

➔ **AFRICA:**
PRIVATE SECTOR GROWTH BEGINS WITH BETTER MANAGERS

In a Nutshell

In 1989, the Africa Training and Management Services Project was established to build management capacity in Africa's private sector. A relatively complicated architecture was put together, resulting in a limited liability company to implement the project, and a foundation to mobilize and dispense funds. With support from multilateral development institutions, bilateral donors and the private sector, the initiative has now seconded experienced managers and set up management development and training programmes for over 255 companies in 25 African countries.

At first, the project encountered difficulties in convincing would-be clients of the merits of its largely commercially provided services. Yet recent evaluations suggest that clients are satisfied, with many saying that they have been able to improve their management and operating practices.

The Story

Sub-Saharan Africa remains one of the world's most challenging frontiers for economic development and poverty reduction. In recent decades, research studies as well as regional and international conferences have consistently identified poor management capacity as a critical challenge. Experts argue that without adequate capabilities, improved economic performance cannot be achieved.

Responding to this challenge, UNDP, along with other multilateral agencies and development finance institutions, initiated the Africa Training and Management Services Project. Its main objective is to build management capacity in order to improve private sector performance.

The project's relatively complex architecture put together UNDP and its resident missions, host governments, the development finance institutions and multinational companies. A public-private partnership was born with a dual purpose: to operate as a commercial entity and to be an instrument for private sector development.

On an invitation from the Dutch government, the African Management Services Company (AMSCO) was formed in 1989 as a limited liability company to implement the project, under the execution of the International Finance Corporation (IFC). The IFC, African Development Bank and the development finance institutions from seven donor countries all became shareholders, along with 53 international private companies.

In parallel, the foundation Stichting ATMS was established under Dutch law to hold donors' funds and to make grants to client companies, enabling them to cover part of the cost of AMSCO's commercial services. UNDP, the World Bank

Group, the African Development Bank and 11 donor countries now support the foundation, which, like AMSCO, has its own board.

Currently, donor assistance constitutes between 15-20 per cent of AMSCO's earnings; clients contribute the rest. The Netherlands and the African countries in which AMSCO operates provide tax exemption to company personnel, including AMSCO managers seconded to client firms. Although Amsterdam remains the corporate headquarters, operations are being gradually transferred to Africa, with regional offices in Abidjan, Accra, Harare and Nairobi. There is a country office in Lagos and an Africa head office will open in Johannesburg.

Filling the management gap in Africa requires both immediate hands-on involvement as well as training and development. To intervene in private and state-owned companies, and to encourage them to train and develop their staff, there must be an adequate commercial incentive. Initially, it was difficult for AMSCO, without any track record, to prove to African companies that they should be interested.

It took some trials and errors and millions of dollars in donor funding to meet the costs of experienced managers and the various training and development activities. The project had to ensure that the risks and liabilities of its supporters remained limited, and early on learned to assess the prospects of clients and negotiate to offer them appropriate support. It had to promise and deliver better performance, quality enhancement and improved governance, with the aim of increasing the viability of client companies and making them more internationally competitive.

To this end, AMSCO began engaging experienced managers and other experts for periods of two, three and sometimes five years. Clients pay the bulk of the associated costs. Those unable to meet the full amount – particularly the small and medium enterprises that make up 70 percent of the portfolio – can turn to donor assistance.

While the experts serve as chief executives and are in overall charge of their respective companies' operations, many step into functional positions as technical and operations managers, chief financial officers, quality control experts, etc. Their loyalties are to the client companies, but AMSCO monitors their performance against the business or operation plans approved by each firm.

AMSCO managers also participate in and implement the client company's staff development and training programme, including a needs assessment, the preparation and implementation of a plan, and evaluation of activities. Over time, it has been possible to expand client-specific training to benefit other companies with similar needs.

AMSCO has also experimented with business development models. One of them is *temps partage*, the secondment of a manager to more than one company, where his or her time is shared along with the costs. Managers also participate in improving corporate governance and the performances of boards of directors, with the ability to easily serve as a non-executive director of a third or fourth company.

Regular regional and subregional events for managers and client company executives take place to facilitate business communication, networking and the swapping of ideas. Several firms have benefited simply from learning what has been tried elsewhere in Africa.

Results and Critical Factors

- In spite of a sluggish start-up and substantial initial losses, AMSCO's activities and market outreach have expanded since the mid-1990s, exceeding targets set by sponsors. It has operated in 25 African countries, serving some 255 clients and training close to 4,000 people.
- Independent evaluators have found that the rationale for AMSCO remains valid: Africa still needs experienced, qualified and trained managers. A majority of AMSCO's clients are satisfied with its services, which have been found to be relevant to the development needs of over half the clients.
- The project has allowed many companies to improve their management and operating practices due to higher motivation, newly acquired skills and changes in governance. Sales and profitability have increased, surpassing the costs to clients and subsidies from donors. As competitors witness this improved performance, they too contact AMSCO for management support.
- Despite these achievements, AMSCO's sustainability is not assured. Its commercial activities are still not adequately priced because many clients and would-be clients are unable or unwilling to pay the full costs. Many still consider AMSCO a donor agency that comes with grants and subsidies. But this reliance cannot continue indefinitely.
- Retaining the public-private partnership remains a critical factor. Good corporate governance practices are also essential if all stakeholders' interests and rights are to be protected. The volume of African voices driving the project forward needs to increase, and more efforts should be made to involve more African private sector participation and adapt the concept to the African context or encourage indigenous business development support.

Further information

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