineering, IFC

Mr. Leon Hermans, Chairman, ENBI, The Netherlands

Mr. Babacar NDiaye, President, African Development Bank

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

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

Attachment 3

AFRICA PROJECT DEVELOPMENT FACILITY (APDF)

STAFF CHART AT OCTOBER 31, 1988

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

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Attachment 4

Report on Projects Completed in 1987

KENYA

Bulley's Tannery

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

Trade and Enterprise

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

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