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Section 1. Executive Summary

i) Purpose and Method

1.1 The purpose of the study is to evaluate and where possible to quantify the impact of AMSCO intervention on the financial and human resource development of its client enterprises.

1.2 The study commences with a review of the entire AMSCO portfolio of clients, its geographic and sectoral distribution, and the sources and application of donor funding made available to clients from the UNDP / ATMS project and other sources. The overhead and headquarters staff expenses per client are examined, as well as the quality of the management services offered by AMSCO.

1.3 Case studies have been prepared for all those clients where information was made available, a total of 90 studies. Since inauguration in April 1989 AMSCO has entered management services contracts with 126 companies, of which 31 have been signed after December 31, 1996, making 95 clients suitable for the study of the impact of AMSCO intervention.

ii) Scope of the Study

1.4 Each of the case studies includes a brief history of the company and specific details of the form of the training and management development programmes introduced to the client. Where available the studies quantify the changes in key financial and technical performance variables of the client during the period of AMSCO intervention.

1.5 Based on the information contained in the case studies five separate analysis are presented:

- The regional differences in client performance during AMSCO inverventions;
- The financial performance of 37 clients during successful AMSCO interventions;
- The "sustainability" of AMSCO impact in the post-contract performance of the companies reported in the 1995 <u>AMSCO Impact Study: Eleven Selected Cases</u>;
- The reasons for the failure of AMSCO interventions in 25 companies;
- The volume, cost and range of the training and management development programmes provided by AMSCO to its client companies over the period 1989-1997.

iii) AMSCO Portfolio

1.6 The outstanding impression from the review of the AMSCO portfolio over the nine year period since inauguration is of a dynamic development, constantly adjusting to meet the changes in conditions in the market place and the resources available. The rate of growth of the portfolio over the past four years has been remarkable, demonstrating a flexibility to meet changing conditions.

This has enabled the company to build up a substantial volume of "work in progress". The reduction of unit costs during the same period is a major step towards AMSCO reaching financial break even.

1.7 The review of the development of the AMSCO portfolio raises three concerns for the future:

- That donors provide sufficient funds for management support to enable AMSCO to maintain a high percentage of SME's in its future portfolio;
- That donors provide sufficient funds to the MDF to ensure that AMSCO can meet its contractual obligations to provide a proportion of the costs of training and management development programmes;
- That the "hidden costs" of the very large recent increase in the portfolio, in terms of a reduction of the ability of AMSCO to deliver high quality management services to its clients be fully addressed.

iv) <u>Regional Comparison</u>

1.8 Financial data were made available for only three AMSCO clients in East Africa. These are insufficient to be treated as representative.

1.9 The differences in the performance of the AMSCO portfolio of clients in West and Southern Africa were analysed, and found to be principally due to two factors:

- The macro-economic environments in which the clients were operating; and
- The different financial structure and market orientation of the individual clients in each region.

1.10 Many of the AMSCO clients in West Africa, particularly those in the FCFA zone, suffered the general economic downturn experienced by the region in the early 1990's. For some clients this was compounded by currency devaluation and exposure to increased foreign competition. The capitalisation of many of the clients was weak, and their products aimed only at a local market.

1.11 The strength of the Southern Africa portfolio lies in the large export-oriented clients in Mauritius and Madagascar, a very successful financial service enterprise in Zimbabwe and an export zone management company in Namibia. The basis for success was pro-active government support, combined with focused market targets, strong balance sheets and senior management awareness of the vital importance of a well trained workforce.

v) <u>Financial Impact</u>

1.12 The analysis indicates that AMSCO has been a cost-effective vehicle, in term of cost / benefit results on donor-provided funds.

1.13 The benefit to clients is also demonstrated. The average net profit improvement of US$568,000 in 22 months represent a 240% return on the net cost to the clients of the AMSCO management teams (after donor funding provision). Clients would benefit further from the improved condition of the management of the companies after the AMSCO intervention.

1.14 Without donor funding support the analysis is significantly different. Typically, the costs of the AMSCO managers are substantially more than the increased company earnings they will achieve during the first year of intervention. This short term additional cash requirement is beyond the resources of many companies, particularly SME's. It is for this reason that donors should restore a reasonable level of funding to assist smaller companies to meet the immediate costs of AMSCO management teams.

1.15 In view of the increased demand for AMSCO services, and the demonstrable financial benefit to its clients, AMSCO should require performance-related bonus provisions in its contracts. This would enable AMSCO to provide financial incentives to all field managers, and a contribution to both the MDF and the AMSCO "bottom line".

vi) "Sustainability"

1.16 The 1995 report AMSCO Impact Study: Eleven Selected Cases examined the financial impact of the intervention of AMSCO in eleven selected clients. These companies were revisited to determine how they had fared since the completion of the AMSCO intervention

1.17 The individual case studies describe the factors which affected the development of each of the eleven companies since the end of the AMSCO contract. All except one have developed financially and commercially. In addition, training continues to be an important function.

1.18 Financial data are available for seven of these companies. Overall performance has continued to improve steadily since the end of the AMSCO interventions. Average turnover has increased by US$1.4 million (22%); operating and net profits by US$159,000 and US$31,000 respectively; shareholders equity has increased by 12%; and liquidity ratios by 28%. Exports have doubled in value, in US dollars. In local currency these improvements are even greater.

1.19 These achievements are particularly credible in view of the fact that several of the companies faced increasing competition from foreign imports as a result of trade liberalisation policies, as well as adverse local economic conditions. All of the companies were in financial and / or managerial distress at the time of the commencement of the AMSCO intervention, and their ongoing success must in part be due to the improvements introduced during that intervention. This review indicates that the impact of AMSCO on its clients is sustainable.

vii) AMSCO "Failures"

1.20 It is recommended that to reduce the incidence of failure of its contracts AMSCO should:

- improve the quality and thoroughness of pre-contract client diagnosis and pre-contract negotiations with clients;

- establish an effective post-contract monitoring and support mechanism; and
- broaden the base of its manager recruiting efforts in Africa and the Far East to help to reduce the high cost of management.

1.21 It is recognised that these recommendations would involve additional staff, and would be most effectively implemented on a regional basis, through offices in Africa.

viii) <u>Training and Management Development</u>

1.22 In 1994 AMSCO made a significant change in its approach to the form of management development and training programmes appropriate for its clients. The new policy, aimed at creating a broadly-based "training culture" within client enterprises, involved development of new types of training event and trainer.

1.23 This development is still underway. Analysis indicates that progress has been achieved in extending the range of courses to the specific requirements of clients, increasing substantially the number of trainees and reducing significantly the unit costs of training events. AMSCO has also organised a series of regional and international workshops, seminars and conferences that provide valuable development and networking opportunities to its clients. This fulfils an important objective of the original project proposal.

1.24 In addition to meeting client training requirements more closely and reducing the unit costs of training events, AMSCO has achieved a control of the overhead expenses incurred in the administration of the MDF.

ix) <u>Summary and Conclusions</u>

1.25 <u>Management Services</u>

- AMSCO has had a positive impact on the financial performance of a high proportion of its clients (approximately two thirds of the 90 clients studied);
- AMSCO has grown almost exponentially in recent years, with no increase of the human resources available to supervise the portfolio. This has led to a deterioration in some of the services of the company, in particular pre-contract diagnosis and client monitoring.
- Since early 1997, the lack of funding to assist client companies to meet the expenses of AMSCO field managers has limited the possibility of smaller companies using AMSCO services.
- The lack of information in AMSCO headquarters on the condition and performance of many AMSCO clients, including some current interventions, indicates inadequate contact and monitoring by the AMSCO operations department.
- The "failure" rate of AMSCO interventions, although within the limits of the original project proposal, could be reduced by more effective pre-contract diagnosis and post-contract monitoring.

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- Since early 1997, the lack of funding to assist client companies to meet the expenses of AMSCO field managers has limited the possibility of smaller companies using AMSCO services.
- The lack of information in AMSCO headquarters on the condition and performance of many AMSCO clients, including some current interventions, indicates inadequate contact and monitoring by the AMSCO operations department.
- The "failure" rate of AMSCO interventions, although within the limits of the original project proposal, could be reduced by more effective pre-contract diagnosis and post-contract monitoring.

- The programme overload, concentration of effort on acquiring new clients, and the physical remoteness of the AMSCO operating staff in Amsterdam are inhibitions to effective contact and communication with clients and field managers.
- Since 1995 few of the AMSCO management services contracts contained provisions for a performance-related bonus, despite the increasing demand for AMSCO services.

1.26 Training and Management Development Services

- The management development function of AMSCO has been successfully re-oriented, and is now offering a wide range of in-house and external training courses, workshops, seminars and conferences.
- Unit costs of the training and management development events provided through AMSCO have been very substantially reduced, and AMSCO administration expenses are now at an acceptable level.
- The lack of integration between the AMSCO operations and development departments is damaging the efficiency of client monitoring and the benefit of shared information and experience.
- AMSCO has built up considerable forward contractual commitments for the supply of management services to the 63 clients now under active contract. Currently there are not sufficient guaranteed donor contributions to the MDF to meet all of the AMSCO obligations to training and management development costs required under these contracts.

x) Recommendations

1.27 The main recommendations of the study are:

- For AMSCO to continue to provide financial support for the costs of management services to SME clients, and to contribute financially to the management development programmes of all clients it is essential to obtain commitments from donors sufficient to cover fully all forward contractual obligations of AMSCO.

- AMSCO should require the inclusion of performance-related bonus provisions in its contracts. Earnings from such provisions would enable the company to provide financial incentives to field managers, and to contribute to the MDF and the AMSCO "bottom line".

- To help reduce the incidence of AMSCO failures resulting from inadequate pre-contract assessment it is recommended that AMSCO:
  - i) prepare target profiles for potential clients to fit the current marketing policy of the company, as agreed by the Board;
  - ii) prepare a standard outline form of diagnosis, covering all of the essential issues and covenants to be covered in the initial assessment of a prospective client;
  - iii) strengthen the existing procedures for "peer group" review of proposals to proceed to negotiation of a management service agreement, and for the subsequent review of the agreements to be presented to senior management for approval.

- To help reduce the incidence of AMSCO failure resulting from inadequate monitoring and support of the clients and field managers during the course of the intervention it is recommended that AMSCO:
  - i) ensure that all field managers comply with the requirement in their employment contracts to produce within 90 days of taking up the field appointment a business plan or technical performance schedule (as appropriate), for discussion and agreement with AMSCO and the client Board ;
  - ii) include in every client agreement and field manager employment contract a provision for the submission to AMSCO of regular summary reports on the financial and technical performance of the of the client, combining comparison with business plan and details of any exceptional matters arising;
  - iii) install and maintain a system for recording and analysing the critical financial and technical performance of clients, for regular management monitoring reports.

- To improve its efficiency, it is recommended that AMSCO:
  - i) restructure the management of AMSCO (as proposed in the 1997 Strategic Plan) to integrate more closely the three main departments (operations, management development, and finance / administration);
  - ii) establish, where cost effective, regional offices in Africa, staffed sufficiently to be responsible for direct contact with prospective clients, active clients and field managers, and to be the front-line contact point with regional stakeholders in the ATMS / AMSCO project (i.e. UNDP, government, donor representatives, local banks, training institutes, etc.);
  - iii) organise in-house training for both operations and development department staff in report-writing, financial analysis, contract negotiation, and communication skills;
  - iv) strengthen the concept that the responsibility of every staff member is to improve the AMSCO overall "process" of assisting clients to achieve international standards of performance and competition. Staff must understand that "success" is a successful client, not a contract signed or a training programme completed. Group consultation at critical stages of a client relationship should be the norm, and staff rotation between departments should be considered.

Section 2. Introduction

i) Purpose of the Study

2.1 The purpose of the study is to evaluate and where possible to quantify the impact of AMSCO intervention on both the financial well-being and the human resource development of its client enterprises, across its entire portfolio of clients.

ii) Definitions

2.2 The primary criteria used to measure the financial impact on individual clients are changes in their financial and operational performance during and (where available) after the period of AMSCO intervention.

2.3 The main parameters used to evaluate the financial impact of the AMSCO intervention are:

- Turnover;
- Number of employees;
- Net profit;
- Operating profit;
- Assets;
- Liabilities;
- Shareholders' equity;
- Labour efficiency ratios;
  - on turnover;
  - on operating profits;
- Capital efficiency ratios;
  - on turnover;
  - on net profits;
- Liquidity ratios;
  - on current assets/liabilities;
  - on total assets/liabilities;
- Export earnings;
- Import substitution; and
- Technology transfer.

2.4 Data on some of these functions were not available (or necessary relevant) for some client enterprises. However, sufficient adequate data were available to enable a clear analysis to be made of the financial impact of the AMSCO intervention across the portfolio.

2.5 The impact of AMSCO intervention on the human resource development culture of the client enterprises is measured by the number and range of staff / employee training courses and management development programmes in which the managers and staff of clients participated.

2.6 The "sustainability" of the AMSCO impact after the termination of AMSCO intervention is evaluated by follow-up studies of the eleven selected companies included in the 1995 report "AMSCO Impact Study: Eleven Selected Cases". These follow-up studies apply the same criteria as those used for the study.

iii) **Case Studies**

2.7 The primary analysis of each enterprise in the AMSCO portfolio is presented in the form of a case study. The main sources of data for these studies were the annual reports, financial statements, management accounts, operating reports, and training programmes of the relevant companies. These data have been supplemented extensively from business plans, training evaluation reports, technical assessments and correspondence, plus direct discussions with client companies' executives and principals. Annex D, containing copies of all of the case studies (and which therefore contains sensitive confidential information on individual companies), is held by AMSCO and available for review on request.

2.8 To provide the context in which each intervention took place, the case studies also provide a brief history of each company and a fairly detailed summary of the management and training intervention that has been provided to each of the clients.

2.9 95 clients qualified for this study (contracts entered prior to January 1, 1997). Each of these has been "graded", the grade being based on the financial and technical performance of the company during the period of AMSCO intervention, the depth and success of the training programme, and anecdotal information available in management reports and independent evaluations of the company. The grades range from "A" – very successful; "B" successful; "C" – adequate; "D" less than adequate; to "E" failure

Table I: AMSCO Portfolio, 1989 – 1998
Graded by Performance

Client Category	Number of Clients
Total AMSCO (contracts, 1989-1998)	**126**
Post 31.12.1996 contracts (not qualified for study)	**31**
Clients qualified for study	**95**
"Adequate", "Successful" and "Very Successful" Interventions	**66**
"Inadequate" and "Failed" Interventions	**29**

2.10 Sufficient information was available to prepare 90 detailed case studies. From these studies four specific analyses are developed:

- the regional differences in client performance during AMSCO inverventions;
- the financial performance of 37 clients during successful AMSCO interventions;
- the "sustainability" of AMSCO impact on the post-contract performance of the Companies reported in the 1995 AMSCO Impact Study: Eleven Selected Cases;
- the reasons for the failure of AMSCO intervention in 25 companies;
- the volume, cost and range of the training and management development programmes provided by AMSCO to its client companies over the period 1989-1997.

iv) Conversion and Aggregation

2.11 In order to provide comparison between the changes in the performance of individual enterprises, and to calculate the weighted average impact of AMSCO over the whole portfolio, the financial data have been converted to US dollar values (using the exchange rate applicable in each of the relevant years).

2.12 The on-going financial impact of AMSCO intervention is also identified from the actual estimated performance of each company in its current financial year. These figures have also been converted to US dollars and presented individually and also in aggregate form.

Section 3. The AMSCO Client Portfolio: 1989 – 1998

i) Introduction

3.1 The full portfolio of AMSCO management service clients is set out in Annex 1, which includes specific information on: client size, sector, turnover and number of employees at the beginning of AMSCO intervention; the dates of AMSCO intervention, the number of AMSCO managers seconded; and the amount of donor financial support provided to individual clients.

Between April 30, 1989 and March 31, 1998, AMSCO has signed a total of 126 management service contracts with enterprises in sub-Saharan Africa. 33 of these contracts had been completed to full (or extended) term, 62 are on-going, 2 have been postponed and 29 have been prematurely terminated.

ii) Sectoral Distribution

3.2 The range of activities of AMSCO clients covers an extremely wide sectoral spread: Table 2 below indicates the main commercial / industrial areas in which AMSCO has been involved:

Table 2 : Sectoral Distribution of AMSCO Clients, 1989 - 1998

Sector	No. of AMSCO Clients	Total Employees	Annual Turnover (US$'OOO)	Total AMSCO Managers
Manufacturing	31	6,204	157,963	58
Financial Services	19	2,619	112,912	28
Food Processing	14	2,870	59,955	25
Textile	12	11,734	131,613	42
Agriculture	11	1,245	15,108	19
Hotel Services	7	938	6,801	7
Transport	5	413	16,959	11
Automobile Services	4	388	14,879	6
Computers	3	173	2,779	3
Construction	3	1,548	16,203	3
Timber	3	3,200	53,346	33
Mining	2	770	13,400	7
Retail Services	2	497	5,673	4
Telecommunications	2	104	1,962	2
Consultancy	1	45	4,000	2
Engineering	1	220	4,204	1
Fishery	1	2,000	33,069	1
Heavy Engineering	1	53	1,800	2
Marketing Services	1	8	?	1
Music	1	20	1,100	1
Offshore Development	1	16	1,000	1
Tourism	1	158	nil	1
TOTAL	**126**	**35,223**	**654,726**	**258**

AMSCO has built up specialist experience and capability in several key business development areas, especially: financial services; hotel services; manufacturing; textile; and food processing.

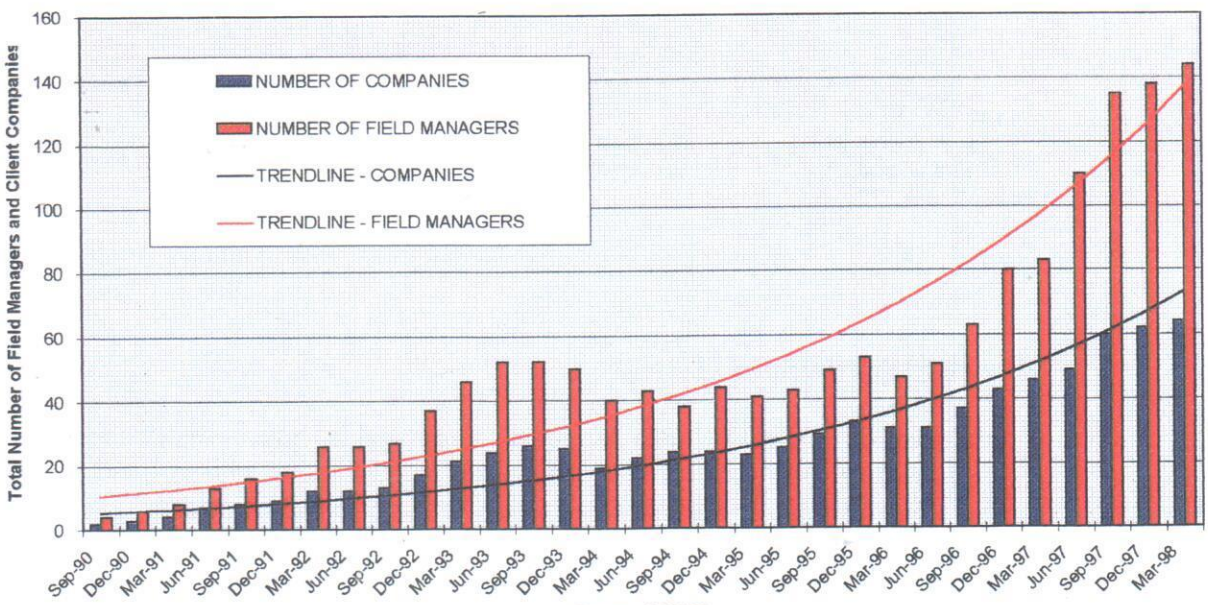
ii) **Geographic Distribution**

3.3 AMSCO has been operating over the past nine years throughout sub-Saharan Africa: 50% of its client were in West Africa; 32% in Southern Africa; and 18% in East Africa. AMSCO has operated in a total of 27 countries. Concentrations of clients have developed in Ghana, Ivory Coast, Kenya, Mali, Mauritius, Senegal, Tanzania, Uganda and Zimbabwe.

iv) **Growth of Portfolio**

3.4 The AMSCO portfolio of client enterprises under contract has steadily increased over the years, as Chart 1 illustrates. In April 1994, (the fifth anniversary of the inauguration of the AMSCO/ATMS project) the company had 20 clients under contract. This number has risen at an increasing rate to reach 60 clients under contract by the end of 1997. At March 31, 1998, there were 64 clients under contract. Alongside this increase in the volume the number of field managers seconded to clients also increased, from 40 in April 1994 to 144 in March 1998. The growth in the number of managers is also shown in Chart 1.

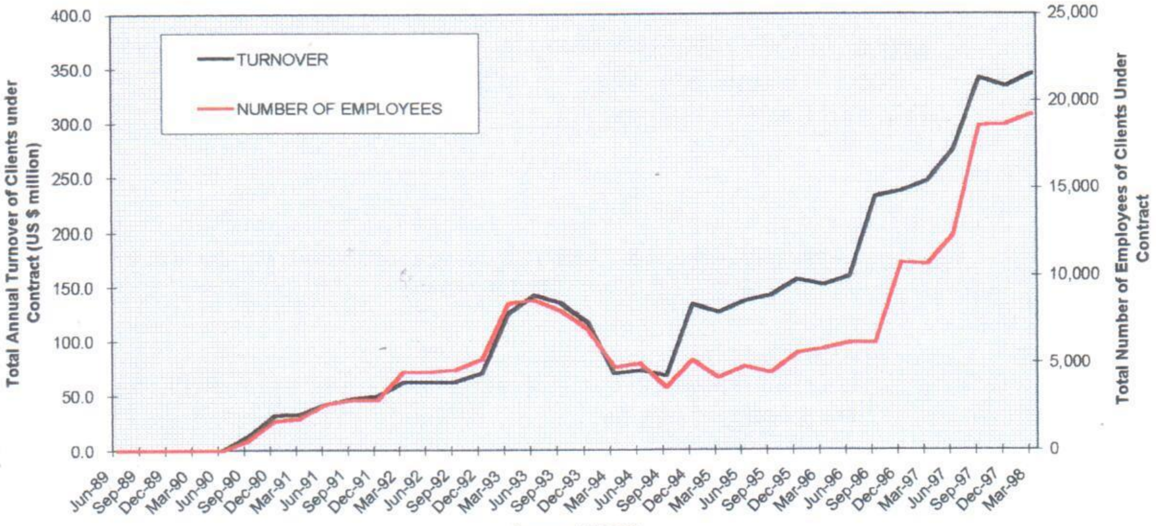
Chart No. 1 : AMSCO Client Portfolio, 1989-1998 - Number of Clients under Contract and Number of Field Managers



Source: AMSCO

3.5 The growth of the portfolio had the obvious effect of increasing the influence of AMSCO. Chart 2 shows the total annual turnover and number of employees of ASMCO clients under contract at any one time. By March 1998 these amounted to US$350 million and more than 19,000 employees. These numbers are based on individual company statistics at the beginning of each AMSCO contract and therefore probably understate the actual numbers applying during the contract period. Over time the average annual turnover of individual clients under contract has varied between US$3 million to US$6 million per client (with an overall average of US$5 million per client), and the average number of employees has varied from 150 to 300 per client (with an overall average of 250).

Chart No. 2 : AMSCO Client Portfolio, 1989-1998 - Total Annual Turnover of Clients Under Contract (US $ million) and Total Number of Employees of Clients Under Contract (based on figures at the commencement of each AMSCO contract)



Source: AMSCO

v) Size Distribution of Clients

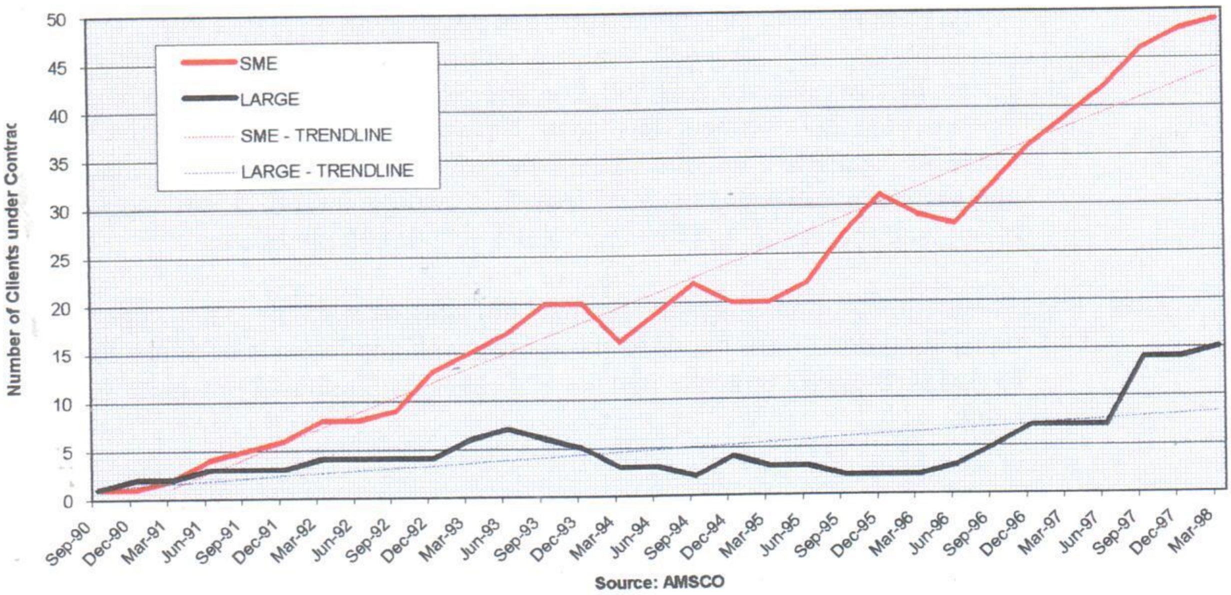
3.5 Each of the AMSCO clients has been categorised by size between SME (small and medium-sized enterprises) and Large, with a further split in SME between Small and Medium. Definitions applied in this categorisation are:

- Small: Annual turnover of US$5 million or less and 100 employees or less
- Medium: Annual turnover between US$5 and US$10 million having between 100 and 500 employees
- Large: Annual turnover of more than US$10 million with more than 500 employees

The categorisation of individual clients by size is based on client performance at the beginning of the AMSCO contract.

3.7 Annex I shows the category of each AMSCO client by size. 78% of the total number of clients were SME's (99 clients), and 60% of these were "Small" companies. Chart 3, which plots the distribution of AMSCO clients under contract year by year, shows that the balance between SME's and large clients has been fairly steady over the years.

Chart No. 3 : AMSCO Client Portfolio, 1989-1998 - Number of Clients under Contract, by Size (SME / Large)



Source: AMSCO

vi) Donor Financial Support for AMSCO Clients

3.8 Over the nine years of AMSCO operations the three principal sources of donor financial support for AMSCO clients have been the ATMS Management Development Fund ("MDF"), the ATMS Management Loan Fund ("MLF"), and FMO / IBTA funding. MDF is exclusively used for the support of client training and management development programmes. The

MLF and FMO / IBTA loans and grants have been available to assist clients in meeting the costs of AMSCO seconded field managers. The financial support of these funds has been augmented by ad hoc grants from other donor sources for individual clients for specific purposes.

3.9 The following table shows total funds allocated to AMSCO clients up to March 31, 1998 from the three main sources of donor funds:

Table 3: Principal Sources of Donor Funding for AMSCO Clients, 1989-1998

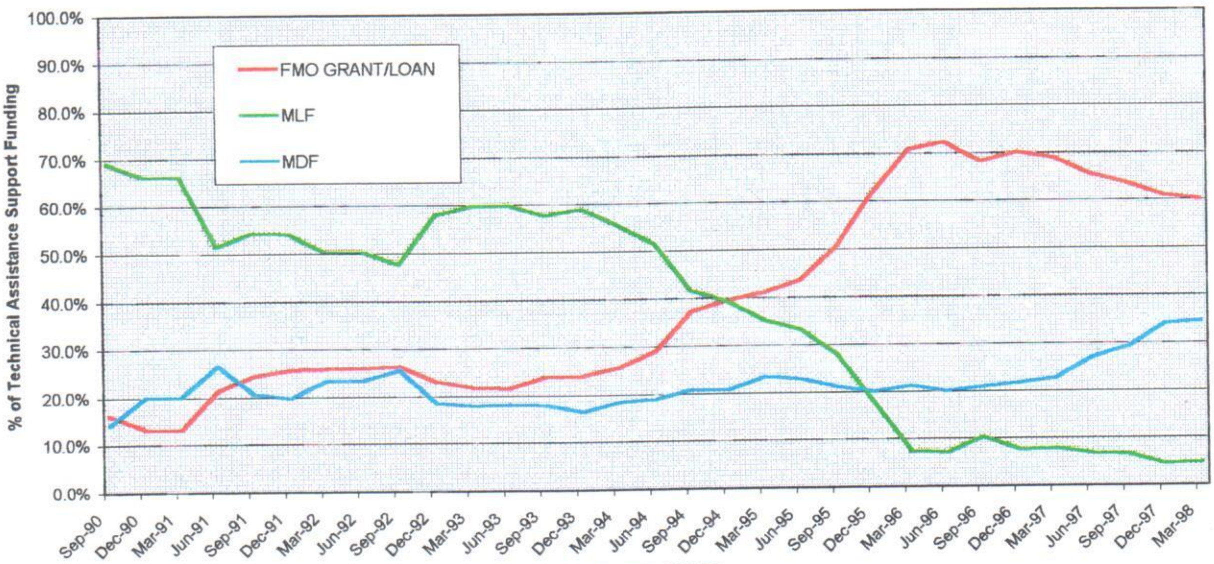
Source:	NLG million	US$ million
MDF	11.35	7.05
MLF	---	8.60
FMO/IBTA		
• Grant	14.25	
• Loan	8.29	
Sub-total FMO/IBTA	22.54 *	14.00
TOTAL (US$ million)		**29.65**

(* note: NLG converted to US$ at 1.61)

These figures indicate that the average financial support for training and management development has been US$60,000 per client, and the direct financial support for the expenses of seconded AMSCO managers approximately US$180,000 per client. The average total of donor support per client over the period 1989 to 1998 was US$240,000 per client.

3.10 These global and average figures do not reflect the very significant underlying downward trends in the sources and applications of donor funding to AMSCO clients over the past several years, as illustrated in Charts 4 and 5 below.

Chart No. 4 : AMSCO Client Portfolio, 1989-1998 - Sources of Technical Assistance Funding Support for Clients under Contract by Source (%)



Source: AMSCO

- <u>Type of Donor Funding</u>
  Chart 4 illustrates the high reliance placed on the MLF during the first five years of the AMSCO project until its use was discontinued in 1994. It also clearly shows the increasing role played by FMO / IBTA funds from 1991 through to early 1997, when this budget allocation was terminated. The benefits of each of these funds have continued after their termination, as the allocations to individual clients were spread over the periods of the AMSCO contract.

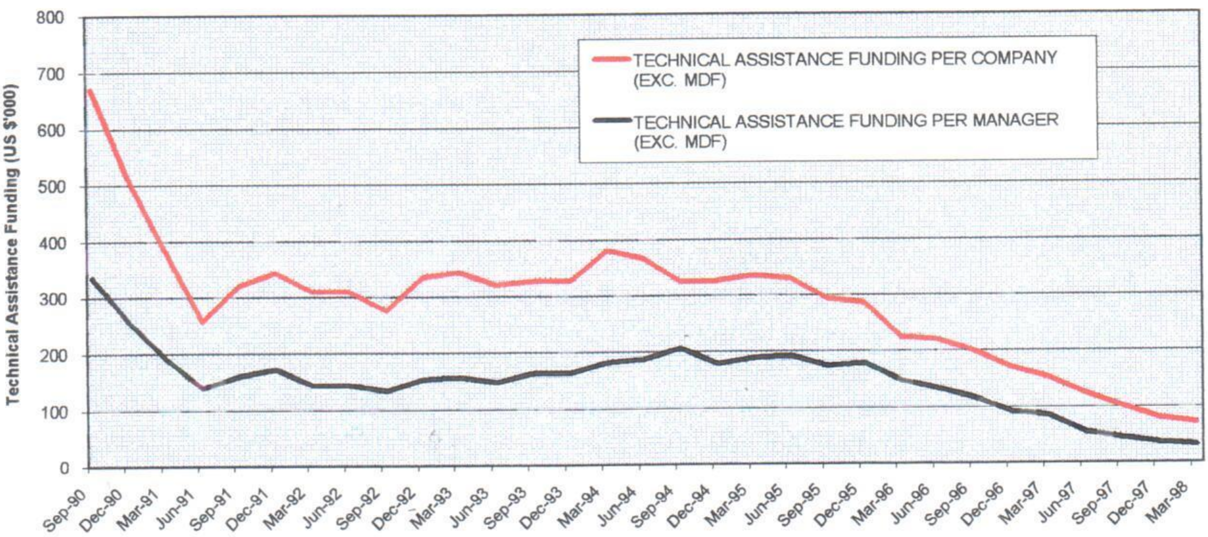
  Since early 1997 there have been no sources of funds to assist new AMSCO clients to meet the expenses of seconded managers. This has drastically reduced the AMSCO ability to help SME's, and as a result AMSCO marketing is now increasingly concentrated on larger companies, and on clients involving joint venture partners, both of which are able to afford the full cost of AMSCO services.

- <u>Application of Donor Funding</u>
  Initially the use by AMSCO of donor funding to clients was generous. The average funding provided to the eleven clients reported in the <u>1995 AMSCO Impact Study</u>, excluding MDF, was just under US$500,000 per client. Support in the range of US$400,000 to US$450,000 per client was typical of the period up to mid-1995. At that time AMSCO came under the twin pressures of the increasing difficulty of raising further

funds and the increasing demand for funds arising from a growing portfolio.

The consequence of these pressures was for AMSCO progressively to reduce the funding support offered to clients. Commitments to clients for financial support to assist in meeting the expenses of the AMSCO management teams were stopped completely in March 1997, when the allocation from the FMO / IBTA budget was terminated. Earlier IBTA commitments continue to be disbursed, but the drastic reduction on the donor support for current AMSCO clients is shown in Chart 5, falling from US$300,000 per client in June 1995 to US$75,000 in March 1998.

Chart No. 5 : Average Technical Assistance Funding Support (excluding MDF) per Field Manager and per AMSCO Client under Contract, 1989-1998 (US $'000)

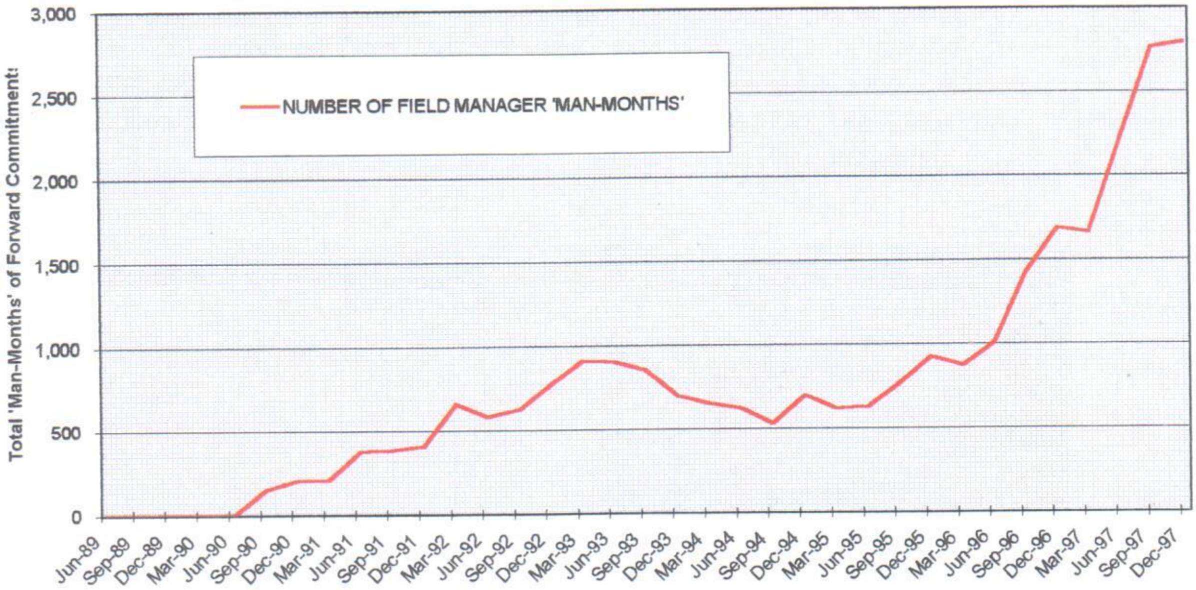


Source: AMSCO

vii) <u>**Forward Commitments – "Work in Progress"**</u>

3.11 As a result of the steady growth in the number of clients and field managers, AMSCO has over the past four years built up substantial forward commitments, in terms of the total manager-months to be supplied to clients in the future. At the end of 1994 these amounted to 500 "manager months" (i.e. the equivalent of providing two managers to ten clients for approximately two years). By the end of December 1997 the corresponding figures was 2,500 "manager months" (the equivalent of providing two managers to 50 clients for two years). Figure 6 illustrates the rapid growth of this "work in progress" over the past few years.

Chart No. 6 : AMSCO Client Portfolio, 1989-1998 - Field Manager Forward Contractual Commitments, "Work in Progress" (in 'Man-Months')



Source: AMSCO

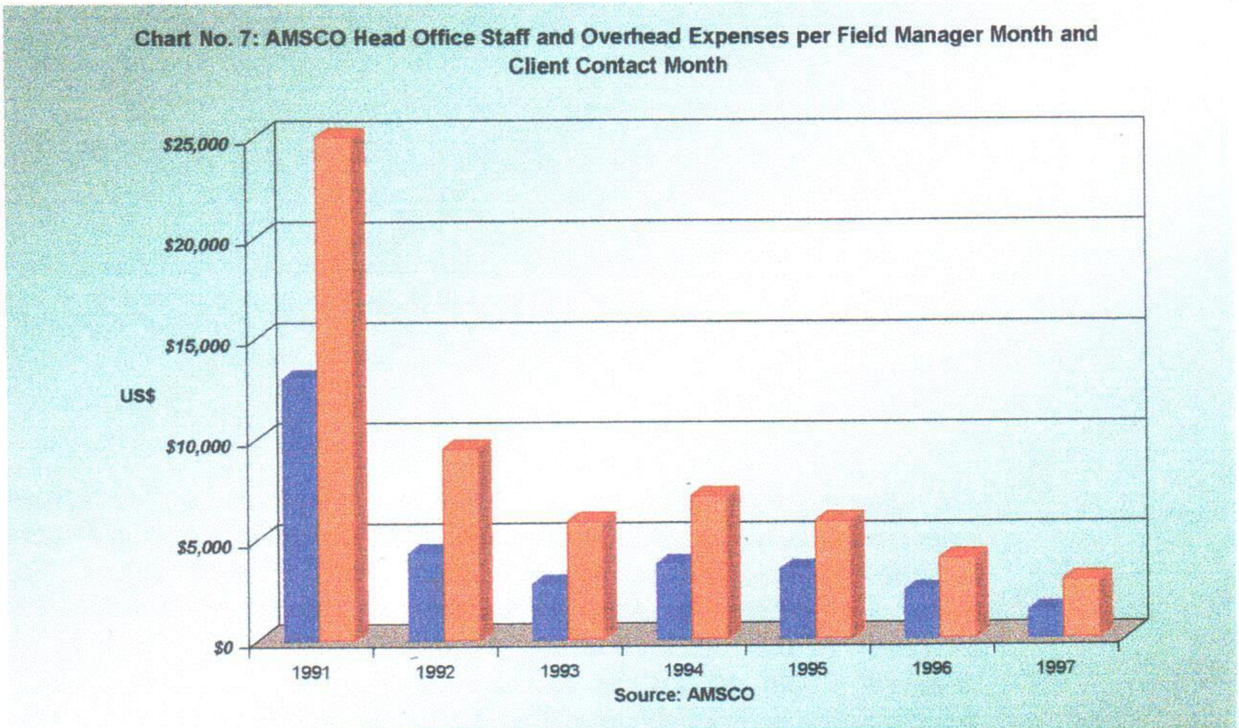
3.12 The substantial commitments for AMSCO management services provide assurance of business in the immediate future, and reflect the higher profile and good reputation that has now been established in the market place. It also provides a platform for AMSCO management to consolidate, improve the efficiency of the organisation and the overall quality of its services. To donors it should indicate the increased efficiency of the ATMS / AMSCO project as a delivery vehicle of funding for the development of the private sector in Africa, and particularly to SME's .

viii) **<u>AMSCO Overhead Expenses 1989-1998</u>**

3.13 Over the period 1991 to 1998 the total staff levels at AMSCO headquarters have remained level in the range of 12 to 16 persons, excluding the staff of the development department. The total of direct costs and overhead expenses, also excluding those associated with the MDF, have increased only 10% during the same period, to US$3.94 million in 1997 (these figures exclude any provision for doubtful debtors or write-offs).

3.14 The overhead expenses of the headquarters have remained relatively unchanged, in marked contrast to the increased volume of business undertaken by the Company. This is illustrated by Chart 1 (page 11), which shows that the number of clients and managers under contract has tripled over the four years, and is now eight-fold the volume of 1991.

3.15 The increased "productivity" of the AMSCO headquarters, measured in terms of staff and overhead expenses per "client contract month" signed up, and in terms of the headquarters expenses per "manager month" contracted out, is shown in Chart 7. This indicates that by December 1997 the average expenses incurred in "servicing" each "manager month" of the field managers was US$1,345, and US$2,893 per client month, a ten-fold reduction of the figures for 1991.



	Dec-91	Dec-92	Dec-93	Dec-94	Dec-95	Dec-96	Dec-97
US$ per MGR MONTH	$13,011	$4,326	$2,753	$3,730	$3,425	$2,360	$1,345
US$ per CLIENT MONTH	$25,679	$9,495	$5,865	$7,091	$5,843	$3,971	$2,893

3.16 As a later section of this study will indicate, this increase in the apparent efficiency of the headquarters operation in costs per unit of service to clients has had adverse effects on the delivery and quality of some of those services.

viii) <u>Summary</u>

3.17 The outstanding impression from the review of the AMSCO portfolio over the nine-year period since inauguration is that of a dynamic development, constantly adjusting to meet the frequent changes in conditions in the market place and the resources available.

3.18 The rate of growth of the portfolio over the past four years has been remarkable, demonstrating a flexibility to meet changed conditions rapidly. This has enabled the company to build up a substantial volume of "work in progress" for the future.

3.19 The reduction of unit costs achieved during the same period is also a significant financial achievement and a major step towards AMSCO achieving financial break even.

3.20 The review of the development of the AMSCO portfolio raises three concerns for the future:

- that donors provide sufficient technical assistance funds for management subsidies to enable AMSCO to maintain a high percentage of SME clients in its future portfolio;
- that donors provide sufficient technical assistance funds to the MDF to ensure that AMSCO can meet its contractual obligations to provide part of the expenses of the training and management development programmes;
- that the "hidden costs" of the very rapid increase in the portfolio, in terms of reduction in the ability of AMSCO to deliver high quality management services to its client be fully addressed.

Section 4. Regional Comparisons of Performance of AMSCO Clients

4.1 In the course of the research it has become evident that there are substantial difference in the performance of AMSCO clients in each of the three main Sub-Saharan regions. These are therefore analysed to ascertain to what extent these regional differences are due to AMSCO performance or to structural differences between the regions.

i) Volume of AMSCO business

4.2 The most obvious difference between the regions is the volume of business, in terms of numbers of AMSCO clients and the aggregate turnover of those clients. There are also significant differences in the timing of the intervention by AMSCO in enterprises in each region and the relative ratios of success and failure of those interventions

Table 4. Number of clients, by region and "success" status

Client Category	West Africa	East Africa	Southern Africa	Total
Total AMSCO (contracts 1989-1998)	**63** (50%)	**23** (18%)	**40** (32%)	**126** (100%)
Post 31.12.96 contracts (insufficient time for "impact")	20 (65%)	5 (16%)	6 (19%)	**31** (100%)
Clients qualified for study	**43**	**18**	**34**	**95**
Sample of 37 clients from 64 "Successful" clients (refer Section 5)	17 (46%	3 (8%)	17 (46%)	**37** (100%)
"Failures" (refer Section 7)	18 (62%)	6 (21%)	5 (17%)	**29** (100%)
Clients not included in the study	8 (28%)	9 (31%)	12 (41%)	**29** (100%)

The analysis of the data of the 37 "successful" clients in the sample by region throws up significant differences in the average performance in key financial indicators.

iii) Financial Performance of Clients

4.3 Financial data were made available only for three AMSCO clients in East Africa, reducing the sample to 25% of the AMSCO portfolio in the region. These are insufficient to be treated as representative.

4.4 The client samples used in this study from West and Southern Africa are large and comparable: each contains 17 clients, and each has similar general characteristics (such as aggregate turnover and number of employees). However there is a very substantial difference in the financial performance of the clients, during the periods of AMSCO intervention. This is summarised in Table 5.

TABLE 5: Changes of Critical Performance Indicators during Periods of AMSCO Intervention, by Region (US$'000)

Region	West Africa (17 clients)				East Africa (3 clients)				Southern Africa (17 clients)			
AMSCO Clients	Aggregate totals during AMSCO intervention		Average change per client		Aggregate totals during AMSCO intervention		Average change per client		Aggregate totals during AMSCO intervention		Average change per client	
	start (US$'000)	end (US$'000)	(US$'000)	%	start (US$'000)	end (US$'000)	(US$'000)	%	start (US$'000)	end (US$'000)	(US$'000)	%
1. Turnover	75,660	75,241	- 25	- 0.6%	8,700	20,296	+ 682	+ 133.3%	74,023	105,915	+ 1,876	+ 43.1%
2. Number of Employees	3,302	2,892	- 24	- 12.4%	514	463	- 3	- 9.9%	5,932	7,321	+ 82	+ 23.4%
3. Net Profit (Loss)	(8,511)	1,540	+ 591	N/A	(20)	(428)	- 24	N/A	(87)	10,705	+ 635	N/A
4. Operating Profit (Loss)	715	3,740	+ 178	+ 422.9%	525	4,109	+ 211	+ 682.3%	4,344	13,231	+ 523	+ 204.6%
5. Assets												
i) Current	73,493	53,997	- 1,147	- 26.5%	5,073	9,054	+ 234	+ 78.5%	44,058	143,487	+ 5,849	+ 225.7%
ii) Fixed	56,570	53,247	- 196	- 5.9%	12,783	11,866	- 54	- 7.2%	34,810	47,914	+ 771	+ 37.6%
6. Liabilities												
i) Short term	64,579	49,048	- 914	- 24.0%	4,200	9,407	+ 306	+ 124.0%	40,865	130,006	+ 5,244	+ 218.1%
ii) Medium and Long term	49,131	41,192	- 467	- 16.2%	2,532	9,150	+ 389	+ 261.3%	20,133	13,425	- 395	- 33.3%
7. Shareholders Equity (Deficiency)	16,353	17,004	+ 38	+ 4.0%	11,125	2,363	- 515	- 78.8%	17,870	47,970	+ 1,771	+ 168.4%
8. Labour Efficiency Ratios												
i) Sales Value / Employee	409	522	+ 7	+ 27.6%	78	140	+ 4	+ 80.9%	215	635	+ 25	+ 195.9%
ii) Operating Profit (Loss) / Employee	52	75	+ 1	+ 42.7%	6	24	+ 1	+ 302.4%	21	311	+ 17	+ 1373.6%
9. Capital Efficiency Ratios												
i) Gross Sales / Fixed Asset Value	47.39	53.96	+ 0.39	+ 13.9%	5.73	12.90	+ 0.42	+ 125.1%	43.43	56.94	+ 0.80	+ 31.1%
ii) Net Profit (Loss) / Fixed Asset Value	- 24.41	0.49	+ 1.46	N/A	0.23	0.49	+ 0.01	+ 108.3%	1.09	7.40	+ 0.37	+ 581.0%
10. Liquidity Ratios												
i) Current Assets / Current Liabilities	21.70	17.91	- 0.22	- 17.5%	3.20	9.65	+ 0.38	+ 201.7%	237.95	47.50	- 11.20	- 80.0%
ii) Total Assets / Total Liabilities	22.37	22.42	+ 0.00	+ 0.2%	7.81	4.11	- 0.22	- 47.4%	215.80	43.30	- 10.15	- 79.9%
11. Export Earnings												
i) Percentage	2.59	2.75	+ 0.01	+ 6.3%	0.16	0.03	- 0.01	- 81.3%	7.32	8.75	+ 0.08	+ 19.5%
ii) Value	26,969	21,432	- 326	- 20.5%	663	227	- 26	- 65.7%	53,636	80,918	+ 1,605	+ 50.9%
12. Import Subsitution												
i) Percentage	4.01	3.60	- 0.02	- 10.3%	1.61	0.73	- 0.05	- 54.3%	4.61	6.86	+ 0.13	+ 48.8%
ii) Value	30,971	25,044	- 349	- 19.1%	6,497	5,563	- 55	- 14.4%	48,771	70,879	+ 1,300	+ 45.3%

Source: AMSCO Impact Study 1998 - Case Studies

4.4 Review of the figures in Table 5 highlights the following performance in the two regions.

- Turnover:
  The average client increase in turnover in Southern Africa during the period of AMSCO intervention was nearly US$2 million per client, compared to US$119,000 in West Africa, reflecting the much smaller size of client in West Africa.

- Profitability:
  The increase in profitability in the West Africa clients was marginally higher during those periods (US$664,000) and US$635,000). However, average operating profits in the Southern Africa sample were nearly double those of West Africa clients, and the total net profitability of the Southern Africa clients at the end of the AMSCO intervention (US$10.7 million) was three-fold that of the West Africa sample.

- Balance Sheets:
  The balance sheets of the Southern Africa clients, measured in terms of shareholders' equity, were very substantially stronger than those in West Africa. This differential remained at the end of the AMSCO intervention, but the percentage rate of increase in the shareholders' equity in West Africa clients was more than double that of clients in the other region.

- Efficiency Ratios:
  Improvements in the labour efficiency ratios, in terms of sales values and operating profits per employee, were significantly better for the Southern Africa clients. This is despite the fact that the average number of employees increased in the clients in that region by more than 23%, compared with a reduction of more than 12% in West Africa clients.

  On average the liquidity ratios deteriorated in both regions, but much more seriously in the Southern Africa portfolio.

- Export and Import Substitution:
  Many of the AMSCO Southern Africa clients were specifically directed to export markets, particularly those in Mauritius and Madagascar. As a result the "export base" of the clients in that region amounts to more than 70% of their turnover, compared to only 5% in West Africa. Export earnings as a proportion of turnover increased, on average, during the periods of AMSCO intervention, for both regions.

  The import substitution contribution of client in West Africa decreased in both value and percentage, whereas the Southern Africa clients increased import substitution substantially.

4.5 A more stark comparison of the difference in regional performance is show in Table 6, which shows the AMSCO portfolio with each of the 90 clients rated into one of five categories of AMSCO performance:

- Very successful "A";
- Successful "B";
- Adequate "C";
- Less than adequate "D"; and
- Failure "E".

The figures show that the AMSCO intervention in almost 50% of its clients in West Africa is judged to be inadequate or failure, compared with 15% in Southern Africa. It is also significant that each size category (small, medium or large) has approximately the same proportion of "failures" (33%).

Table 6: AMSCO Portfolio, 1989 – 1998, by size, region and quality of AMSCO performance

	Region		PERFORMANCE CLASSIFICATION				
			A/B	C	D/E	Total	%
1.	West Africa	Small	8	3	9	20	22.2%
		Medium	7	-	8	15	16.7%
		Large	6	-	2	8	8.9%
							0.0%
		Sub-total	21	3	19	43	47.8%
2.	East Africa	Small	4	2	2	8	8.9%
		Medium	3		3	6	6.7%
		Large			1	1	1.1%
				-			0.0%
		Sub-total	7	2	6	15	16.7%
3.	Southern Africa	Small	7	3	2	12	13.3%
		Medium	9	2	1	12	13.3%
		Large	5	1	2	8	8.9%
				-	-		0.0%
		Sub-total	21	6	5	32	35.6%
4.	Totals	Small	19	8	13	40	44.4%
		Medium	19	2	12	33	36.7%
		Large	11	1	5	17	18.9%
		TOTAL	49	11	30	90	100%
		%	54.4%	12.2%	33.3%	100.0%	

Notes:

- The classification is drawn from the 90 case studies in Annex D.

iii) **Summary**

4.6 The differences in performance of the AMSCO portfolio of clients in West and Southern Africa are principally due to two factors:

- The macro-economic environments in which the clients were operating; and
- The different financial structure and market orientation of the individual clients in each region.

4.7 Many of the AMSCO clients in West Africa, particularly those in the FCFA zone, suffered through the general economic downturn experienced by the region in the early 1990's. For some clients this was compounded by the immediate impact of devaluation, and the exposure to increased foreign competition as a result of trade liberalisation. The capitalisation of many of the clients was weak, and their products aimed at a local market, rather than a regional or international one.

4.8 The strength of the Southern Africa portfolio lies in the large export-oriented clients in Mauritius and Madagascar, a very successful financial service enterprise in Zimbabwe and an export zone management company in Namibia. The basis for the success of these clients is pro-active government support for investment in state-of-the-art technology, combined with focused market targets, strong balance sheets and senior management awareness of the vital importance of a well-trained workforce.

Section 5. Financial Impact Achieved During AMSCO Intervention

i) Basis of Analysis

5.1 Prior to January 1, 1997 AMSCO had signed management service agreements with 95 companies. 64 of these interventions are graded as successful. Full financial information was available for 37 of these companies, which form the basis for this analysis of financial changes achieved in enterprises during the periods of AMSCO intervention. These include all eleven enterprises covered in the 1995 AMSCO Impact Study: Eleven Selected Cases.

5.2 The sample excludes:

- 31 AMSCO clients with management service contracts commencing after December 31, 1996;
- 29 AMSCO clients contracts categorised as "failures", which are dealt with in Section 6 of this report;
- 29 clients excluded due to the lack of sufficient available financial data.

This last group includes five clients in Nigeria for which no data are available, and four interrelated contracts in West Africa involving a single financial services joint venture partner providing a training service only.

5.3 The primary analysis of each enterprise in the sample of 37 clients is presented in the form of a case study. The main sources of data for these studies were the annual financial statements of the relevant companies. These data were supplemented from business plans, technical assessments, plus direct discussions with client companies' executives and principals.

5.4 To enable the data in the individual case studies to be aggregated, the financial figures have been converted to U.S. dollars. Conversion into U.S. dollars gives a considerable conservative bias to the aggregate figures, as the local currencies of many of the clients under review have been devalued during the periods of AMSCO intervention, some by more than 50%.

5.5 The effect of devaluation is to reduce the dollar value of the improvements, relative to the U.S. dollar "base line" performance established at the beginning of the AMSCO intervention. In addition, the medium and long-term liabilities of some of the clients were in hard currency loans.

ii) Aggregate and Average Performance Changes During AMSCO Intervention

5.6 Tables 7 and 8 present a summary of the financial data for the 37 AMSCO clients converted into US dollars. Changes in critical financial performance indicators during the period of AMSCO involvement are presented as totals (Table 7) and averages (Table 8) for the 37 clients companies.

Table 7: Aggregate of changes of critical financial performance indicators during the period of AMSCO intervention (37 clients)

AMSCO Clients	Aggregate totals during AMSCO intervention		Total aggregate change during AMSCO intervention	
	start (US$'000) 20 Dec 1994	end (US$'000) 2 Nov 1996	(US$'000) 684	%
1. Turnover	158,383	201,452	+ 43,069	+ 27.2%
2. Number of Employees	9,748	10,676	+ 928	+ 9.5%
3. Net Profit (Loss)	(8,619)	11,817	+ 20,435	N/A
4. Operating Profit (Loss)	5,585	21,080	+ 15,495	+ 277.5%
5. Assets				
i) Current	122,625	206,538	+ 83,913	+ 68.4%
ii) Fixed	104,164	113,027	+ 8,863	+ 8.5%
6. Liabilities				
i) Short term	109,644	188,461	+ 78,817	+ 71.9%
ii) Medium and Long term	71,797	63,766	- 8,031	- 11.2%
7. Shareholders Equity (Deficiency)	45,348	67,337	+ 21,989	+ 48.5%
8. Labour Efficiency Ratios				
i) Sales Value / Employee	702	1,298	+ 596	+ 84.9%
ii) Operating Profit (Loss) / Employee	79	410	+ 330	+ 416.6%
9. Capital Efficiency Ratios				
i) Gross Sales / Fixed Asset Value	96.55	123.81	+ 27.26	+ 28.2%
ii) Net Profit (Loss) / Fixed Asset Value	- 23.09	8.38	+ 31.46	N/A
10. Liquidity Ratios				
i) Current Assets / Current Liabilities	262.85	75.07	- 187.78	- 71.4%
ii) Total Assets / Total Liabilities	245.98	69.83	- 176.15	- 71.6%
11. Export Earnings				
i) Percentage	10.07	11.53	+ 1.46	+ 14.5%
ii) Value	81,268	102,578	+ 21,309	+ 26.2%
12. Import Subsitution				
i) Percentage	10.23	11.19	+ 0.97	+ 9.4%
ii) Value	86,239	101,486	+ 15,246	+ 17.7%

Table 8: Average changes per client of critical financial performance indicators during the period of AMSCO intervention (37 clients)

AMSCO Clients	Average client performance during AMSCO intervention		Average change per client during AMSCO intervention	
	start (US$'000)	end (US$'000)	(US$'000)	%
1. Turnover	4,281	5,445	+ 1,164	+ 27.2%
2. Number of Employees	279	305	+ 27	+ 9.5%
3. Net Profit (Loss)	(239)	328	+ 568	N/A
4. Operating Profit (Loss)	151	570	+ 419	+ 277.5%
5. Assets				
i) Current	3,406	5,582	+ 2,176	+ 63.9%
ii) Fixed	2,893	3,140	+ 246	+ 8.5%
6. Liabilities				
i) Short term	2,963	5,094	+ 2,130	+ 71.9%
ii) Medium and Long term	1,940	1,723	- 217	- 11.2%
7. Shareholders Equity (Deficiency)	1,226	1,820	+ 594	+ 48.5%
8. Labour Efficiency Ratios				
i) Sales Value / Employee	20	37	+ 17	+ 84.9%
ii) Operating Profit (Loss) / Employee	2	12	+ 9	+ 416.6%
9. Capital Efficiency Ratios				
i) Gross Sales / Fixed Asset Value	2.76	3.44	+ 0.68	+ 24.7%
ii) Net Profit (Loss) / Fixed Asset Value	- 0.68	0.24	+ 0.92	N/A
10. Liquidity Ratios				
i) Current Assets / Current Liabilities	7.30	2.03	- 5.27	- 72.2%
ii) Total Assets / Total Liabilities	6.83	1.94	- 4.89	- 71.6%
11. Export Earnings				
i) Percentage	0.67	0.77	+ 0.10	+ 14.5%
ii) Value	3,694	4,663	+ 969	+ 26.2%
12. Import Subsitution				
i) Percentage	0.79	0.86	+ 0.07	+ 9.4%
ii) Value	4,107	4,613	+ 506	+ 12.3%

- Turnover:
  The "base line" turnover of the 37 clients was US$158.4 million (average US$4.3 million per client). Over the periods of intervention the total cumulative increase in these revenues was US$43.1 million (27.2%), an average of US$1.16 million per client over an average intervention period of 22 months. The average increase in turnover in local currency was almost 100%.

- Profitability
  An aggregate net loss of US$8.62 million by the 37 client companies at the beginning of the AMSCO interventions was transformed into an aggregate net profit of US$11.82 million, an average increase of US$568,000 per client. Average operating profits improved by US$419,000 per client.

- Balance Sheets:
  The large changes in local currency values experienced by almost all of the companies have seriously affected many balance sheets, particularly those clients with hard currency liabilities.

  The effect of this type of difficulty is reflected in the deterioration in the average liquidity ratio of the 37 clients during the period of AMSCO intervention. Despite this adverse trend in a key financial indicator, the balance sheets of the majority of the clients were strengthened, with shareholders equity increasing 48.5% by a total of US22 million (US$594,000 on average). In local currencies shareholders' equity has more than doubled, on average, during the period of AMSCO intervention.

- Labour Efficiency
  The aggregate value of sales per employee of the 37 clients increased by 85% in US dollar terms during the period of AMSCO intervention (an average increase of US$17,000 per employee). This impressive improvement in labour productivity was achieved with an overall increase of only 9.5% in the workforce of the 37 clients. In local currency terms, the labour productivity increase was even more impressive.

  Operating profits per employee increased by more than 400%, to an average of US$9,000 per employee.

- Export / Foreign Currency Earnings
  The export value "base line" for all 37 companies, converted at the exchange rates at the time of the commencement of the AMSCO interventions, totaled US$81.3 million. During these interventions the total foreign currency earnings of those companies increased by 26%, to US$102.6 million (an average increase of US$969,000 per company).

  The "conversion" of these figures to US dollars obscures that the fact that since a portion of the exports were inter-regional, the local currency value of exports increased by an even greater percentage.

- Import Substitution
  All of the companies made some contribution to import substitution. However reliable specific statistics on the gross and net import substitution for most clients was impossible to obtain.

- Technology Transfer
  The transfer of technology has played an important role in at least 29 of the sample of 37 clients. In 17 companies technology transfer has been at the core of the AMSCO impact.

iii) Donor Financial Support

5.7 In the evaluation of the impact of AMSCO it is relevant to compare the financial benefit to the AMSCO clients with the costs, expressed in terms of donor funds provided through the MDF, the MLF and FMO / IBTA .

5.8 Table 9 shows the donor financial support provided to the 37 clients in the sample:

Table 9 : Donor Financial Support to 37 Clients

	Total (US$ million)	Per client (US$)
MLF	1,647	44,512
IBTA grant	2,861	77,320
IBTA loan	2,192	59,241
Sub-total	**6,700**	**181,073**
MDF	2,293	61,978
Total	**8,993**	**243,743**

iv) "Value for Money"

5.9 The improvement in the financial performance of the 37 clients shown in Tables 7 and 8 amounts to an increase of US$43.1 million in total turnover, and an increase of US$20.4 million in total net profits, an average of US$568,000 per client. These improvements were those achieved during the period of AMSCO intervention. Performance benefits after the completion of a successful AMSCO intervention are examined in Section 6.

(It is relevant to note that the increases in profitability were net after provisions by the clients for the expenses involved for the AMSCO management teams and client contributions to the training and management development programme).

5.10 Comparison of donor funds involved in the provision of AMSCO management services, on the one hand with the results of these interventions on the financial performance of the 37 clients under review, on the other indicates that these services have been good value for money. The analysis indicates that on average cost / benefit ratio of 3:1 was achieved in an average intervention period of 22 months (based on the average cost of the AMSCO management teams during the period of intervention). 30 of the clients were SME's.

5.11 The results were achieved with clients that enjoyed substantial financial donor fund support for the costs of the AMSCO management – US$180,000 per client, on average. (33 of the 37 clients benefited from MLF and / or FMO / IBTA funding). Since early 1997 neither of these sources have been available, and AMSCO is now operating with no funds to assist clients in meeting the expenses of the AMSCO management teams.

v) AMSCO Performance Bonus

5.12 From the information available it appears that only 15% of the AMSCO management service contracts contain provision for a bonus payment to AMSCO based on performance of the client during AMSCO intervention. Almost all of the contracts with bonus provision commenced before 1995. Only 8 of the clients in the sample of 37 successful interventions were contractually committed to pay AMSCO a performance bonus.

vi) Conclusions

5.13 The analysis indicates that even prior to the recent dramatic increase in the volume of clients "signed up", AMSCO has been a cost-effective vehicle, in terms of the cost / benefit results on donor-provided funds. This is particularly important in the main target sector of SME's.

5.14 The benefit to clients is also demonstrated. The average net profit improvement of US$568,000 in 22 months represent a 240% return on the net cost to the clients of the AMSCO management teams (after donor funding provision). The client should benefit further from the improved condition of the company after AMSCO intervention.

5.15 Without donor funding support the analysis is significantly different. With the same average improvement in financial performance, the expenses of the AMSCO managers during the first year of intervention is substantially more than the increased company earnings they can be expected to achieve. This short-term additional cash requirement is beyond the resources of many companies, particularly SME's. It is for this reason that it is vital for donors to restore a reasonable level of funding to assist smaller companies to meet the immediate costs of AMSCO management teams.

5.16 In view of the increased demand for AMSCO services, and the demonstrable financial benefit to its clients, the company should require performance-related bonus provisions in its contracts. This would enable the company to provide financial incentives to field managers, and a contribution to both the MDF and the AMSCO "bottom line".

Section 6. "Sustainability" Of AMSCO Impact

i) Introduction

6.1 The analysis of the changes in the financial performance of the sample of 37 clients presented in Section 5 refers only to the impact of AMSCO during the period of AMSCO intervention. It is relevant to examine whether companies in which the AMSCO intervention has been completed continued to enjoy the benefits of improved levels of performance achieved during the AMSCO intervention. In brief – is the AMSCO impact sustainable ?

6.2 The 1995 report AMSCO Impact Study: Eleven Selected Cases examined the financial impact of the intervention of AMSCO on eleven selected clients. In May 1998 these companies, all of which were no longer active AMSCO clients, were revisited to determine how they had fared since the completion of the AMSCO intervention.

6.3 On average, the contracts had terminated three years ago. The average length of the AMSCO intervention in these 11 clients was 36 months, slightly longer than the average over the whole portfolio. This is due to the fact that two of the clients had exceptionally long contracts.

ii) Case Studies

6.4 Case Studies have been prepared for each of the eleven companies, updating the ones presented in the 1995 Impact Study. Summaries of these up-dated studies, together with the financial data available for seven of the companies, are shown in Annex B.

iii) Financial Performance

6.5 In order to be able to aggregate the financial data they have been converted into US dollars. The currencies of the countries involved have been devalued by an average of 17% against the US dollars in the periods since the end of the AMSCO interventions and December 1997. The conversion and aggregation in dollars thus creates a distortion to the figures, reducing the financial improvement figures by the percentage of the currency devaluation.

6.6 In two of the eleven companies the AMSCO intervention was completed too recently (1997) to provide any meaningful indication of the long-term sustainability of the AMSCO impact. Financial figures were not available for another of the companies, and a fourth company was in bankruptcy. Current financial performance figures (financial year 1997) were available for seven of the companies, and these are shown in Annex B, summarised in Table 10, and are the basis for the following analysis:

Table 10: Average changes per client of critical financial performance indicators after the conclusion of AMSCO intervention (7 clients)

AMSCO Clients	Average client performance during AMSCO intervention		Average change per client during AMSCO intervention	
	start US$'000	end US$'000	US$'000	%
1. Turnover	6,431	7,840	+ 1,409	+ 21.9%
2. Number of Employees	277	215	- 61	- 22.1%
3. Net Profit (Loss)	(125)	(93)	+ 31	N/A
4. Operating Profit (Loss)	1,156	1,315	+ 159	+ 13.8%
5. Assets				
i) Current	3,159	4,140	+ 981	+ 31.1%
ii) Fixed	6,533	4,424	- 2,109	- 32.3%
6. Liabilities				
i) Short term	2,776	4,544	+ 1,769	+ 63.7%
ii) Medium and Long term	3,291	2,055	- 1,237	- 37.6%
7. Shareholders Equity (Deficiency)	2,692	3,019	+ 327	+ 12.1%
8. Labour Efficiency Ratios				
i) Sales Value / Employee	35	36	+ 1	+ 2.6%
ii) Operating Profit (Loss) / Employee	9	8	- 2	- 17.8%
9. Capital Efficiency Ratios				
i) Gross Sales / Fixed Asset Value	2.94	2.09	- 0.84	- 28.7%
ii) Net Profit (Loss) / Fixed Asset Value	0.14	0.11	- 0.03	- 22.5%
10. Liquidity Ratios				
i) Current Assets / Current Liabilities	1.17	1.49	+ 0.33	+ 28.2%
ii) Total Assets / Total Liabilities	1.60	1.49	- 0.11	- 6.9%
11. Export Earnings				
i) Percentage	0.52	0.61	+ 0.09	+ 16.3%
ii) Value	1,960	4,047	+ 2,087	+ 106.5%
12. Import Subsitution				
i) Percentage	0.88	0.93	+ 0.05	+ 5.3%
ii) Value	3,216	2,535	- 680	- 21.2%

- Turnover
  The turnover of the seven clients has increased on average by US$1.4 million (22%) since the completion of the AMSCO contracts. This is double the average increase in turnover during the AMSCO interventions.

- Profitability
  Average net and operating profitabilities have continued to improve, but at a much slower rate than during the AMSCO interventions.

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- Balance Sheet
  Shareholders' equity has increased by an average of 12% since the AMSCO intervention, compared to an average reduction of 20% during the intervention periods.

- Efficiencies
  Average labour and capital efficiencies have deteriorated, but the average liquidity ratios have improved by 28%, correcting a deterioration averaging 24% during the AMSCO interventions

- Exports
  Export earnings have on average doubled in value since AMSCO interventions.

iv) Summary

6.7 The individual case studies describe the factors which have affected the development of each of the eleven companies since the end of the AMSCO contract. With one exception all of the companies have survived financially and commercially. In addition, training continues to be an important function in all of them.

6.8 Overall the financial performance of these seven companies in US dollars has continued to improve steadily since the end of the AMSCO interventions. In local currency these improvements are even greater.

6.9 These achievements are particularly credible in view of the fact that several of the companies involved faced increasing competition from foreign imports, as a result of trade liberalisation policies and adverse local economic conditions. Since all of these companies were in financial and / or managerial distress at the time of the commencement of the AMSCO intervention their ongoing success must in large part be due to the improvements introduced during that intervention. This review indicates that the impact of AMSCO on its clients is sustainable.

Section 7. AMSCO "Failures"

i) Definitions and Method

7.1 In this study an ASMCO intervention in a client enterprise was categorised as "D" ("less than adequate") or "E" ("failure") in any of the following events:

- Either AMSCO or the client unilaterally terminated the AMSCO management services agreement prematurely;
- The client enterprise ceased to trade during the period of the AMSCO contract; or
- The AMSCO contract went to full term, but at termination the general commercial / financial condition of the client enterprise had not improved during the period of the ASMCO contract.

Of the 126 AMSCO clients to date, 29 of them fall within one of these categories (refer to Table 1, page 8).

7.2 Case studies have been prepared for 25 of these interventions, for the purpose of identifying the main causes of the failures. The studies have been based on AMSCO records and on direct contact with the clients by independent consultants.

ii) Principal causes of failure

7.3 In a high proportion of these cases the seeds of the failure of an AMSCO intervention were sown before the AMSCO managers had actually taken up their appointment with the client. The greatest number of the causes of failure of AMSCO intervention occurred during the initial process of identifying, negotiating and establishing the contractual arrangements with the client.

7.4 The three main stages of the pre-intervention process are, briefly:

- The AMSCO diagnosis / appraisal of the suitability, situation and requirements of a potential client;
- The negotiation of the specific management service agreement with the client; including the preparation of the terms of reference, specification and profile of the AMSCO field manager(s) involved in the contract; and
- The selection of the field manager(s).

In more than 75% of the cases, the eventual failure of AMSCO interventions were caused by faults that occurred in one or more of these three stages of the pre-intervention process.

7.5 The studies also revealed two post-contract factors that also contributed to the failure of AMSCO interventions:

- The failure of an involved third party (i.e. partner, investor, contractor, government, etc.) to perform in accordance with undertakings given at the time of the AMSCO contractual commitment; and
- Failure of AMSCO to monitor adequately the performance of the client enterprise and of the AMSCO field manager(s) against established and agreed standards (such as business plans and training plans).

iii) <u>Specific Cases</u>

7.6 Annex C contains typical examples from 17 clients in which inadequate or incomplete attention by AMSCO contributed significantly to the eventual failure of the 29 interventions. These details were obtained directly from sponsors and senior executives of the clients involved.

- <u>Inadequate initial diagnosis</u>
  In at least 15 of the failed contracts the initial AMSCO diagnosis was inadequate. It is probable that with more thorough initial assessment many of these enterprises would not have met the requirements for AMSCO intervention. A recurring fault was the reliance by AMSCO on the appraisal or assessment made by third parties involved with the prospective client company. In several case these third parties were AMSCO institutional and private sector shareholders. From the failure of some of these AMSCO interventions it is clear that AMSCO must undertake its own thorough independent diagnosis before entering contractual commitment with any client.

  Prior to 1996, there appears to have been no standard questionnaire or set of criteria developed by AMSCO to guide staff in the selection of prospective clients and the preparation of the initial diagnosis. There were no set requirements for the documentation of the diagnosis, or set procedures for thorough internal review of proposals. Despite a tightening of standards, the quality of initial review still varies widely. Diagnosis documentation by AMSCO ranges from comprehensive to rudimentary.

- <u>Differences between the client and AMSCO</u>
  The negotiations of the management service agreement and the selection of the field manager(s) are the second stage in the preparation for a successful intervention. In at least 14 of the failed contracts there were major differences of interpretation by the client and AMSCO on the role of the AMSCO manager. These probably occurred as a result of insufficient pre-contract discussion of the specific intention of the parties in the contract. As a result problems emerged at an early stage of collaboration. In many cases the lack of adequate monitoring and contact with the client allowed these problems to develop into major contractual disputes, and eventual premature termination (see below).

- Inadequate consultation with clients on the selection of field manager(s)
  At least four of the contracts failed because the clients were not consulted in the selection of the AMSCO manager and subsequently found them to be incompetent and / or untrustworthy. In other cases, AMSCO accepted the managers recommended or appointed by the clients, despite misgivings regarding their suitability for the jobs.

  It is obviously vital that in every case both parties must be totally satisfied that the candidates selected are suitable to fulfil the terms of reference, responsibilities and profile previously agreed. It is also essential to be assured that the personality of the manager fits well into the company structure and local context of the client.

- Failure of third parties or clients to honour commitments
  Many AMSCO clients lack the funds for their expansion plans, or working capital to meet the expenses of an AMSCO manager. In these cases the assured provision of the necessary funding is an essential component for a successful AMSCO intervention.

  Identifying and confirming the reliability of sources of necessary funding is a crucial part of the initial diagnosis of the prospective client, and its suitability for AMSCO assistance. Unfortunately, even with thorough checks, there have been several cases in which firm commitments given by third parties have not been honoured, or performance has been delayed to the point where it has compromised the financial position of the client. In some cases, the AMSCO diagnosis has presumed third party financial support, and contractual commitment has been made without verification of the commitment.

- Inadequate monitoring and support
  The case studies revealed extensive criticism by the clients of the lack or poor quality of the monitoring and support provided by ASMCO headquarter staff to the clients and the field manager(s). These criticisms included the absence of critical reviews of technical and financial performance compared with business plan targets, and the lack of constructive feed–back. A general view was that some of the failures could possibly have been avoided had AMSCO paid closer attention to the performance of managers and clients, and followed up problems quickly and effectively. Many examples are quoted.

  AMSCO appears not to apply any established procedures or standards for the regular monitoring of client and manager performance, or for maintaining regular contact. The standards of reporting by managers to AMSCO vary from comprehensive to non-existent. In several cases AMSCO received no financial or production / technical information from clients whatsoever. Broadly speaking AMSCO has failed to provide any organised constructive monitoring service of its management service contracts.

iv) Conclusions

7.7 The 25 case studies of the "failures" provide a clear indication of the immediately obvious causes for the failure in performance of approximately 25% of the AMSCO portfolio of clients. To these causes must be added the possibility that some of the clients involved in this group pursued the relationship with AMSCO to obtain the short-term benefits of technical assistance grants and soft loans, and other immediate benefits of an AMSCO contract, with no real intention of a longer-term relationship with AMSCO.

7.8 The case studies clearly establish two areas for improvements:

- Improvement in the quality and thoroughness of pre-contract client diagnosis and client negotiations are a vital factor in reducing the potential failures of AMSCO intervention; and
- The establishment of an effective post-contract monitoring and support mechanism is an essential part of the complete ASMCO management service, which could also contribute significantly to the reduction of the failure rate.

v) Recommendations

7.9 To reduce the incidence of the failure of ASMCO contracts in the future the following recommendation are presented:

- AMSCO should improve the criteria, procedures and detailed checklists for each critical stage in the process of identifying, negotiation and establishing contractual arrangements with clients. Adequate checklists would provide assurance that all vital issues have been covered and documented. Established procedures would help to guarantee a proposal has been vetted thoroughly within AMSCO prior to a contractual commitment.

  To reduce the incidence of inadequate diagnosis and review, and consequential failures, these selection and negotiating procedures must be improved. Less reliance should be placed on the assessment of prospective clients by involved third parties, especially if these are AMSCO shareholders.

- It is standard AMSCO practice to require that a business plan is prepared either before or immediately following the commencement of an intervention. However, there are no standing arrangements for receiving, reviewing and responding to regular reports from clients comparing actual performance against business plan forecasts. At present "monitoring" of clients and field managers by AMSCO in the main appears to be limited to responding to crisis calls, which often come too late for any corrective remedy to be taken.

To reduce the incidence of failure, and to provide a full "management service" to clients it is necessary for AMSCO to establish a meaningful "monitoring" process and a system for regular and frequent contact with the clients and AMSCO field management teams.

- To reduce the high cost of management AMSCO should expand its manager recruitment efforts, with more concentration on Africa and the Far East professional labour markets.

7.10 These recommendations would, of necessity, involve additional staff, and would probably be most effectively operated on a regional basis, through offices in Africa.

Section 8. AMSCO Training and Management Development Programmes

i) Introduction

8.1 The Management Development Fund (MDF) was established as part of the UNDP / ATMS project to assist in meeting up to 75% of the cost of the management development programmes to be organised by AMSCO for local successor managers. The MDF was and continues to be entirely grant-funded. Training and management development are an intrinsic and vital part of AMSCO management services.

8.2 AMSCO does not undertake any of the training courses, but designs and plans the training and development programme for each client, organises regional seminars and conferences on general management and specialist subjects, and hires training contractors and consultants to present specific training events. AMSCO also commissions evaluations by independent consultants of the effectiveness and value of specific programmes.

8.3 However, the concept of the most effective programme to deliver this service has been changed by experience. The original idea of concentrating on the development of successor managers has been broadened to the aim of establishing a general "training culture" within the AMSCO clients.

ii) Availability of Funds and Costs of Delivery

8.4 The costs of administration of the AMSCO training and management development programmes were exceptionally high during the first five years (1989 – 1993), amounting to US$2.15 million. As a result of these expenses, and the high cost of the customised development programmes for "successor" managers, the MDF was over-committed by 1995, and AMSCO was entering contracts containing training obligations beyond the guaranteed financial resources available. In early 1996 all training programmes had to be stopped or expenditure substantially curtailed.

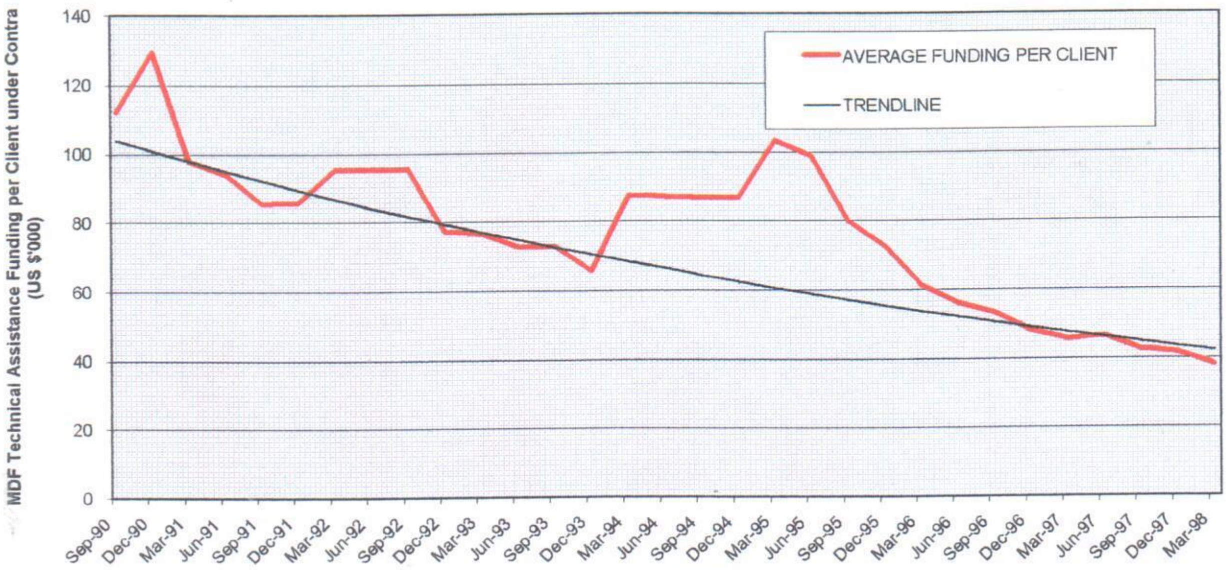
8.5 Additional donor funding of the MDF become available later in 1996, and the company has since resumed programmes, but under a more rigorous financial discipline. This included requirements for up to 50% contribution to the expenses of programmes by clients, and a target of 25% for AMSCO administration costs of the programmes. The actual administration costs were 36% in 1996 and 30% in 1997.

iii) Financial Support for Client Training Programmes

8.6 Over the past nine years US$5.67 million from the MDF has been allocated to support training and management development programmes in 96 of the AMSCO clients (an average of US$63,000 per client).

8.7 Throughout the period there has been a steady reduction in the MDF allocation to individual clients, as shown graphically in Chart 8. This reduction was due in part to the exhaustion of the original subscriptions to the MDF and the difficulty of securing replenishments. This led to a more rigorous policy of requiring a larger proportion of the funding for training programmes to be contributed by the clients themselves.

Chart No. 8 : Average Technical Assistance Funding Support for Training (MDF) per AMSCO Client under Contract, 1989-1998 (US $'000)

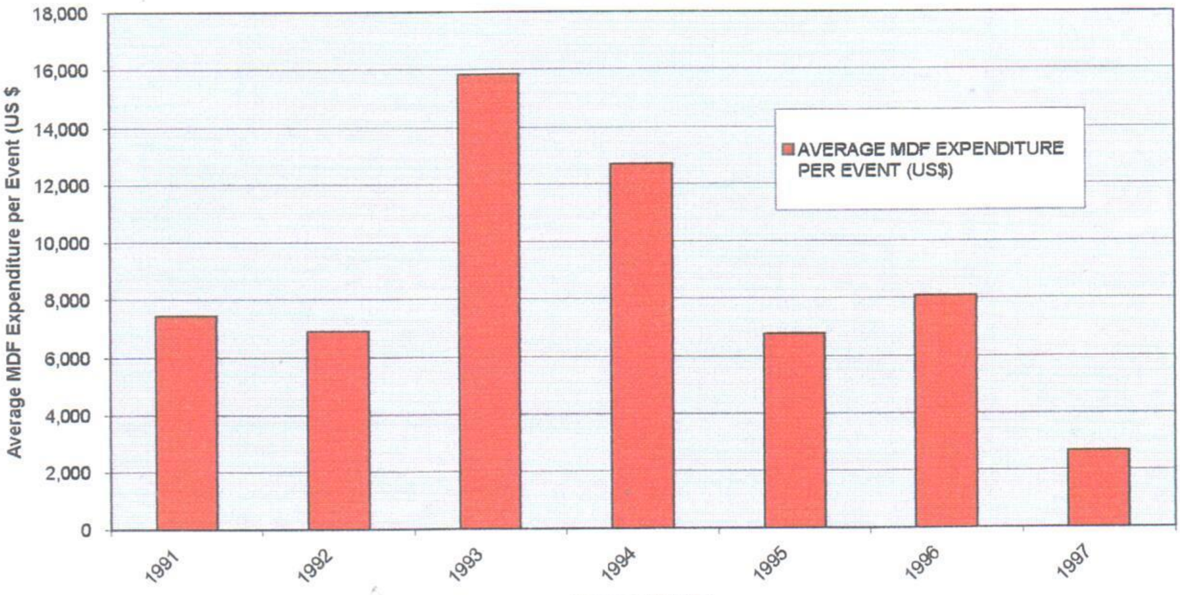


Source: AMSCO

8.8 The growing size of the portfolio over the past four to five years has also enabled the programmes to benefit from economies of scale. In addition AMSCO has negotiated several cost-sharing training programmes with development-oriented donor organisations, such as ExIm (India), the Commonwealth Secretariat (UK), and SIDA (Sweden). It has also increasingly used local training institutes and trainers, group training, and on-the-job training courses to reduce the unit training expenses. As a result the average MDF contribution of US$100,000 to individual client training programmes in 1990 had been reduced to US$40,000 per client in early 1998 (the eleven clients reviewed in the 1995 Impact Study had an average MDF support of US$79,500 per company).

8.9 The trend of the average cost of individual training events (courses) organised by AMSCO is illustrated in Chart 9. This shows that after an initial increase in average unit event costs to US$15,800 in 1993, average cost has been progressively reduced through experience and prudent management to less that US$3,000 per event in 1997.

Chart No. 9 : AMSCO Training, 1989-1998 - Average MDF Expenditure per Event (US$)



Source: AMSCO

8.10 This increasing efficiency in the use of MDF is illustrated more sharply in Chart 10, which shows the decline in the average cost per attendee at AMSCO training events. This has declined from US$12,000 in 1993 to less than US$1,000 in 1997.

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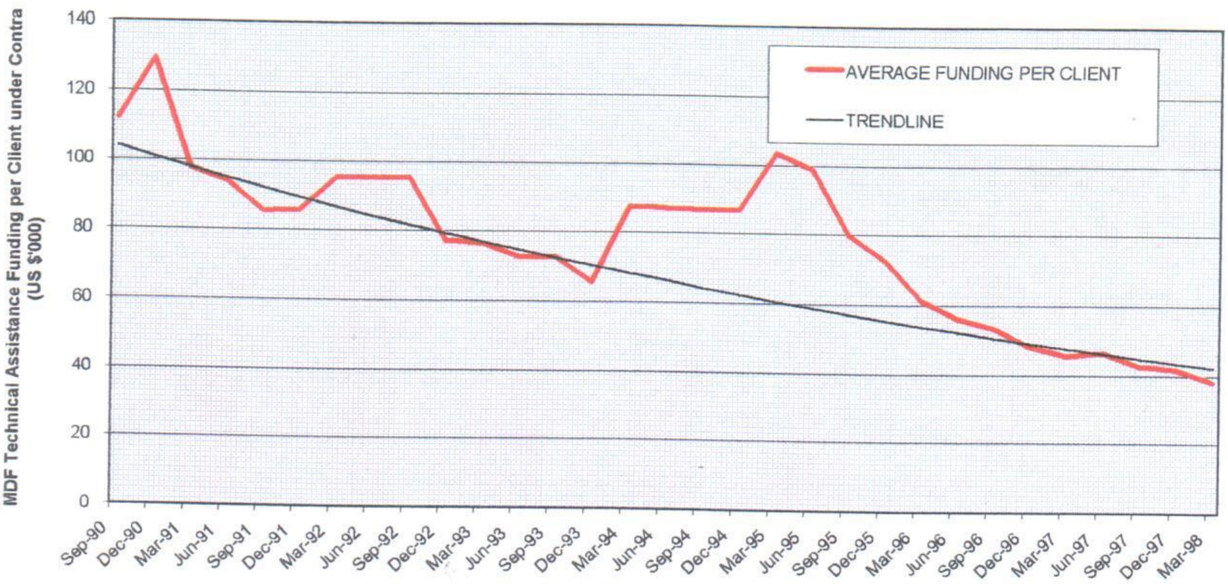

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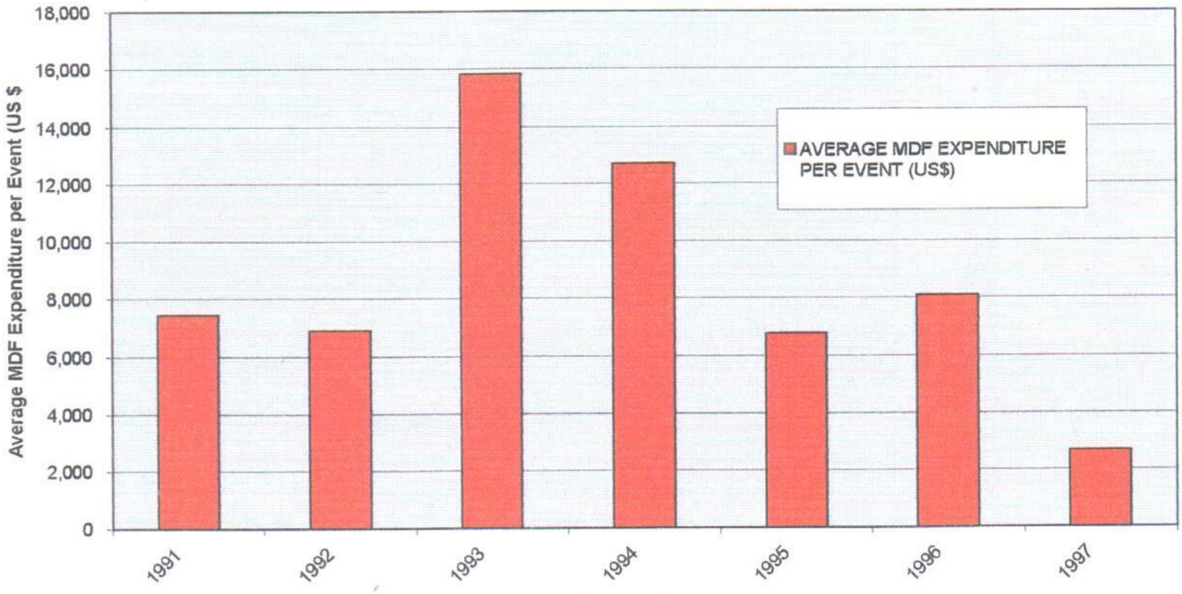

Source: AMSCO

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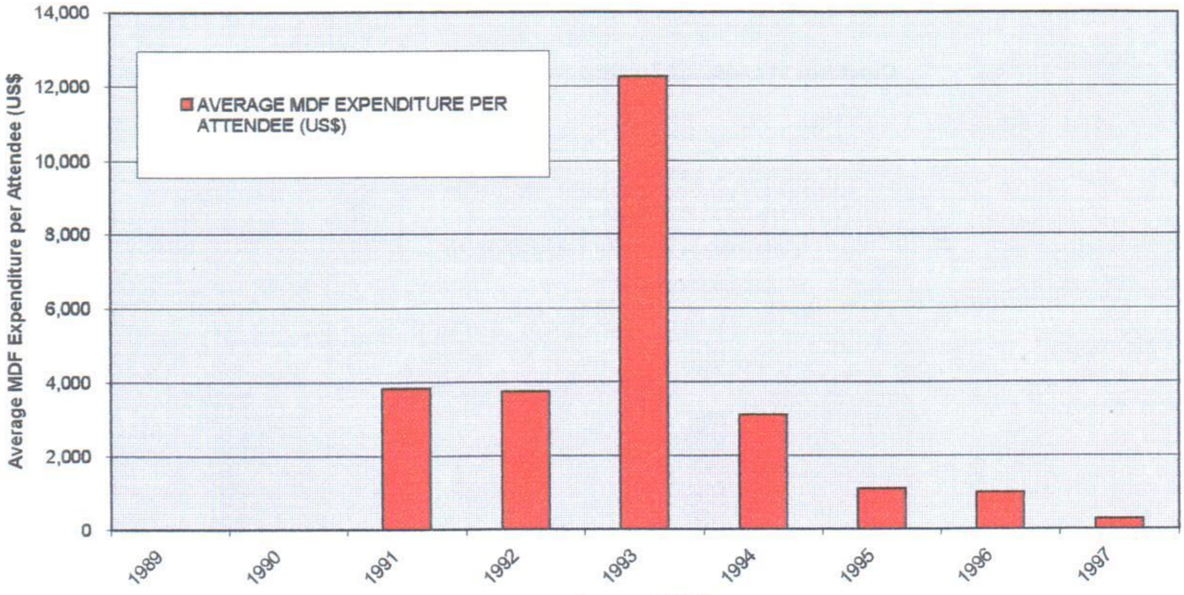
Chart No. 10 : AMSCO Training, 1989-1998 - Average MDF Expenditure per Attendee (US$)



Source: AMSCO

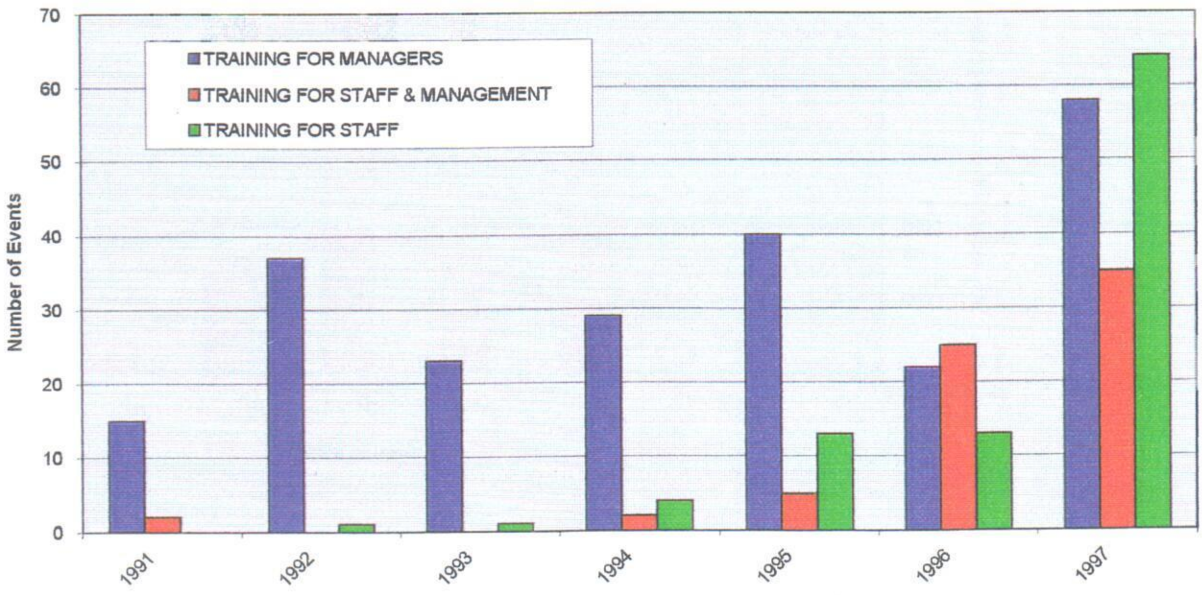
iii) Changing Focus of Training Programmes

8.11 Underlying these financial statistics is a significant change in the priorities of the AMSCO development department. The original stated purpose of the MDF was to train and develop indigenous senior executives to replace the seconded AMSCO managers in the later stages of the intervention period. This tended to involve a limited number of executives being exposed to customised programmes of training. These often included lengthy and costly full-time formal educational courses out-of-country.

8.12 This policy was redirected in 1994, as the result of a critical review by an independent consultant, to provide a broader spectrum of training, and to include middle management and staff within the programme. The concept was to create a positive "training culture" within each client that would be sustained after the completion of the AMSCO contract.

8.13 The impact of this redirection of the MDF training programmes is clearly shown in Chart 11. For the first five years of AMSCO operation training was concentrated almost exclusively on the executive management of client enterprises, typically between 25 to 40 training events per year, the majority being external courses, many out of country. In 1992/3 there was a very modest start in joint management and staff training events, which were developed to 35 events in 1997. Concurrently programmes for staff, particularly on-the-job training, were introduced. By 1997 this was the largest component of the overall programme of 157 events, aimed at providing a balanced and integrated range of training and management development opportunities to AMSCO clients.

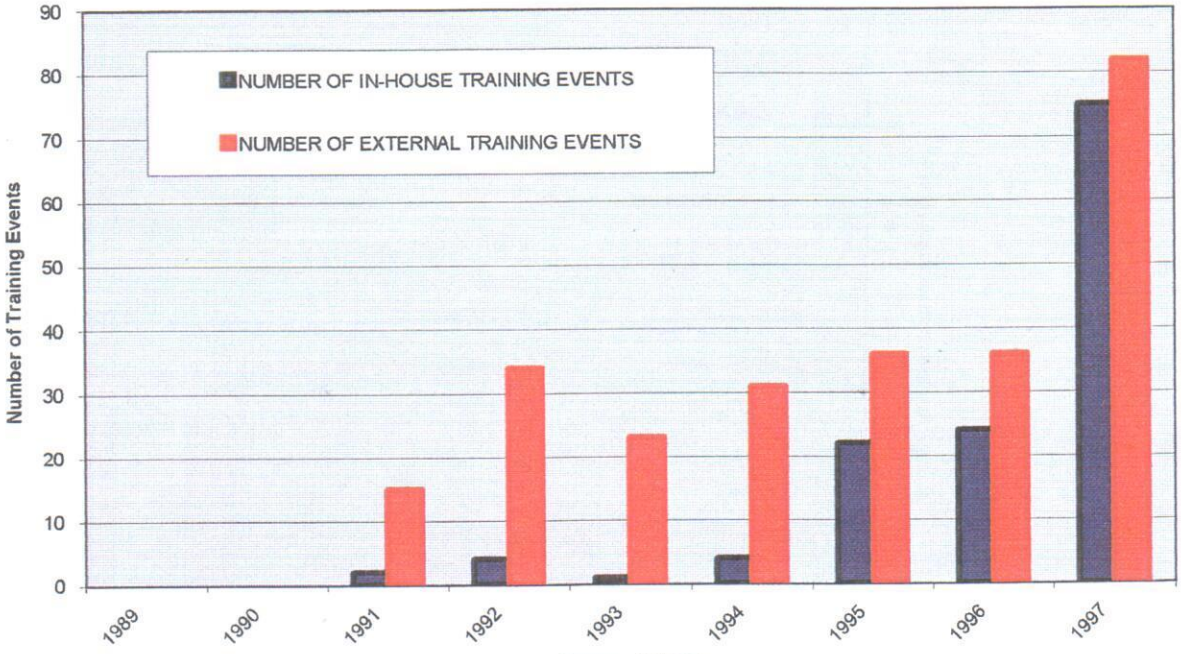
Chart No. 11 : AMSCO Training, 1989-1998 - Relative Amounts of Training for Staff and Management (Number of Events)



Source: AMSCO

8.14 Simultaneous with this redirection of the programme there was a deliberate policy to increase the proportion of training events conducted in-house in clients. This was more appropriate for group training, reducing both the direct and indirect costs to the client. From a very modest level in 1993, by 1997 in-house training events exceeded externally held events. This relative growth is illustrated in Chart 12.

Chart No. 12 : AMSCO Training, 1989-1998 - In-House and External Training Events



Source: AMSCO

8.15 The growth of the training programme followed closely the growth of the client portfolio. The number of participants in the overall programme in 1994 was 160 employees; in 1997 this had increased ten-fold to 1,550 employees. The organisational impact of this dramatic increase was ameliorated to some degree by the increase in the number of group training events: In 1992 the average number of attendees at training events was less than two, but by 1997 this had increased to an average of ten. These trends are illustrated graphically in Charts 13 and 14.

Chart No. 13 : AMSCO Training, 1989-1998 - Average Number of Attendees per Training Event

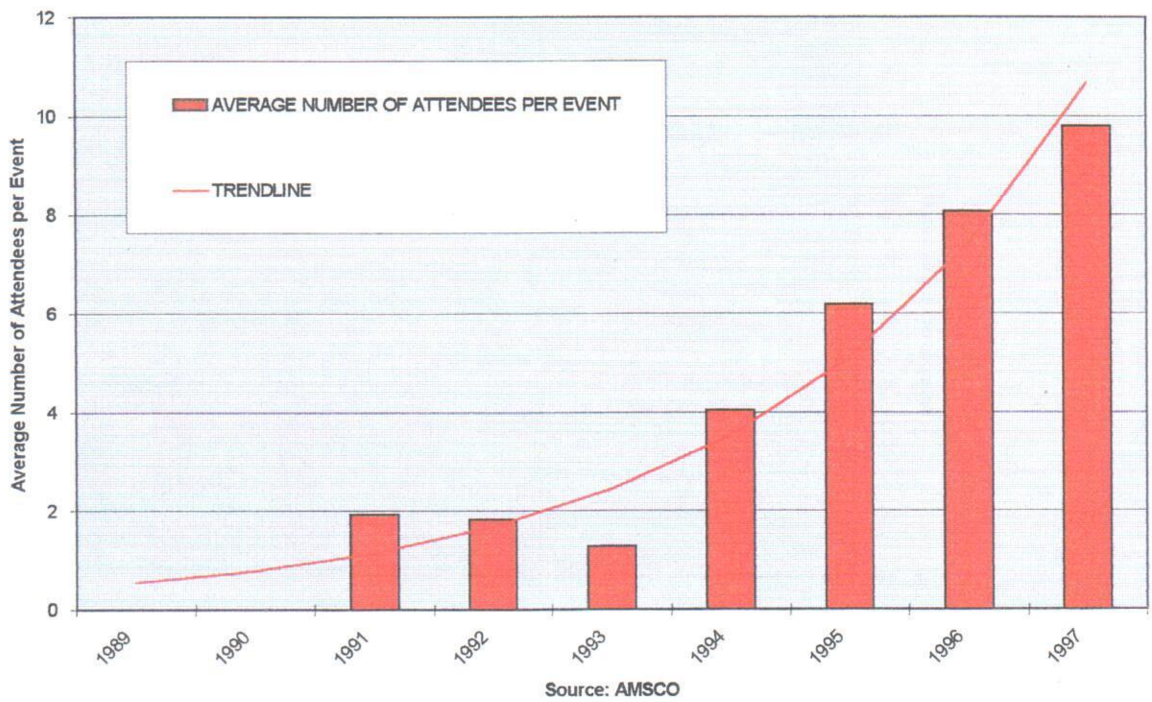
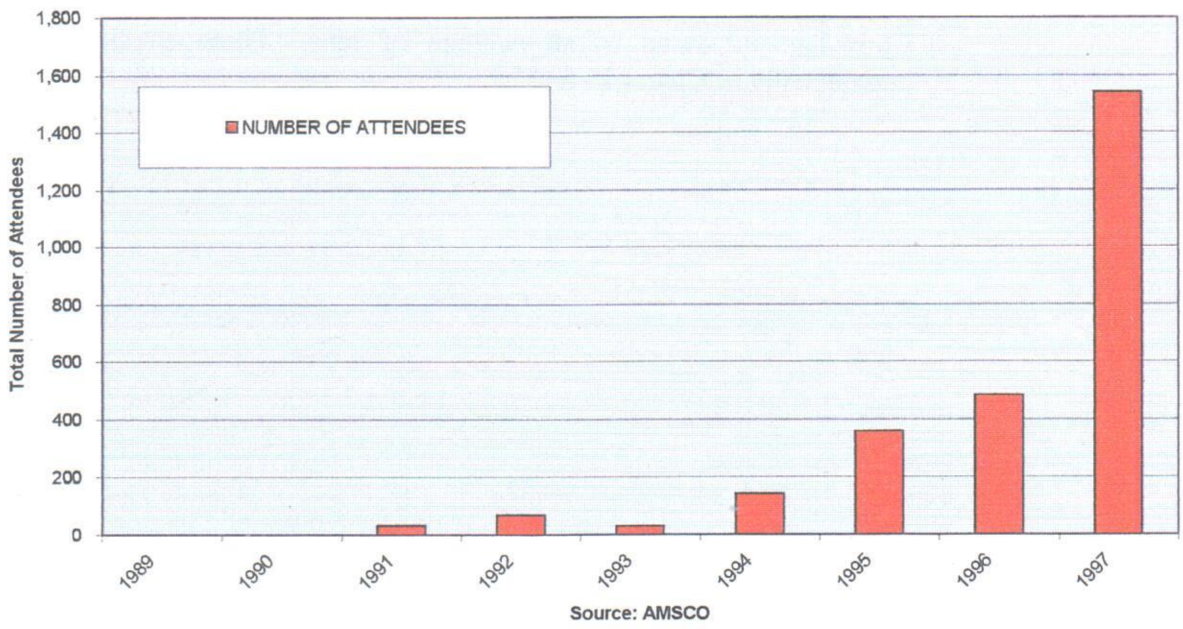
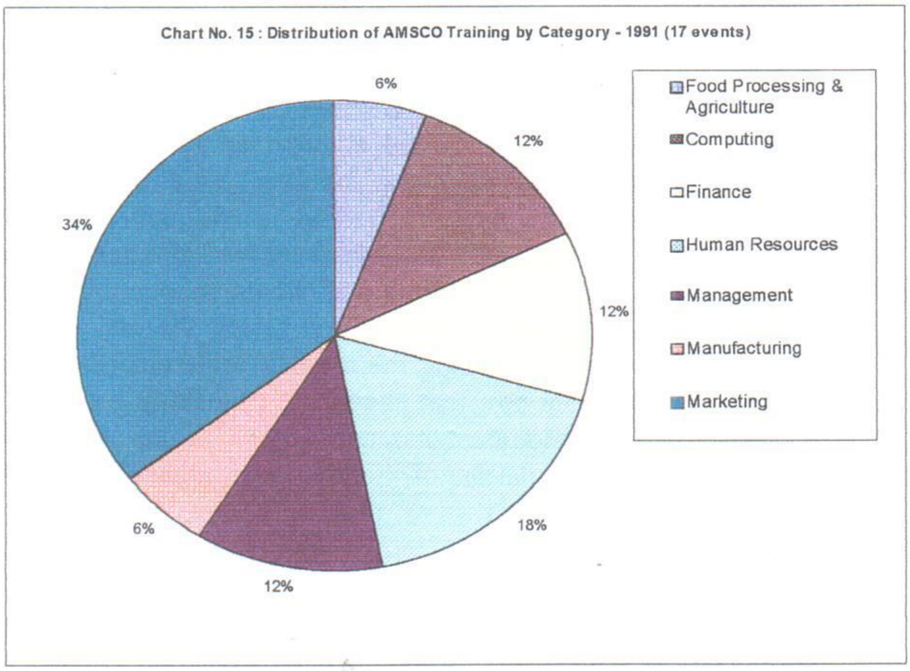


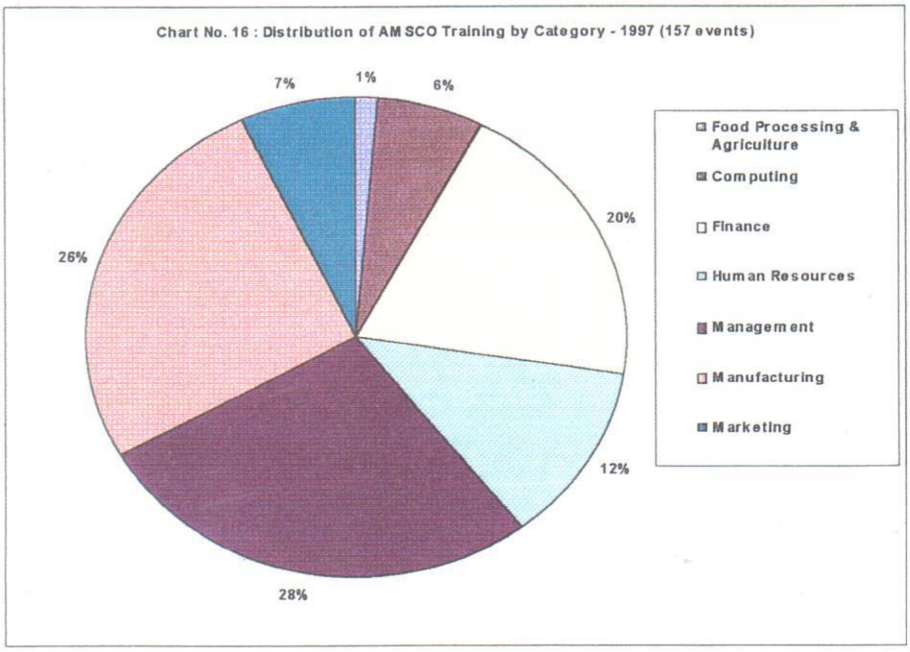
Chart No. 14 : AMSCO Training, 1989-1998 - Total Number of Attendees



iv) Scope of Training Programmes

8.16 Since AMSCO inauguration in 1989 AMSCO has provided 389 courses, involving 2,661 client employees. One third of the courses were provided in-house. The training courses provided to clients through the AMSCO programmes cover a wide range of subjects, from marketing to food processing and agricultural technology. The relative number of training courses provided, by subject matter, is illustrated in Charts 15 and 16, which compare training in 1991 with that undertaken in 1997.





8.17 In 1991 a total of 17 training "events" were provided to clients by AMSCO. Marketing courses were the largest group (6 events) followed by Human Resources (3), Finance (2) and Management.

8.18 In 1997, during which 157 training events were provided, the "mix" had changed. Management, Manufacturing and Finance were the predominant numbers, with Marketing and Human Resources much less represented (although jointly amounting to 30 training events, compared to 9 in 1991).

v) <u>Summary</u>

8.19 In 1994 AMSCO made a significant change in its approach to the form of management development and training programmes appropriate for its clients. The new policy, aimed at creating a broadly-based "training culture" within client enterprises, involved building up a new type of training event and trainer. This trend is still underway, but analysis indicates that much progress has been achieved in extending the range of courses to the specific requirements of clients, substantially increasing the number of trainees, and significantly reducing the unit costs of training events. The policy of meeting the training requirements of the clients is particularly important now that clients are contributing a major portion of the cost. This development has encouraged clients to participate more directly in the formulation of training and management development programmes.

8.20 AMSCO organises regional and international workshops, seminars and conferences that provide valuable development and networking opportunities to its clients. This fulfils an important specific objective of the original project proposal.

8.21 In addition to gaining control and reducing the unit costs of training events, AMSCO is close to achieving its goal of reducing its overhead expenses incurred in the administration of the MDF to 25% of total expenditure.

Section 9. Summary, Conclusions and Recommendations

i) Summary and Conclusions

9.1 The analysis of the case studies and financial data shows that AMSCO has had a positive impact in approximately two-thirds of the 95 clients whose contracts were commenced prior to January 1, 1997.

9.2 The review of the training and management development programmes shows that over the same period there have been significant improvements in the areas of the range, cost and quantity of training units provided by AMSCO.

9.3 The very rapid increase in the volume of the clients over the past four years has enabled the company to come closer to achieving financial break even. This expansion was achieved with no increase in the headquarters management / staff of AMSCO. One of the consequences of this development has been the deterioration in the quality of some of the services of the company, including the pre-contract initial diagnosis of prospective AMSCO clients and particularly the post-contract monitoring of the performance of clients and field managers.

9.4 In the light of these findings it is clear that there should be a period of consolidation of the achievements of the past years. This would provide an opportunity for the company to tighten up the procedures and processes of the company and to improve the quality of the whole range of management services provided by AMSCO.

9.5 The following detailed conclusions relate to specific individual areas of AMSCO performance:

Management Services

- AMSCO has grown almost exponentially in recent years, with no increase of the human resources available to supervise the portfolio. This has led to a deterioration in some of the services of the company, in particular pre-contract diagnosis and client monitoring.
- Since early 1997, the lack of funding to assist client companies to meet the expenses of AMSCO field managers has limited the possibility of smaller companies using AMSCO services.
- The lack of information in AMSCO headquarters on the condition and performance of many AMSCO clients, including some current interventions, indicates inadequate contact and monitoring by the AMSCO operations department.
- The "failure" rate of AMSCO interventions, although within the limits of the original project proposal, could be reduced by more effective pre-contract diagnosis and post-contract monitoring.
- The programme overload, concentration of effort on acquiring new clients, and the physical remoteness of the AMSCO operating staff in Amsterdam are inhibitions to effective contact and communication with clients and field managers.

- Since 1995 few of the AMSCO management services contracts contained provisions for a performance-related bonus, despite the increasing demand for AMSCO services.

<u>Training and Management Development Services</u>

- The management development function of AMSCO has been successfully re-oriented, and is now offering a wide range of in-house and external training courses, workshops, seminars and conferences.
- Unit costs of the training and management development events provided through AMSCO have been very substantially reduced, and AMSCO administration expenses are now at an acceptable level.
- The lack of integration between the AMSCO operations and development departments is damaging the efficiency of client monitoring and the benefit of shared information and experience.
- AMSCO has built up considerable forward contractual commitments for the supply of management services to the 63 clients now under active contract. Currently there are not sufficient guaranteed donor contributions to the MDF to meet all of the AMSCO obligations to training and management development costs required under these contracts.

ii) <u>Recommendations</u>

9.6 The main recommendations of the study are:

- For AMSCO to continue to provide financial support for the costs of management services to SME clients, and to contribute financially to the management development programmes of all clients it is essential to obtain commitments from donors sufficient to cover fully all forward contractual obligations of AMSCO.

- AMSCO should require the inclusion of performance-related bonus provisions in its contracts. Earnings from such provisions would enable the company to provide financial incentives to field managers, and to contribute to the MDF and the AMSCO "bottom line".

- To help reduce the incidence of AMSCO failures resulting from inadequate pre-contract assessment it is recommended that AMSCO:
  i) prepare target profiles for potential clients to fit the current marketing policy of the company, as agreed by the Board;
  ii) prepare a standard outline form of diagnosis, covering all of the essential issues and covenants to be covered in the initial assessment of a prospective client;
  iii) strengthen the existing procedures for "peer group" review of proposals to proceed to negotiation of a management service agreement, and for the subsequent review of the agreements to be presented to senior management for approval.

- To help reduce the incidence of AMSCO failure resulting from inadequate monitoring and support of the clients and field managers during the course of the intervention it is recommended that AMSCO:
  i) ensure that all field managers comply with the requirement in their employment contracts to produce within 90 days of taking up the field appointment a business plan or technical performance schedule (as appropriate), for discussion and agreement with AMSCO and the client Board ;
  ii) include in every client agreement and field manager employment contract a provision for the submission to AMSCO of regular summary reports on the financial and technical performance of the of the client, combining comparison with business plan and details of any exceptional matters arising;
  iii) install and maintain a system for recording and analysing the critical financial and technical performance of clients, for regular management monitoring reports.

- To improve its efficiency, it is recommended that AMSCO:
  i) restructure the management of AMSCO (as proposed in the 1997 Strategic Plan) to integrate more closely the three main departments (operations, management development, and finance / administration);
  ii) establish, where cost effective, regional offices in Africa, staffed sufficiently to be responsible for direct contact with prospective clients, active clients and field managers, and to be the front-line contact point with regional stakeholders in the ATMS / AMSCO project (i.e. UNDP, government, donor representatives, local banks, training institutes, etc.);
  iii) organise in-house training for both operations and development department staff in report-writing, financial analysis, contract negotiation, and communication skills;
  iv) strengthen the concept that the responsibility of every staff member is to improve the AMSCO overall "process" of assisting clients to achieve international standards of performance and competition. Staff must understand that "success" is a successful client, not a contract signed or a training programme completed. Group consultation at critical stages of a client relationship should be the norm, and staff rotation between departments should be considered.

ANNEX A: SCHEDULE OF AMSCO CLIENTS (as at March 31, 1998)

CLIENT INFORMATION (at commencement of AMSCO intervention)							AMSCO INTERVENTION (ACTUAL)			TOTAL	Technical Assistance Funds Provided to Clients			
NO	COUNTRY	COMPANY NAME	SECTOR	* CATEGORY /SIZE	TURNOVER (US$'OOO)	NO. EMPLOYEES	MNGRS	COMMENCE	TERMINATION	(as at 31.3.98) (MTHS)	FMO GRANT (NLG)	FMO LOAN (NLG)	MLF US$ (US$)	MDF (NLG)
1	Angola	Cerval	Mfr. (Brewing)	Large/Joint Venture	12,000	1,500	8	01-Jan-92	30-Sep-94	33	0	0	1,004,767	475,000
2	Angola	Mayaki	Agri. (Eggs/ Poultry)	Small	480	40	1	01-Jun-96	31-Mar-99	22	179,000	0	0	76,500
3	Burkina Faso	SAP	Mfr. (Tyres)	Large/Rehab.	11,530	579	1	15-Jul-90	14-Jul-95	60	141,000	330,000	175,492	370,129
4	Burkina Faso	BICIA-B	Fin. Serv. (Banking)	Large/Rehab.	17,163	22	1	01-Sep-96	31-Aug-99	19	0	0	0	0
5	Cameroun	Commercial Bk Cameroun	Fin. Serv. (Banking)	Medium/Start-up	2,400	153	3	01-Nov-97	31-Oct-00	5	0	0	0	136,000
6	Cape Verde	Ceris	Mfr. (Brewing)	Medium/Joint Venture	7,050	121	2	15-Feb-93	14-Feb-96	36	0	0	443,509	390,600
7	Chad	Africaviande	Food Process.(Meat for Export)	Small/Start-up	nil	47	2	01-Oct-97	30-Sep-00	6	0	0	0	136,000
8	Gabon	CFG	Mfr. (Plywood)	Large/Privatisation	53,000	785	5	14-Dec-94	31-Dec-96	24	200,000	381,000	239,456	135,000
9	Gambia	GPMB	Agri. (Groundnut processing)	Large/Privatisation	8,260	432	3	01-Jun-91	31-Jul-93	26	98,000	0	0	39,146
10	Ghana	Appiah Menka	Mfr. (Soap)	Medium/Expansion	291	230	1	01-Nov-93	30-Nov-95	35	0	190,000	63,232	50,000
11	Ghana	Alugan	Mfr. (Aluminium Bldg Prod)	Small/Expansion	1,400	50	1	01-Jul-94	31-May-96	23	200,000	115,000	55,280	195,000
12	Ghana	Cal Merchant Bank	Fin. Serv. (Merchant Banking)	Medium	5,700	134	1	01-Nov-94	31-Oct-98	41	200,000	115,500	0	120,000
13	Ghana	Ghana Leasing	Fin. Serv. (Leasing)	Small	4,000	20	1	01-Feb-95	31-Jan-96	12	200,000	50,000	0	120,000
14	Ghana	Astek	Food Process. (Juices)	Medium	6,500	120	1	01-Feb-95	31-Oct-96	21	200,000	111,000	0	120,000
15	Ghana	Shangri-la	Hotel Services	Medium	1,900	253	1	01-Jun-95	31-May-96	12	200,000	119,500	0	120,000
16	Ghana	Kassardjian	Construction (Roads)	Large/Expansion	6,600	1,200	1	01-Oct-95	30-Sep-96	12	200,000	95,000	0	0
17	Ghana	Gold Coast	Auto (Sales & Service)	Small	4,000	54	2	15-Oct-95	14-Aug-96	10	200,000	322,000	0	0
18	Ghana	Scoa (Ghana)	Auto (Sales & Service)	Medium	4,207	165	1	18-Feb-96	31-Jan-99	25	200,000	87,500	0	76,500
19	Ghana	South Akim	Mfr. (Crown Corks)	Small	1,723	45	1	01-Apr-96	31-Mar-99	24	200,000	111,000	0	76,500
20	Ghana	Dupaul	Mfr. (Wood products)	Medium	9,000	150	1	01-May-95	30-Nov-98	23	200,000	50,000	0	120,000
21	Ghana	Vodi	Auto (Sales & Service)	Small	5,000	90	1	01-Jan-97	31-Dec-00	15	88,673	0	0	76,500
22	Ghana	Tara Systems	Computers (software)	Small	2,200	40	1	01-Sep-97	29-Feb-00	7	200,000	130,000	0	91,800
23	Ghana	BMK	Mfr. (Particle Boards)	Medium/Start-up	3,829	111	2	01-Apr-97	31-Mar-00	12	0	0	0	95,000
24	Ghana	Samartex Timber	Timber (Processing)	Large/Expansion	23,008	1,500	19	01-Apr-97	31-Mar-00	12	0	0	0	242,500
25	Ghana	Ghana Primewood	Timber (Processing)	Large	18,000	1,700	10	01-Apr-97	31-Mar-00	12	0	0	0	194,000
26	Ghana	Interplast	Mfr. (Plastic Pipes)	Medium/Expansion	3,800	141	1	01-Jul-97	30-Jun-00	9	0	0	0	76,500
27	Ghana	Ghana Manganese	Mining	Large	13,000	740	6	01-Jan-98	31-Dec-00	3	0	0	0	?
28	Guinea	BICI-G	Fin. Serv. (Banking)	Large	16,210	380	1	01-Sep-96	31-Aug-99	19	0	0	0	0
29	Guinea Bissau	ADP	Serv. (Distribution/Retailing)	Medium/Joint Venture	5,000	339	3	01-Nov-92	31-Oct-95	36	0	0	695,250	25,000
30	Guinea Bissau	Agribissau	Agri. (cashew, mango,citrus)	Small/Start-up/Joint Venture	nil	60	1	01-Aug-93	31-Oct-97	51	200,000	135,500	237,415	135,000
31	Guinea Bissau	Cicer	Food Process (Beverages)	Medium/Joint Venture	1,400	156	2	01-Jul-95	31-Jan-98	33	200,000	357,500	0	150,000
32	Guinea Bissau	Yanda	Mfr. (Footwear)	Small/Start-up/Joint Venture	424	58	1	01-Jan-96	15-Sep-97	20	207,500	0	0	76,500
33	Ivory Coast	Sialim	Agri. (Dairy)	Medium/Rehab.	1,000	160	2	01-Jan-91	29-Feb-92	14	0	0	0	5,385
34	Ivory Coast	Sabra	Food Process. (Soft Drinks)	Small/Start-up	1,332	87	2	01-Jan-92	15-Jul-94	30	210,000	0	256,163	0
35	Ivory Coast	Gema	Heavy Eng. (Foundry)	Small	1,800	53	2	01-Jul-96	30-Jun-99	22	200,000	100,000	0	76,500
36	Ivory Coast	Seaways	Transport (Maritime)	Small/Start-up/Joint Venture	2,200	15	3	01-Sep-96	31-Dec-97	16	0	0	0	76,500
37	Ivory Coast	Filature Tissage Conf	Textile (Printed Cotton-Wax)	Large/Expansion	22,000	1,043	2	08-Aug-97	17-Aug-00	8	0	0	0	136,000
38	Ivory Coast	Cotivo	Textile (Cotton-raw & printed)	Large/Expansion	20,000	1,200	1	01-Sep-97	31-Aug-00	7	0	0	0	136,000
39	Ivory Coast	Pergola	Hotel Services	Small/Start-up	nil	78	3	26-Oct-97	25-Oct-99	6	0	0	0	136,000
40	Ivory Coast / Gabon	Credit Lyonais	Fin. Serv. (Banking)	Large	?	?	1	01-Aug-97	31-Jul-99	8	0	0	0	0
41	Kenya	House of Manji	Food Process. (Cereal,biscuits)	Medium/Expansion	4,720	386	1	01-Sep-92	31-Aug-95	36	215,000	0	146,880	225,000
42	Kenya	Mountex	Textile	Large/Expansion	12,300	1,000	3	01-Jan-93	31-Jan-95	25	200,000	110,000	109,650	76,697
43	Kenya	Sadolin Paints	Mfr. (Paints)	Medium/Rehab.	4,500	124	1	01-Apr-93	31-Mar-96	36	284,000	0	214,200	240,000
44	Kenya	H.M.Weetabix	Food Process. (Powdered Milk)	Small/Start-up	4,100	50	1	15-Aug-94	01-Jan-95	5	285,000	0	182,107	100,000
45	Kenya	Prestige Packing	Mfr. (Plastic Products)	Medium	7,886	220	1	01-Oct-95	30-Sep-98	29	200,000	151,000	0	76,500
46	Kenya	Wilken	Telecommunications	Small	1,962	68	1	01-Mar-96	30-Sep-96	7	0	0	0	0
47	Kenya	Kenap	Textile (Garments)	Large/Joint Venture	272	800	2	01-Jul-97	30-Jun-00	9	0	0	0	0
48	Kenya	Kenyan Capital Partners	Fin.Serv. (Fund Management)	Small/Joint Venture	?	15	2	01-Sep-97	31-Aug-99	6	0	0	0	0

ANNEX A: SCHEDULE OF AMSCO CLIENTS (as at March 31, 1998)

CLIENT INFORMATION (at commencement of AMSCO intervention)							AMSCO INTERVENTION (ACTUAL)			TOTAL	Technical Assistance Funds Provided to Clients			
NO	COUNTRY	COMPANY NAME	SECTOR	* CATEGORY /SIZE	TURNOVER (US$'OOO)	NO. EMPLOYEES	MNGRS	COMMENCE	TERMINATION	(as at 31.3.98) (MTHS)	FMO GRANT (NLG)	FMO LOAN (NLG)	MLF US$ (US$)	MDF (NLG)
NO	COUNTRY	COMPANY NAME	SECTOR	* CATEGORY /SIZE	TURNOVER	EMPLOYEES	MNGRS	COMMENCE	TERMINATION	(MTHS)	FMO GRANT	FMO LOAN	MLF US$	MDF
49	Madagascar	Sud Confection	Textile (Pullovers)	Medium/Start-up/Joint Venture	5,719	220	3	01-Oct-96	30-Sep-98	18	0	0	0	0
50	Madagascar	South. Textiles Madagascar	Textile (Pullovers)	Medium/Expansion	1,371	400	2	01-Nov-96	31-Oct-98	17	200,000	0	0	83,084
51	Madagascar	Tami Knitwear	Textile	Large/Start-up/Joint Venture	2,000	1,981	11	01-Sep-97	31-Aug-99	7	0	0	0	
52	Madagascar	Madcom	Computer (Desktop Publishing)	Small/Joint Venture/Expansion	367	80	1	01-Sep-97	31-Aug-99	7	0	0	0	27,738
53	Malawi	Grain and Milling	Food Process. (Milling)	Large/Privatisation	18,700	1,100	2	01-Nov-90	01-Nov-93	36	0	0	190,000	300,999
54	Malawi	Scandrill	Mining (Drilling Equip/Pumps)	Small	400	30	1	01-May-91	31-Dec-94	44	0	0	0	225,000
55	Malawi	Indefund	Fin. Serv. (Merchant Bank)	Small	1,026	26	1	20-Jun-91	20-Dec-94	42	400,000	0	0	229,000
56	Malawi	Blantyre Netting	Mfr. (Polypropylene Sacks/ Nets)	Medium	2,588	408	2	01-Nov-95	28-Feb-97	16	200,000	72,500	0	0
57	Mali	Grand Hotel	Hotel Services	Small/Start-up	1,599	89	1	26-Sep-94	25-Sep-96	24	198,000	0	0	115,000
58	Mali	GGG	Auto (Sales/Rehab)	Small/Expansion	1,672	79	2	01-Nov-95	31-Oct-98	29	200,000	400,000	0	100,000
59	Mali	Hotel Kanaga	Hotel Services	Small/Privatisation	2,790	41	1	01-Jul-97	30-Jun-00	9	0	0	0	68,000
60	Mali	Les Grand Moulins	Food Process. (Milling)	Large/Expansion	13,000	131	1	31-Jul-97	30-Jun-00	9	0	0	0	68,000
61	Mali	Grande Confiserie du Mali	Food Process.(Pasta/Sweets)	Medium	4,000	312	1	01-Dec-97	30-Nov-00	4	0	0	0	68,000
62	Mali	Societe Omnium	Mfr. (Electric.Batteries)	Medium/Start-up	nil	120	1	01-Dec-97	30-Nov-00	4	0	0	0	68,000
63	Mauritius	Somatrans	Transport (Shipping)	Small/Joint Venture/Expansion		50	1	01-Sep-97	31-Aug-99	7	0	0	0	77,850
64	Mauritius	Infoprint	Computer (Desktop Publishing)	Small/Expansion	212	53	1	01-Jun-94	31-May-96	24	0	160,000	0	152,000
65	Mauritius	Shibani	Textile (Fashion Knitting)	Large/Expansion	14,111	630	5	01-May-96	31-Jul-98	23	200,000	400,000	0	153,000
66	Mauritius	Aquarelle	Textile (Shirt Mfr.)	Large/Expansion	16,395	980	4	01-Oct-96	30-Apr-97	7	200,000	0	0	0
67	Mauritius	Tropic Knits	Textile (Shirt Mfr.)	Large/Joint Venture/Expansion	30,137	2,500	3	01-Oct-96	30-Sep-98	18	200,000	170,000	0	0
68	Mauritius	Sweat Sun	Textile	Large/Expansion	1,566	730	3	01-Oct-96	30-Apr-97	7	155,000	0	0	0
69	Mauritius	Consolidated Dyeing	Textile (Dyeing)	Medium/Expansion	5,742	250	3	01-Oct-96	30-Sep-98	18	200,000	0	0	0
70	Mauritius	Taylor Smith	Engineering(Ship Bldg & Repair)	Medium/Expansion	4,204	220	1	10-Nov-96	30-Sep-98	17	200,000	0	0	76,500
71	Mozambique	Agrimo	Agri. (Cattle)	Medium/Start-up/Joint Venture	534	300	1	01-Jun-95	31-May-98	34	200,000	175,000	0	76,500
72	Mozambique	Navemo	Transport (Maritime)	Small/Start-up/Joint Venture	773	32	3	01-Apr-97	31-Mar-00	12	200,000	45,000	0	153,000
73	Namibia	ODC	Offshore Development	Small/Start-up	1,000	16	1	18-Sep-95	14-Apr-99	30	200,000	220,000	0	76,500
74	Nigeria	CPL	Mfr. (Cosmetics)	Small	2,858	?	2	22-Oct-91	21-Oct-94	36	365,000	0	328,688	161,789
75	Nigeria	Birma	Agri. (Maize/soya beans)	Small	773	?	3	01-Aug-92	31-Jul-95	36	310,000	0	212,042	2,260
76	Nigeria	Dani Foods	Food process. (Soft Drinks/Water)	Small	820	60	5	01-Nov-92	31-Jan-96	39	500,000	0	793,100	50,000
77	Nigeria	OU. Bros	Mfr. (Footwear)	Small	100	?	1	01-Jul-93	31-Mar-94	9	473,000	0	97,479	13,486
78	Nigeria	Heleena Farms	Agri. (Cut Flowers for Export)	Small	1,100	48	2	01-Jul-94	30-Jun-97	36	200,000	400,000	0	240,000
79	Senegal	Soca	Agri. (Dairy)	Small/Expansion	1,200	70	1	01-Jan-92	01-Jan-94	24	0	0	0	114,438
80	Senegal	Express Transit	Transport (Fwding Agents)	Medium/Rehab.	4,565	245	3	01-Aug-91	30-Sep-92	14	500,000	0	501,929	47,582
81	Senegal	Filfili	Retail/Distribution Services	Medium/Rehab.	673	158	1	26-Oct-92	25-Jan-93	3	0	0	0	25,857
82	Senegal	Delta Ocean	Food Process. (Fish)	Small/Rehab.	1,272	0	1	20-Oct-92	22-Oct-94	24	150,000	0	278,701	34,187
83	Senegal	Africamer	Fishing/ Fish Processing	Large/Rehab.	33,069	2,000	1	18-Jan-93	18-Jan-94	12	0	0	138,675	0
84	Senegal	Prebat	Mfr. (Pre-cast Products)	Small/Rehab.	648	20	1	01-Oct-95	30-Sep-99	30	201,500	0	0	105,000
85	Senegal	BICIS	Fin. Serv. (Banking)	Large/Expansion	20,977	380	2	08-Sep-96	30-Sep-99	31	0	0	0	0
86	Senegal	NBA	Mfr. (Brewing)	Medium/Expansion	4,000	150	2	23-Mar-97	22-Mar-99	12	0	0	0	132,000
87	Senegal	Saprom	Music	Small/Expansion	1,100	20	1	01-Apr-97	31-Mar-00	12	0	0	0	140,000
88	South Africa	RDC	Consultancy	Small/Start-up	4,000	45	2	01-Sep-95	30-Sep-98	31	201,000	0	0	76,500
89	South Africa	O'Brian	Marketing Service	Small/Start-up	?	8	1	01-Oct-97	30-Sep-99	6	0	0	0	0
90	Swaziland	SIDC	Fin. Serv. (Dev. Finance)	Medium	5,097	52	1	01-Jul-95	30-Jun-96	12	0	127,000	0	68,000
91	Swaziland	Swazibank	Fin. Serv. (Banking)	Medium	7,692	400	3	01-Mar-96	28-Feb-99	25	0	0	0	204,000
92	Tanzania	New Sugar Company	Agri. (Sugar Estate)	Small	1,300	?	3	22-Aug-90	06-Feb-92	17	0	0	908,676	43,650
93	Tanzania	Stanley & Sons	Mfr. (Salt)	Small	700	50	1	01-Apr-93	01-Jun-95	26	125,759	0	0	175,000
94	Tanzania	Sadolin Paints	Mfr. (Paints)	Small/Start-up	972	30	1	01-Jun-94	31-May-97	36	200,000	140,000	147,926	135,000
95	Tanzania	Mashado	Tourism (Game Fishing & Resort)	Medium/Start-up	nil	158	1	01-Oct-94	03-Oct-97	36	200,000	240,000	0	90,000
96	Tanzania	Tanzania Leather	Mfr. (Tannery)	Medium	5,000	150	1	01-Jul-95	06-Oct-96	15	200,000	164,500	0	0
97	Tanzania	Kisarawe Brick Fact.	Mfr. (Bricks)	Small/Start-up	N/A	115	4	01-Sep-96	31-Aug-99	19	200,000	100,000	0	153,000
98	Tanzania	TDFL	Fin. Serv. (Dev. Finance)	Small	1,936	62	1	07-May-97	06-May-00	11	0	0	0	76,500
99	Tanzania	TPS Serena Hotel	Hotel Services	Medium		400		01-Jul-97	delayed	0	0	0	0	0
100	Tanzania	Tanzania Zanzibar	Hotel Services	Small		50		01-Jul-97	delayed	0	0	0	0	0

ANNEX A: SCHEDULE OF AMSCO CLIENTS (as at March 31, 1998)

CLIENT INFORMATION (at commencement of AMSCO Intervention)							AMSCO INTERVENTION (ACTUAL)			TOTAL	Technical Assistance Funds Provided to Clients			
NO	COUNTRY	COMPANY NAME	SECTOR	* CATEGORY /SIZE	TURNOVER (US$'OOO)	NO. EMPLOYEES	MNGRS	COMMENCE	TERMINATION	(as at 31.3.98) (MTHS)	FMO GRANT (NLG)	FMO LOAN (NLG)	MLF US$ (US$)	MDF (NLG)
NO	COUNTRY	COMPANY NAME	SECTOR	* CATEGORY /SIZE	TURNOVER	EMPLOYEES	MNGRS	COMMENCE	TERMINATION	(MTHS)	FMO GRANT	FMO LOAN	MLF US$	MDF
101	Togo	Eco Bank	Fin. Serv. (Bank)	Large/Expansion	?	800	2	01-Sep-97	31-Aug-00	7	0	0	0	0
102	Togo	Banque Sans Frontiere	Fin. Serv. (Bank)	Small	200		1	01-Jan-98	31-Dec-99	3	0	0	0	0
103	Togo	APMC	Mfr. (Construction Material)	Small/Start-up	720	50	1	01-Dec-97	31-Dec-99	4	0	0	0	68,000
104	Togo	ITP	Mfr. (Plastic Tubewells)	Small/Joint Venture/Expansion	2,865	80	2	01-Feb-94	31-Mar-96	26	0	500,000	0	260,000
105	Togo	BTCI	Fin. Serv. (Banking)	Medium	20,000	70	1	01-Sep-96	31-Aug-99	18	0	0	0	0
106	Uganda	Universal Foods	Agri. (Cardamon)	Medium/Expansion	200	75	1	15-Feb-92	15-Feb-94	24	143,000	0	0	89,784
107	Uganda	Katonga Farms	Agri.	Small	261	60	1	01-Feb-92	31-Jan-94	24	137,000	0	0	53,646
108	Uganda	Printpak	Mfr. (Printing ,Packaging)	Small	2,059	35	3	01-Feb-93	31-Jan-94	12	0	0	459,000	0
109	Uganda	Nge-Ge	Food Process. (Fish)	Medium	1,700	111	1	10-Jun-94	01-Jan-95	7	0	375,000	48,800	1,740
110	Uganda	Nutri Products	Food Process. (Seed Crop Oils)	Small/Start-up	354	30	1	18-Sep-95	28-Feb-96	5	200,000	123,500	0	0
111	Uganda	Sambyla River Lodge	Hotel Services	Small/Start-up	512	27	1	16-Jan-97	14-Mar-00	15	200,000	69,335	0	76,500
112	Zambia	Zaffico	Timber (Milling & Forest Mngt)	Large/Privatisation	12,338	?	4	01-Apr-93	07-Feb-94	10	0	0	169,132	2,159
113	Zimbabwe	Jongwe	Mfr. (Printing Press)	Small	620	70	1	01-Aug-93	31-Oct-95	27	0	0	0	42,500
114	Zimbabwe	Zimglass	Mfr. (Glass/Plastic Bottles)	Large	10,300	600	4	01-Oct-94	31-Oct-95	13	0	0	150,000	300,000
115	Zimbabwe	Imperial Derby	Mfr. (Refrigerators/ Freezers)	Medium/Start-up/Joint Venture	5,300	128	3	01-Sep-95	31-Dec-97	31	200,000	400,000	0	130,000
116	Zimbabwe	HIB	Fin. Serv. (Merchant Banking)	Small/Start-up	2,400	27	3	01-Oct-95	30-Sep-98	30	200,000	400,000	0	185,000
117	Zimbabwe	Retrofit	Construction (Elect./High volt.eng.)	Medium	4,800	320	1	01-Dec-95	30-Nov-97	24	200,000	19,500	0	50,000
118	Zimbabwe	Ref Air	Mfr. (Solar Panels)	Small/Rehab.	800	32	1	01-May-96	31-Mar-99	23	95,500	0	0	76,500
119	Zimbabwe	Kuchi Builders	Construction (Bldgs)	Small	4,803	28	1	01-Jul-96	30-Jun-99	21	200,000	106,500	0	76,500
120	Zimbabwe	Leasing Co. Zimbab.	Fin. Serv. (Leasing/H.P.)	Medium/Start-up	5,911	27	1	01-Jul-96	30-Jun-99	21	200,000	179,500	0	76,500
121	Zimbabwe	Zimbabwe Express	Transport (Airline)	Medium	9,421	71	1	01-Sep-96	31-Aug-98	19	0	0	350,000	58,200
122	Zimbabwe	Fresca	Food Process.(Dehydrated Veg.)	Medium/Start-up	2,057	280	4	01-Nov-96	31-Oct-99	17	200,000	124,000	0	242,500
123	Zimbabwe	Frese	Mfr. (Plumbing equip)	Small/Start-up/Joint Venture	2,000	52	1	01-Dec-96	31-Jul-99	16	184,500	0	0	76,500
124	Zimbabwe	HIC	Fin. Serv. (Insurance)	Small/Expansion	2,200	51	1	01-Mar-97	29-Feb-00	13	200,000	117,992	0	76,500
125	Zimbabwe	Zelco	Telecommunications	Small/Start-up	?	36	1	01-Jun-97	30-Sep-97	4	0	0	0	0
126	Zimbabwe	Kingdom Financial Svces	Fin. Serv.	Medium	?	?	1	01-Feb-98	30-Jun-00	2	0	0	0	0
	TOTAL				654,728	35,223	258			2,391	14,247,432	8,290,827	8,597,549	11,352,706

Source: AMSCO

Note: The size categories (small, medium or large), number of employees and annual turnover are based on the company figures at the commencement of the AMSCO contract

Definitions: S.M.E: Small and Medium-sized Enterprises:

- ☐ Small: Annual turnover of US$5 million or less and 100 employees or less
- ☐ Medium: Annual turnover more than US$5 million, less than US$10 million and more than 100 employees, less than 500

Large: ☐ Large: Annual turnover more than US$10 million. More than 500 employees

ANNEX B

Eleven Summary Case Studies Relating to the Sustainability of AMSCO Impact
(refer to Section 6)
(Full case studies of these companies are in a separate volume in Annex D)

- Case Study # 1: Milling Company, Southern Africa

  The purpose of the original AMSCO intervention was to improve the performance of a parastatal company prior to privatisation. This was achieved, earning AMSCO a performance bonus and an extension of the management service contract by the new private owners.

  Following the end of the AMSCO intervention in 1993 the management, working under the new owners, continued to make very substantial improvements in the efficiency of the operation. However, the removal of tariff barriers to imports of flour from larger operators in contiguous countries exposed the Company to severe price competition and loss of markets. The termination of a major contract to service a humanitarian aid programme compounded this problem for the Company.

  Operationally the impact of AMSCO has been sustained through the technical successes of the cadre of trained operational managers in the Company. The strategic policy of the Company over the past five years appears to have been faulty, but this was well beyond the scope of AMSCO intervention.

  The new owners took over control of the Company nearly five years ago, and as a multi-national company should have made its own strategic assessment of the future of the milling operations of the Company at the time of purchase. There appear to have failed to anticipate long-term economic trends, and to redirect the Company away from the milling of maize.

- Case Study # 2: Agricultural Enterprise, West Africa

The original AMSCO involvement was the provision of a management training and development programme and advisory support to the local senior management of the Company. In 1994, an independent professional review of the training programme reported that it was outstandingly the best example of AMSCO fully achieving the training objectives identified at the beginning of the intervention.

The AMSCO management and training programme, which was completed by the end of 1993, has continued to have positive effects on the operational performance of the Company. The replacement of expatriate managers and the effective training of their local managers have induced financial, economic and social benefits for the Company, the region and the country:

The staff have continued to rationalize their work, especially the commercial distribution system in the succeeding years (1994-1998). As a whole, the fairly well maintained equipment and the highly motivated staff represent key assets for profitable operation of the Company in the milk and dairy sector.

The Company is however seriously handicapped by lack of financial resources for additional investments some of which, although of moderate amount, would significantly increase the sales of the Company and reduce operating costs.

The Company had for some time operated with marginal operating profit, which increased to FCFA 28 million in 1994 and subsequently deteriorated to a marginal operating loss of about FCFA 3 million. The deterioration of the profitability is due to the reduction or near levelling-down of the sales. The decline of sales partly resulted from the Company's inability to supply its principal products (fruit juices, milk and curdled milk which represent 53% of the sales) in packages suited to the income level of the poorer segments of the population. The Company has also been unable to produce yoghurt as planned.

Recently, the Company made significant savings by rationalizing its distribution system, and can therefore become financially viable and is sustained in the long term. This would require an injection of additional investment funds and the support of its shareholders. The Company is currently being maintained at a survival level by the highly motivated staff, but is in a rather precarious operational situation.

The sustainability of the AMSCO impact has been demonstrate by the survival of the Company in the face of continuing cash flow shortage, and the lack of capital investment to improve product range. Without the original AMSCO intervention the Company would not have survived.

(Financial Performance Figures in million local currency units)

	PERIOD OF AMSCO INTERVENTION : DECEMBER 1990 TO DECEMBER 1993					estimated	estimated
	YE Dec.31.90	YE Dec.31.91	YE Dec.31.92	YE Dec.31.93	9 mths end. Sept.30.94	YE Dec.31.94	YE Dec.31.97
1. TURNOVER	331	460	530	486	522	696	669
2. NUMBER OF EMPLOYEES	n.a.	75	69	70	n.a	70	73
3. NET PROFIT/(LOSS)	(449)	(257)	(150)	(176)	(121)	(133)	n.a.
4. OPERATING PROFIT/(LOSS)	(204)	(14)	40	6	21	28	-3
5. ASSETS							
i) Current	n.a.	n.a.	n.a.	272	266	n.a.	n.a.
ii) Fixed	n.a.	n.a.	n.a.	1,311(est)	1278(est)	1,470	1350
6. LIABILITIES							
i) Short Term	542	240	244	200	284	n.a.	n.a.
ii) Long Term	1,877	1,491	1,505	1,798	1,778	1,778	n.a.
7. SHAREHOLDERS EQUITY (DEFICIENCY)	n.a.	(47)	(143)	(415)	(547)	(559)	n.a.
8. LABOUR EFFICIENCY RATIOS							
i) Sales Value/Employee	n.a.	6.1	7.7	6.9	(9 mths)	9.9	9.2
ii) Operating Profit/Employee	n.a.	(0.2)	0.57	0.09		0.4	
9. CAPITAL EFFICIENCY RATIOS							
i) Gross Sales/Fixed Asset Value	n.a.	n.a.	n.a.	33.9%	41%	47.3%	49.5%
ii) Operating Profit/Fixed Asset Value	n.a.	n.a.	n.a.				
10. EXPORT EARNINGS							
i) Percentage	nil	nil	nil	nil	nil	nil	nil
ii) US$ Value	nil	nil	nil	nil	nil	nil	nil
11. IMPORT SUBSTITUTION							
i) Percentage	100%	100%	100%	100%	100%	100%	100%
ii) US$ Value (million)	1.2	1.69	1.92	1.66	--	1.3	1.12
12. LOCAL CURRENCY Value US$ each period							

SOURCE: AMSCO files and Client reports

- Case Study # 3: Food Processing, West Africa

The original purpose of the AMSCO intervention was the rehabilitation and privatisation of a state-owned enterprise vital to the national economy. The AMSCO team met the technical and commercial objective identified in its business plan, and enabled the successful sale of the core assets.

The new Company did not systematically take over all activities performed by its predecessor. It is currently involved in purchasing, controlling and exporting groundnuts. The annual volume handled was an average of 20,000 tonnes per year over the last three year but has reached a peak level of 47,000 tonnes in 1997/98. At those levels of operations, the Company has been operating at a loss, but is nearing breakeven point, estimated to be achievable at 55,000 tonnes.

Large investments carried out will have lasting effects on the production of groundnuts and other products, including rice cotton and palm-trees. The Company will soon enter a phase of profitability, which will be increasing with the Company taking on new economically viable activities, which will support their current business.

The new Company, in consultation with the Government is preparing to invest in related industries and projects. This will concentrate in investments likely to strengthen the groundnut sub-sector and thus consolidate the long-term sustainability of groundnut production as a major source of economic activity and revenue for the Country's population. Staff training and policies have positively impacted on their morale and performance.

The growing production of the new Company had a driving effect on the other sectors of the national economy. Despite the reduction of the workforce from 724 to 432 in the new Company, subcontracted activities resulted in the creation of more than 900 jobs, and it is estimated that a job with the new Company will bring about at least two jobs on the labour market

Turnover which had dropped to $8.5 million in 1991, was $15.1 million in 97/98. With the forthcoming production of groundnut oil, the turnover will be substantially higher. The financial and economic outlook is very good

Labour efficiency ratio has been improved three fold. With the continued streamlining and rationalization of work, labour productivity is still intensively progressing. The new Company is a profitable and sustainable scheme, with significantly positive social impact.

AMSCO IMPACT STUDY, 1998

Case Study # 3

(Financial Performance Figures expressed in US$ million)

		PERIOD OF AMSCO INTERVENTION: OCTOBER 1991 to JUNE 1993			
		YE Nov.30.90	YE Nov.30.91	GGC Ltd May 1998	Comments:
1.	TURNOVER	12.51	8.45	15.1	The turnover has already increased by 78% and will substantially increase with oil production
2.	NUMBER OF EMPLOYEES	725	724	432	A number of activities have been sub-contracted giving a job multiplier effect of 2.
3.	NET PROFIT/(LOSS)	(.45)	(1.84)	(0.3)	The trend of losses is declining and increased profits are anticipated
4.	OPERATING PROFIT/(LOSS)	(.42)	(1.4)	Break-even	The Company is near break-even point.
5.	ASSETS i) Current ii) Fixed (revalued at replacement cost) iii) Investment and loans	 3.33 19.04 .71	 2.66 18.42 1.12	 10.2 	Although the new Company's fixed assets have a lower value, their industrial production potential is much higher
6.	LIABILITIES i) Short Term ii) Medium & Long Term	 1.09 6.71	 2.06 6.7		
7.	SHAREHOLDERS EQUITY (DEFICIENCY)	15.28	13.44		
8.	LABOUR EFFICIENCY RATIOS i) Sales Value/Employee ii) Operating Profit/Employee		1.17%	3.50%	The labour efficiency ratio has substantially increased and will further improve.
9.	CAPITAL EFFICIENCY RATIOS i) Gross sales/ Fixed Assets Value ii) Net Profit/Fixed Asset Value		 46% (10)%	 148% 	Capital efficiency has substantially increased
10.	EXPORT EARNINGS i) Percentage ii) US$ Value (million)	 100% 12.51	 100% 8.45	 100% 15.1	The Company's production is totally exported.
11.	IMPORT SUBSTITUTION i) Percentage ii) US$ Value	 nil nil	 nil nil	 nil nil	

Sources: Draft Business Plan, November 1991 quoting Audited financial statements
Management monthly reports to AMSCO, November 1991 through August 1993
Interviews with GGC Ltd (new company) - 1998

- Case Study # 4 – Food Processing, East Africa

During the three years of AMSCO management support, the Company significantly out-performed the targets set in the original rehabilitation business plan prepared by AMSCO in almost every key performance ratio. Throughout the period the export performance of the Company improved to US$6.3 million per year, twenty-fold the dollar volume three years earlier.

A nominal operating profit in 1991/2 was turned into a profit of US$1.5 million in 1994/5. The position of the Company as a major producer has been re-established, and equally important, a permanent replacement general manager had been appointed, to lead an enterprise, which had a strong management training culture. Unfortunately the Company has not benefited from the large cash generation of this success, as the principals have used the funds to support other less successful commercial initiatives within the Group.

Since the completion of the AMSCO intervention in mid-1995, competition driven by trade liberalisation has had a major negative impact on the business. In 1995 the company had 45-50% of its main product market. It estimates that now it has only 25-30%. Its second product has also been hard hit by the competition coming into the country, mainly through smuggling by refugee traders. The Company is now considering dropping the line. The failed subsidiary struggles along, as a net liability, with no significant contribution to the Company's cash flow. Given these realities, the Company has developed the line of famine-related foods, to become a global market leader in these commodities. Marketing is not problematic, as the main consumers are international famine relief agencies.

The Company continues to survive with increased turnover and profitability. This is in part due to the long-term impact of the AMSCO intervention on its management structure and capability.

AMSCO IMPACT STUDY, 1998

Case # 4

(Financial Performance Figures - in million local currency units)

	PERIOD OF AMSCO INTERVENTION: SEPTEMBER 1992 TO AUGUST 1995						
	YE June 30.92	YE June 30.93	YE June 30.94	YE June 30.95	YE June 30.96	YE June 30.97	1/2 Year Dec.31.97
1. TURNOVER	134	194.2	392.9	663	600	908	486
2. NUMBER OF EMPLOYEES	386	368	402	295	334	351	261
3. NET PROFIT/(LOSS)	(8.7)	24.15	38.8	-46	-44	-50	-79
4. OPERATING PROFIT/(LOSS)	6	38.8	54.7	185	194	244	103
5. ASSETS							
i) Short Term	73.8	134.5		260	310	480	418
ii) Fixed	295.7	295.8	317.1	490	501	516	546
iii) Investments	50	50					
6. SHORT TERM LIABILITIES							
i) Short Term	85.2	156.2	321	325	452	729	690
ii) Medium & Long Term	45.5	39.6		423	359	267	274
7. SHAREHOLDERS EQUITY (DEFICIENCY)	288.8	284.4	288.4	2	186	123	121
8. LABOUR EFFICIENCY RATIOS							
i) Sales Value/ Employee	0.345	0.528	0.977	2.25	1.8	2.6	
ii) Operating profit / Employee	(0.018)	0.105	0.136	0.6	0.6	0.7	
9. CAPITAL EFFICIENCY RATIOS							
i) Gross Sales/ Fixed Assets Value	0.39	65.7%	123.9%	135%	120%	1.8	
ii) Net profit/ Fixed Assets Value	(3%)	8%	12%				
10. EXPORT EARNINGS							
i) Percentage	7%	21%	46%	n.a.	n.a.	n.a.	n.a.
ii) US$ Value ('000)	262	744	3,000	n.a.	n.a.	n.a.	n.a.
11. IMPORT SUBSTITUTION							
i) Percentage	93%	79%	54%	n.a.	n.a.	n.a.	n.a.
ii) US$ Value ('000)	3,492	3,171	3,536	n.a.	n.a.	n.a.	n.a.

- <u>Case Study # 5: Brewery and Soft Drinks Manufacturer, West Africa</u>

  The Company is still one of the leading industrial undertakings in the country. Since the completion of the AMSCO intervention there have been four significant negative development for the Company:

  - Growing competition from imports, which has affected sales, particularly on the large islands – the principal local markets;
  - The cash flow consequences of the government bureaucratic delays in payments to overseas suppliers;
  - The delay in the installation of extensions to brewery, due to postponement of the investment plan, pending the government decision on selling part of its residual shareholding in the Company;
  - The launching in 1997 of locally manufactured rival soft drinks – Coca-Cola, Fanta and Sprite.

  Despite these adverse factors, the Company has continued the positive operational and financial trends established during the period of AMSCO intervention, albeit at lower rates. Profitability has substantially increased.

  As a result of these factors the turnover of the Company has remained in the region of US$8.4 million over the past three years. However, with improved efficiencies both gross and net profits have increased very substantially (55% and 60% respectively over the last three years). The Company has consistently declared and distributed dividends (US$ 3 million).

  The experience of the past two years has demonstrated the capability of the management of the Company to continue the good performance established during the AMSCO intervention. The AMSCO impact has been demonstrated as sustainable.

(Financial Performance Figures expressed in million local currency units)

	PERIOD OF AMSCO INTERVENTION: FEBRUARY 1993 TO FEBRUARY 1996						Comments
	YE Dec.31.92	YE Dec.31.93	YE Dec.31.94	YE Dec.31.95	YE Dec.31.96	YE Dec.31.97	
1. TURNOVER	610.1	657.2	767.6	666	734	710	
2. NUMBER OF EMPLOYEES	121	117	122	133	n/a	148	
3. NET PROFIT/(LOSS)	43.0	41.6	83.1	98.5	120.6	133.6	
4. OPERATING PROFIT/(LOSS)	174	225	271.9	394.9	427.3	422.2	
5. ASSETS							
i) Current	240.1	305.6	371.5	411.1	n/a	n/a	
ii) Fixed	422.4	360.0	330.3	298.7	n/a	252.9	
6. LIABILITIES							
i) Short	244.1	283.1	272.1	278.7	n/a	n/a	
ii) Medium & Long Term	189.7	142.5	107.3	95.4	n/a	n/a	
6. SHAREHOLDERS EQUITY (DEFICIENCY)	228.7	241.9	325	338.8	n/a	207	
7. LABOUR EFFICIENCY RATIOS							
i) Sales Value/Employee	4.21	5.61	6.2	6.79	n/a	4.8	
ii) Operating Profit/Employee	1.43	1.92	2.23	2.58	n/a	2.85	
8. CAPITAL EFFICIENCY RATIOS							
i) Gross Sales/Fixed Asset Value	121%	183%	233%	300%	n/a	n/a	
ii) Net Profit/Fixed Asset Value	16.34%	11.5%	25.2%	32%	n/a	n/a	
9. EXPORT EARNINGS							
i) Percentage	0%	0%	0%	0%	0%	0%	
ii) US$ Value	nil	nil	nil	nil	nil	nil	
10. IMPORT SUBSTITUTION							
i) Percentage	100%	100%	100%	100%	100%	100%	
ii) US$ Value (million)	7.0	8.86	9.25	10.79			
LOCAL CURRENCY							
Value of US$ for each period	72.38	74.20	82.97	82.97	82.97	95.31	

Sources: Audited accounts: Dec.31.1992,1993,1994
AMSCO and Client records

- <u>Case Study # 6: Manufacture, East Africa</u>

The Company responded exceptionally well during the AMSCO intervention. By the end of that intervention the Company was operating at a net and operating profit levels almost doubled the rate prior to the AMSCO intervention.

By 1995, the Company was on the threshold of becoming a serious challenge to the local market leader in its sector. In 1992 the volume of the Company was approximately 10% of that of the leader; by 1995 the volume was up to one third that of the leader. In the view of the management the main targets for dramatic growth in the future were industrial paints, printing inks and coatings for cans. The company attacked these markets aggressively. AMSCO earned performance bonuses on this contract.

The company has continued to achieve steady growth, although the general economic situation in the country has not been favourable to business. Financing costs have been high with interest rates being in the low to middle thirties during the period. Purchasing power has eroded over the period in the whole economy. Despite this turnover increased from US$7.6 m in 1995 to US$8.06 m in 1997. Net profit increased from US$393,000 to US$544,000. between 1995 and 1997. During the same years operating profit also increased - from US$660,0000 to US$863,000

The steady growth of the company since 1995 has to be seen in the national context. Interest rates in this period, after a very volatile period, have stabilised in 25% - 35% regions. These high rates have negative impact not only on the purchasing power of the nation but also on the financing of business. Intertwined with macroeconomic problems is political insecurity driven by unclear succession lines within the political ruling party.

Since the end of the AMSCO intervention in 1996 the Company has consistently increased turnover and gross and net profitability. Training programmes have been maintained and developed. The Company is an excellent example of the long-term sustainability of AMSCO intervention

(Financial Performance Figures in million local currency units)

	PERIOD OF AMSCO INTERVENTION: APRIL 1993 TO APRIL 1996					
	1992 Y.E.	1993 Y.E.	1994 Y.E.	1995 Y.E.	1996 Y.E.	1997 Y.E.
1. TURNOVER	158.8	252	320	425	464	504
2. NUMBER OF EMPLOYEES	110	124 (May 1.93)	147	150	161	164
3. NET PROFIT/(LOSS)	8	12	16	22	28	34
4. OPERATING PROFIT/(LOSS)	11	19	26	37	44	54
5. ASSETS						
i) Current	106.4	130.5	147	228	284	288
ii) Fixed	31	34	37	38	99	100
6. LIABILITIES						
i) Short Term	63.4	95.7	121	200	263	273
ii) Medium & Long Term	18.7	11.8	7.	6	52	46
7. SHAREHOLDERS EQUITY (DEFICIENCY)	55.2	57	56	61	67	68
Dividends	4	10	16			
8. LABOUR EFFICIENCY RATIOS						
i) Sales value/ employee	1,444	2,032	2,176	2.8	2.88	3.07
ii) Operating Profit/Employee	0.101	0.477	0.177	0.25	0.17	0.21
9. CAPITAL EFFICIENCY RATIOS						
i)Gross Sales/Fixed Assets Value	514%	741%	864%	1118%	469%	504%
ii) Net Profit/Fixed Assets Value	26%	35%	43%	57%	28%	38%
10. EXPORT EARNINGS						
i) Percentage	0.9%	3%	2.7%	3%		
ii) US Value ('000)	400	132	222	227		
11. IMPORT SUBSTITUTION						
i) Percentage	67.5	66.4	66.0	73.4		
ii) US Value (US$ million)	2.95	3	4.68	5.56		

Sources: Audited accounts for the year ended Dec,31.1992, 1993 and 1994. Auditors: Coopers & Lybrand

: Client's management accounts for 6 month period ended June 1995

: AMSCO files

: Client principal and senior management personnel

- Case Study # 7: Manufacture, West Africa

The intervention in the Company has been probably the toughest assignment that AMSCO has undertaken. Over the five year period the Company has encountered almost all the problems that can beset an African enterprise other than civil war: devaluation; smuggled goods; 'dumping' of foreign imports; national labour strikes; termination of credit lines; power shortages; and blocked foreign exchange transactions.

In the last three years of AMSCO management the Company continuously achieved major improvements in every department. It emerged a profitable and better managed enterprise, with a senior executive management team that developed in experience and training with AMSCO.

At the completion of the AMSCO intervention, in 1995, the Company still faced serious problems, but was much better equipped to deal with them than it was at the beginning of the operation.

Over the past three years the Company has faced increased competition from foreign imports. Despite this the annual turnover has been increased by 50% over the last full financial year of AMSCO management. Initially profits continued to increase, but the pressure on prices has caused them to fall back over the past year or so. Key financial performance ratios have continued to improve and the percentage of exports maintained on the increased turnover. The senior executives of the Company have continued to maintain close contact with AMSCO.

(Financial Performance Figures expressed in million local currency units)

		PERIOD OF AMSCO INTERVENTION: 1st Contract: Oct. 1990 to Dec.1992 ; 2nd Contract June 1993 to July 1996							
		YE Dec.31.90	YE Dec.31.91	YE Dec.31.92	YE Dec.31.93	YE Dec. 31.94	YE Dec. 31.95	YE Dec. 31.96	YE Dec. 31.97
1.	TURNOVER	2,700	2,404	2,026	1,595	2,092	2,696	1,875	3,071
2.	NUMBER OF EMPLOYEES	519	405	349	333	200	272	295	341
3.	NET PROFIT/(LOSS)	(132)	7	(303)	(428)	19.4	99	73	48
4.	OPERATING PROFIT/(LOSS)	(202) (estimated)	83	11	(464)	31.2	132	123	85
5.	ASSETS								
	i) Current	2,284	2,088	1,866	1,034	1,432	1,867	1,852	1,738
	ii) Fixed	1,274	1,214	1,081	938	1,798	1,533	1,383	1,327
6.	LIABILITIES								
	i) Short Term	1,857	1,531	1,741	1,320	1,117	1,401	1,136	1,154
	ii) Medium & Long Term	1,010	1,073	811	984	1,228	938	964	793
7.	SHAREHOLDERS EQUITY (DEFICIENCY)	691	698	395	(331)	885	1,061	1,135	1,118
8.	LABOUR EFFICIENCY RATIOS								
	i) Sales Value/Employee	5	6	6	5	10	9.9	6.4	9.0
	ii) Operating Profit/Employee		0.205	0.031	(1.393)	.156	0.5	0.4	0.2
9.	CAPITAL EFFICIENCY RATIOS								
	i) Gross Sales/Fixed Asset Value	230%	214%	209%	182%	116.3%	175.86%	135.57%	231.42%
	ii) Net Profit/Fixed Asset Value	(11%)	0.6%	(31%)	48.7%	1.08%	6.46%	5.28%	3.62%
10.	EXPORT EARNINGS								
	i) Percentage of turnover	17%	24%	18%	29.7%	22.5%	20%	25%	21%
	ii) US$ Value	US$1,669,000	$2,115,150	$1,363,876	$1,622,867	$878,024	$1,101,645	$893,879	$1,089,246
11.	IMPORT SUBSTITUTION								
	i) Percentage	83%	76%	82%	70.3%	77.5%	0.8	0.75	0.79
	ii) US$ Value (million)	$8,150,000	$6,697,975	$6,213,213	$3,841,333	$3,024,306	$4,406,579	$2,681,636	$4,097,640
12.	Local Currency Value of US$1 per period		272.775	267.385	291.9	536.09	489.45	524.4	592.07

Sources: AMSCO files and client reports

- <u>Case Study # 8: Agricultural Enterprise, West Africa</u>

  One of the main purposes of the AMSCO intervention was to provide resources to assist the project through its start-up phase, to enable it to demonstrate to potential long-term investors the credibility of the concept.

  The first objective of the ASMCO intervention, to act as a catalyst to bring the major finance to the project, was achieved in early 1995, when the International Finance Corporation (IFC) and the Banco de Fomento made commitments to provide a total of US$75,000 equity and loans of US$ 1.25 million to the project.

  The second objective, which was to complete the implementation of the project, is now completed and is within the original plan budget and time targets. One hundred jobs have been created. The third objective, to establish a well managed and profitable farm operation with indigenous managers was achieved in 1996/97.

  With the completion of the entire Company programme AMSCO have assisted in the creation of an agro-business project from a "green field" start.

  The AMSCO intervention of more than four years was completed only six months ago, and therefore it is too early to form a judgement of the long-term sustainability of the AMSCO impact on the company.

- <u>Case Study # 9: Manufacture, West Africa</u>

The company was a successful African regional company with good quality supportive shareholders, driven to insolvency and near-bankruptcy by a short period of severe local political and economic instability. The role of AMSCO has been to provide a supportive framework to enable the existing technical partner/shareholder of the Company to provide the management required to rehabilitate the company.

In 1995, at half-way stage of the AMSCO contract, the Company was on the way to regaining its market volume (in old FCFA value), and has returned to profitability for the first time since 1992. In August 1994 the Company replaced the AMSCO appointed general manager with a local senior manager, who continues to benefit from strong technical management support from the foreign technical partner. The Company able to improve the efficiency on the production lines through ongoing technical training, replacement of older employees with a younger and more educated work force and a more experienced management team.

This case highlight three major factors which can make major contributions to a sustainable AMSCO intervention:

- A good quality in depth training and management development programme, addressing the specific issues and problems faced by the Company;
- A committed joint venture technical partner, with access to good quality management and training resources; and
- A "business friendly" national and regional economic environment.

In the four years since the commencement of the original AMSCO contract the Company has enjoyed these circumstances. As a result it has prospered, two of its foreign shareholders have been able to desinvest their shareholdings at a profit. The Company is now a successful African-owned enterprise with good prospect for the future.

The AMSCO intervention of three years was only completed one year ago, and therefore it is too early to form a judgement of the long terms sustainability of the AMSCO impact on the Company.

- Case Study # 10: Desk Top Publishing, Southern Africa

AMSCO's intervention commenced in late 1993 when it proposed to provide the company with a technical manager, specializing in more complex aspects of computer assisted pre-press. The manager, who assumed his responsibilities June 1994, was responsible for managing production and the development and training of the local staff

In August 1994 the company moved its text key-in operations to a newly established subsidiary in a neighbouring country to take advantage of cheaper operating costs. The subsidiary was responsible for all text key-in operations. All formatting, administration and commercial operations remained in home country. The neighbouring country operations were later expanded to 70 personnel to meet increased demand. In February 1995 the technical manager was terminated by AMSCO at the request of the company and was replaced by an individual with substantial DTP experience. However, business continued to deteriorate, and the Company went into bankruptcy in June 1996.

Warning signs were already obvious in 1994 when the company began to realize it was facing fierce competition not only from Asia, but also within France. The technology it was using was simple enough for individuals to do pre-press and processing themselves. French customers could get the work done in France lower than the Company's production cost. Unexpected competition had forced the company to reduce prices to the point where the price level (sales price) fell below the cost of production. Hence the company's decision to move the simple pre-press electronic technology business to the neighbouring country and diversify into more sophisticated typesetting services. The company did complete one textbook order, but this market proved to be difficult since each order for mathematics or scientific textbooks had to be tendered for separately.

At the same time the company was building up a huge overdraft facility to cover its operating expenses. Its short-term debt had been growing at an alarming rate pushing the debt/equity ratio to 235%. Other factors such as the seasonality of the printing business and the general strike in France were contributing factors which expedited the rapid demise of the Company. Given all of the above, the promoter felt conversion of short-term to long-term debt and the injection of further equity capital could not save the business or make it economically and financially viable.

The main policy implication of this case is that AMSCO should be extremely cautious in undertaking contracts under which the AMSCO secondee/team does not have responsibility for the general management function of the client company. In any event, the fact that the AMSCO manager would carry only technical responsibility in no way relieves the AMSCO Operations department of the responsibility of a full assessment of the general commercial prospects of a client before entering a contractual obligation. This client is now clearly an intervention "failure".

- Case Study # 11: Hotel, West Africa

APDF prepared a full feasibility study for the rehabilitation of the hotel based on the earlier study made by the African Enterprise Fund. It was AEF who referred the company to AMSCO.

The initial AMSCO contract was for a period of two years, commencing September 16, 1994, providing the services and expertise of a General Manager. AMSCO also provided a consultant to work with the General Manager in the preparation of a recruitment and training programme for both the specialist and the general staff of the Hotel.

In March'95 the hotel was opened on a 'staff-in-training' basis with the official opening to follow at the end of March. The performance of the Company, both during the ASMCO intervention and in the following twenty months has been exceptionally good. During the first eighteen month of operation of the hotel, under AMSCO management, average occupancy rates were 33% higher and revenue and operating profitability 50% higher than on an ambitious business plan.

Since the completion of the AMSCO contract performance has continued to improve, and the physical facilities of the hotel are being extended. All of the critical ratios have improved and shareholders equity has more than doubled.

This client is an outstanding example of the successful intervention in an African enterprise. The obvious benefits introduced during the two years of AMSCO management and intensive training programme have formed the basis for the ongoing operation of an hotel of international standards.

Case Study # 11

AMSCO IMPACT STUDY, 1998

(Financial Performance Figures in million local currency units)

	PERIOD OF AMSCO INTERVENTION : SEPTEMBER 1994 TO SEPTEMBER 1996					
	PRE-INVESTMEN	POST-INVESTMENT				
	YE Dec.31.94	1/2 year Dec.31.95 Actual	YE Dec.31.95 Actual	YE Dec.31.96 Actual	YE Dec.31.97 Actual	Comments
1. TURNOVER		328	860	1,223	1,429	
Occupancy rate						
2. NUMBER OF EMPLOYEES	89	80	80	85	89	
3. NET PROFIT/(LOSS)	126	126		122	143	Estimate - 10%
4. OPERATING PROFIT/(LOSS)			249	245	286	Estimate - 20%
5. ASSETS						
i) Current	627	918	454	780	1,385	
ii) Fixed	408	1,503	1,552	1,842	1,934	
6. LIABILITIES						
i)Short Term	385	676	636	659	493	
ii)Medium & Long Term	206	1,111	1,000	1,209	1,044	
7. SHAREHOLDERS EQUITY (DEFICIENCY)	456	808	370	754	1,782	
8. LABOUR EFFICIENCY RATIOS						
i) Sales Value/Employee			11	14	16	
ii) Profit/Employee				1.44	1.61	
(calculated on monthly basis)						
9. CAPITAL EFFICIENCY RATIOS						
i) Gross Sales/Fixed Asset Value			55%	66%	74%	
ii) Net Profit/Fixed Asset Value				7%	7%	
(calculated on monthly basis)						
10. EXPORT EARNINGS						
i) Percentage				85%		
ii) US$ Value ('000)				$1,982,361		
11. IMPORT SUBSTITUTION						
i) Percentage	nil	nil	nil	nil	nil	nil
ii) US$ Value	nil	nil	nil	nil	nil	nil

Sources: AMSCO files and Client reports

Annex C

Selected Examples of Failure of AMSCO Intervention.
(Reference Section 7)
(Some client failures fall into more than one category)

a) Inadequate initial diagnosis of client

- Mining and Drilling Equipment – May 1991 – 3 years -
  The cost of a European expatriate was well beyond the financial capacity of this client, which should have been obvious at the time of the pre-contract diagnostic. At the end of the AMSCO contract the client had a debt burden of more than $200,000 resulting from the AMSCO intervention. Shareholder: IFU - AMSCO possibly relied too much on the due diligence of the institutional shareholder IFU, who are also AMSCO shareholder.

- Fishing and Fish Processing – Jan.1993 – 12 months
  The initial AMSCO approach to the company was made at the initiative of a creditors group. Possibly as a result, the principals of the company claim that they were not fully consulted at that time, and that AMSCO underestimated the problems involved. This situation was compounded by the fact that the ASMCO field manager appointed was not suitable or effective. IFC provided the funding for this project. AMSCO did not properly assess the project but relied on the due diligence and recommendation of IFC who are also AMSCO shareholder.

- Consultancy – September 1995 – 2 years
  In this case AMSCO relied on the recommendation of one of its shareholders IFU and Carl Bro without a thorough assessment of the needs or financial resources of the client. This reliance continued through the contract period, with serious financial consequences for the client. Effectively, AMSCO abdicated its responsibilities to another party. The Company has recently been completely restructured financially and managerially.

- Timber (Milling and Forest Management) – July 1993 – 4 months
  In the initial diagnosis of this parastatal AMSCO failed to evaluate accurately the lack of commitment by its directors (and behind them, the government) to the AMSCO intervention. This was demonstrated within four months of the commencement of the contract, when a newly appointed local Managing Director refused to accept the position or authority of the senior AMSCO field manager.

- Transport (Forwarding Agent) – August 1991 – 1 year
  This company faced serious financial difficulties for many years, including litigation with creditors, which still continue. From subsequent experience with the company and its main sponsor it appears very unlikely that a thorough diagnosis of the company and its sponsors was undertaken by AMSCO prior to entering a contractual commitment. In hindsight this company should never have been considered as a potential client for AMSCO. There also appears to have been no meaningful discussion with the

client on the responsibilities and authority of the General Manager provided by AMSCO, and insufficient monitoring / support of the General Manager by AMSCO headquarters during the crucial first several months of the contract.

- Manufacturing (Tannery) – July 1995 – 15 months
  The dangers of taking an existing manager in a client company and giving the status and benefits of an AMSCO field manager were highlighted in this client. This appointment, which was the result of a compromise with the client, led to a serious problem with both other staff and the directors of the company, which was resolved only when the manager left the company for another position. The company immediately terminated the AMSCO contract.

b) Inadequate understanding of the management services contract, particularly the terms of reference, specification and profile of the AMSCO field manager (s)

- Telecommunications - March 1996 – for 6 months
  In this discussions leading up to this AMSCO contract the client was left with the impression that AMSCO would enable it to procure an investment in the company by FMO, who declined to invest four months after the arrival of the AMSCO field manager. The company immediately terminated the AMSCO contract.

- Mining and Drilling Equipment – May 1991 – 3 years -
  The selection of the field managers for this client appears to have been completely inappropriate. The seconded technical manager was a mechanic although the project required someone with drilling expertise and experience. Additionally, the cost of the expatriate managers was seriously overpriced compared to suitable alternatives available in the region (the company employed reasonably priced local and South African staff immediately the AMSCO contract was terminated). The expense of AMSCO managers on the budget of this small company was financially damaging, and casts serious doubt on the judgement of AMSCO in its initial diagnosis and the selection of suitable managers.

- Manufacturing (Aluminum Building Products)- July 1994 – 23 months
  During the pre-contract negotiations the principals of the company stressed that the Managing Director (a family member) would retain full executive control and responsibility for the policies and operations of the company, with the General Manager (the AMSCO field manager) reporting to him. In the event the duties of the General Manager were effectively limited to management development and training, until the AMSCO contract was prematurely terminated in May 1996. AMSC relied on one of its shareholder, IFC and APDF to assess this company.

- Manufacturing (Wood Products) – May 1995 – one contract – 8 months and second contract 11 months.
  A well-qualified and experienced General Manager was recruited by AMSCO, and approved by the client owner (and founder). Despite this agreement the owner quickly became dissatisfied with the General Manager,

reporting him as too theoretical, uncommunicative, and without practical experience or aptitude. In fact the owner, who wished to partly retire, did not want a General Manager, but an assistant to deal with problems in the field. This issue should have been exposed in a thorough pre-contract discussion and agreement on the terms of reference and profile of the General Manager. Within one year the contract was terminated due to the dissatisfaction of the owner. The expansion was financed by IFC and CDC, two of AMSCO shareholders.

- Fishing and Fish Processing– January 1993 – 12 months
  The rehabilitation of this company presented a very tough assignment, which proved to be beyond the capabilities of the AMSCO field manager. This situation was made more difficult by the fact that the client had not been consulted fully in the selection of the manager, and as a result lacked trust in him. This, plus the failure of the parties to delineate the separate functions and responsibilities between the CEO and General Manager led to a complete break-down of the relationship and the client's request for the removal of the manager and termination of the AMSCO contract within one year. Both ADB and IFC were providing funding for this project.

c) Selection of the AMSCO field manager(s)

- Manufacturing (Soap) – Nov. 1993 – 25 months
  AMSCO judged the local candidate proposed as Managing Director by the client to be quite unsuitable, but withdrew objections under pressure from the client. The Company had been previously assisted by APDF, and financed by IFC. The performance of the General Manager was completely inadequate; the relationship between AMSCO and the Company was very difficult, the Company finally going into default on the payment of AMSCO fees, and the contract being terminated prematurely.

- Textile – Jan 1993 – 25 months
  The two AMSCO field managers for this parastatal enterprise were selected without discussion with the directors of the Company. The directors found the General Manager to be incompetent, particularly in the vital marketing function. One director of the Board described the AMSCO field managers as "tourists". The Board did not support a management proposal for further capital investment. This proved to be a fatal decision for the Company, and twenty-one months into the AMSCO contract the company was insolvent. A receiver was appointed, who immediately fired the AMSCO field managers. The receiver subsequently commenced an effective turnaround programme of the company.

- Manufacturing (Polypropylene Sacks & Nets) – November 1995 – 16 months
  The objective of this client was to obtain ASMCO assistance in its expansion plans through the appointment of a General Manager and Factory Manager. In the event the secondments were an "absolute disaster" (in the words of the Managing Director). Criticisms by the client ranged from low worker morale, poor record maintenance, training largely absent, no production planning, no

systematic maintenance, to overtime expenses out of control and a dirty and unhygienic factory. Ironically, these managers were originally recruited by the same Managing Director of the company, and accepted by AMSCO. Clearly AMSCO had abdicated its responsibilities in the selection of its field managers, putting its client and its own reputation at risk. The AMSCO contract was terminated when the company was restructured.

d) Failure of third parties to honour major commitments to the project

- Telecommunication – March 1996 – for 6 months
  The initial diagnosis assumed that the client would qualify for an FMO/IBTA grant, and AMSCO committed to a three-year contract. When the Technical Assistance was refused the client did not hold to their commitment to pay the AMSCO fees and the contract was terminated.

- Automobile (Sales and Services) – Oct.1995 – 10 months
  As part of the AMSCO management services contract the sponsor of this company committed to provide sufficient working capital during the first few months of the intervention to cover an anticipated short-term cash flow deficit. This funding was not provided, and the business came to a standstill within months. The client then terminated the contract on the grounds that they were not getting value for money. AMSCO had to repatriate the manager.

- Transport (Maritime) – September 1993 – 9 months
  The foundation of this business was the partnership between a Belgian and a German company, under which the local company would handle cargoes forwarded through it by the German company. Unfortunately this partner did not honour its contractual commitments, the cash flow of the company dried up, and the operation was shut down. The remaining sponsors are now looking for alternative partners, and have indicated that they would wish to resume the contractual relationship with AMSCO.

- Manufacturing (Tannery) – July 1995 – 15 months
  This company received investments of US$ 1 million each from IFC an a local financial institution. IFC introduced the company to AMSCO, and in anticipation of substantial funding AMSCO entered into a management services contracts with the company in mid-1995. The IFC funding did not become available until 1996, and the local institution funds not until 1997. As a result the development plan was constantly being postponed, and the AMSCO field manager could not perform his main responsibilities. The contract was prematurely terminated when the General Manager left for alternative employment.

e) Inadequate monitoring and support of the performance of the AMSCO field manager and the client enterprise

- Manufacturing (Soap)- November 1993 – 25 months
  The General Manager, originally selected by the owner and accepted by AMSCO, failed to provide regular reports to AMSCO. The Company ran

into serious financial problems, went in default on the payment of AMSCO fees. Despite this AMSCO allowed the situation (and the overdue payments) to develop for several months before acting. AMSCO relied on IFC the institutional financier to refinance the company. An internal fraud was subsequently exposed.

- Agricultural (Dairy) – January 1991 – 14 months
The CEO of this company reports to AMSCO several times regarding the poor performance of the seconded Director-General. These were not followed up in an appropriate manner by the AMSCO Operations Officer. Despite requests by the client no reaction or interest in the situation was shown by AMSCO senior management through out the period of intervention . AMSCO relied on the assessments of IFC and BOAD who were shareholders in this Company.

- Mining and Drilling Equipment – May 1991 – 44 months
The Company had three year of consecutive losses during the period of AMSCO intervention, and the ASMCO contract was terminated immediately by the new owner in 1994. This situation should not have been allowed to continue, and would have been picked up by AMSCO headquarter staff had there been reviews of regular financial reports from the Company. AMSCO also relied on the assessment of its own shareholder IFU who were involved in the project.

- Manufacturing (Polypropylene Sacks & Nets) – November 1995 - 16 months.
The Managing Director of this company described the relations with AMSCO headquarters as "completely broken down". He cited the total lack of response by the AMSCO operation staff to problems, the reneging by AMSCO on agreements on fees and bonuses and the failure of AMSCO take any responsibility for the poor performance by the field managers. Most importantly, the client received no response to its direct approach to AMSCO senior management.

- Retail and Distribution – October 1992 – 3 months
This contract was terminated within six months of the commencement, basically because the client was completely dissatisfied with the performance of the AMSCO manager. He complained that AMSCO headquarters was not in contact with the company, and provided no monitoring service, and that there was no meaningful communication from ASMCO headquarters.

- Fishing and Fish Processing - January 1993- 12 months
The AMSCO field manager appointed to this client proved unable to cope with the very serious problems of the company. The owner complained that AMSCO provided no effective monitoring or support service to the company, and made no response to his letters of complaint to AMSCO headquarters.

- Consultancy – Sept. 1995 -
  The CEO of this company complained that no performance criteria were established for the AMSCO managers, and that the AMSCO monitoring staff consulted exclusively with the managers and not the company. The client suffered serious financial problems as a result of the very high cost of the AMSCO managers, and their failure to improve the performance of the company. The Company has now been restructured and recapitalised.

- Financial Services (Leasing) - February 1995 – 12 months
  The history of the twelve months of AMSCO intervention in this company is of a rapidly deteriorating situation between the AMSCO team and the local staff and directors leading to political action to ban the seconded staff from the country. AMSCO relied on its shareholder CDC and on an international institution – DEG for support. Regular and effective monitoring and contact between AMSCO and the client could possibly have revealed this situation before it was beyond recovery.