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EVALUATION OF THE SWAZILAND COOPERATIVE AND MARKETING PROJECT

(Project No. ~~690-0055~~)

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TABLE OF CONTENTS

2

ACRONYMS

CCD	-	Commissioner for Cooperative Development
CCU	-	Central Cooperative Union
CLUSA	-	The Cooperative League of the USA
CODEC	-	Cooperative Development Centre
DCU	-	District Cooperative Union
GOS	-	Government of Swaziland
ITF	-	Individual Title Farms
MCC	-	Ministry of Commerce and Cooperatives
MOA	-	Ministry of Agriculture
ODM	-	Overseas Development Ministry (U.K.)
RDA	-	Rural Development Area
RSA	-	Republic of South Africa
SDSB	-	Swaziland Development and Savings Bank
SNL	-	Swazi Nation Land
USAID	-	United States Agency for International Development

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SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

1. Conclusions

a. Rapid growth and development in sales of farm production supplies places a strain on the corresponding slower growth in accounting and administrative services of the Central Cooperative Union (CCU). A qualified General Manager needs to be selected for the CCU to help provide a more effective balance in developing the leadership needed in administrative, financial, accounting and marketing services.

b. The entire CCU structure is undercapitalized while the CCU and all of its assets serve as security for loans from the Swaziland Development and Savings Bank (SDSB). This relatively high dependency on borrowed capital and grants places the CCU in a weak financial position. A future time frame of one year used now for the fiscal budget is inadequate for long-term financial planning. More lead time is essential for planning the financial requirements to meet the growing demand for cooperative services and to operate and manage the growing loan and credit functions.

c. Inadequate operating capital may be traced and linked to inadequate gross margins in sales and services. As long as this condition exists there will be a shortage of funds for short-term operations, long-term growth and development. All gross margins must be gradually increased until they support the financial requirements of viable cooperative development and the demand for services.

d. GOS financial support through the MOA and MCC is essential to cancel the CCU, DCU and Primary Society deficits during the first few years of operations.

e. Curent state of accounting at the Primary and District levels is being improved now, but it was unsatisfactory last year for estimating losses and unrecoverable loans.

f. CCU is providing an increasing supply of fertilizer, seed and credit services to Swaziland rural development areas without adequate market research direction. The RAD program has a higher priority than the CCU project. Investments of the GOS and USAID are highly skewed toward agricultural production without balance for marketing and marketing development.

Since the farm supply function in CCU operations is in the process of going from a sales value of $550,850 in 1976/77 to $1,955,000 in 1978/79; some new direction and balance is required at this time to assimilate the progress and redirect the CLUSA contract and project paper.

g. New emphasis and redirection is needed to strengthen the marketing, financial, accounting, credit and manpower provisions of the project.

h. Qualified manpower is so thinly stretched in the CCU that it poses a major constraint that must be resolved to assure post-project viability. Participant training is just starting and behind schedule for a variety of reasons.

i. Development of the cooperative movement is hampered by lack of national policy definition of the role of CCU.

2. Recommendations

a. The nature of the Swaziland Cooperative Project requires an agreement among representatives of the Government of Swaziland and representatives from other implementing agencies. It is recommended that:

- the Board of Directors of CCU;
- the Commissioner of Cooperatives of MCC;
- the Director of the Swaziland Cooperative Production and Marketing Project, USAID; and
- the British Overseas Development Ministry

be represented on a committee to select a qualified General Manager for CCU at the earliest practical date.

b. It is recommended that CCU develop a financial plan that extends the planning horizon five years ahead of the fiscal budget for new direction, replanning and financial management.

c. It is recommended that an assessment and analysis of the credit needs of Swaziland farmers be made in the first quarter of CY 1979.

d. It is recommended that CCU immediately begin increasing the gross margins in sales and services until they are commensurate with the cost of the sales and services.

e. Marketing must be considered as the priority function of this small farmer development program before the strong input supply activity with a multiple credit service becomes a disservice.

f. It is recommended that CCU act as a marketing catalyst, enlisting technical and financial resources for co-op marketing without assuming a physical market function.

g. It is recommended that CCU start planning for organizational consolidation in which the objective of continued rapid growth would be balanced by increased emphasis on staff development and the building of strong primary societies for establishing a locally manageable co-op system. The consolidation should begin as early as possible in CY 1979.

h. It is recommended that the Project Paper and CLUSA contract should be updated and redirected now for more strength and balance in manpower training, finance, accounting, marketing and credit management.

i. It is recommended that the role and duties of CCU and the DCU's be clearly defined and communicated to all appropriate personnel for compliance. This action should be taken at once.

1

INTRODUCTION

Objective

0.1 The objectives of the evaluation were:

(i) review of the first-year field operation to determine the progress made toward the achievement of specific goals and objectives as stated in the project paper;

(ii) overall review and evaluation of performance of the implementing agencies:
- Contractor (CLUSA)
- AID (AID)
- Government of Swaziland (GOS)
- The U.K. Overseas Development Ministry (ODM)

(iii) identification of major problem areas and recommendation for corrective action or project revision, as necessary.

General Statement of Performance

0.2 The present evaluation was performed during the last three weeks of November and the first week in December, 1978, by a team composed of Itil E. Asmon, Clayton P. Libeau and James G. Unti. The evaluation involved review and analysis of the relevant aspects of local economic, political and social factors which affect the successful achievement of project goals. An assessment was made of progress attained, shortfalls, and effects of inputs made up to the end of October 1978. An attempt was made to highlight areas of contradictions, constraints, or insufficient understanding of project goals, and to offer possible solutions.

0.3 Acknowledgements: the team wishes to express its thanks to all the Swazi officials and co-op members whose wholehearted cooperation made this evaluation possible, and especially to Mr. Amos V. Kunene, Commissioner for Co-operative Development and Mr. Jack L. Mbingo, Deputy Commissioner. Thanks are also due to Mr. Michael Davidson of MOA for his assistance in data collection; to Mr. Ted D. Morse, Acting USAID/Mbabane Mission Director, and Mr. Willie F. Cook, Assistant Agricultural Officer, for their interest in and stimulation of this evaluation; to the CLUSA team members for their patience with the evaluation team; and to Mrs. Fabiola Rodman for a dedicated typing job.

I. INSTITUTIONAL ASPECTS

Background

1.1 Project Beneficiaries: the Swaziland Cooperative and Marketing Project is clear in its definition of the intended beneficiaries. They are the small Swazi farmers living on Swazi National Land now following traditional farming patterns. This target group makes up 85 percent of the population who live in the rural sector. The holdings of these small farmers number 39,000 with an average farmer having about 2.7 hectares of cultivated land.

1.2 The Swazi small farmer will benefit from the project activities by having access to the farm inputs needed to utilize new production systems and to markets for his produce, within the overall multi-faceted rural development programs of the GOS. Some small farmers are already benefitting from the embryonic cooperative movement. This project is designed to bring these benefits to a greater number.

1.3 The description of the original project is summarized in its logical framework (Annex A). The project purpose was to assist in developing a viable, producer-oriented cooperative structure providing inputs and marketing services to the rural sector. Achievement of project purpose was to consist of:

- (i) the development, by GOS and donors, of a "working cooperative structure";
- (ii) an increase of 200 percent over 1976 levels in inputs channelled through the co-op network; and

(iii) an increase in the percentage of volume of small-farmer crops handled by the co-op system.

1.4 Implementing agencies: primary responsibility for implementing the Swaziland Cooperative and Marketing Project rests with the Central Cooperative Union (CCU), the Government of Swaziland (GOS) and the following agencies:

(i) Agency for International Development (AID),

(ii) The British Overseas Development Ministry (ODM), and

(iii) The Cooperative League of the Unites States of America (CLUSA).

1.5 Organizational responsibilities: the GOS is promoting cooperatives in support of its rural development program which is directed, managed and supervised through the Ministry of Agriculture (MOA). Rural area development is regarded as one of the highest priorities in Swaziland. Organization, development and supervision of cooperatives are a function of the Ministry of Commerce and Cooperatives (MCC). Legislative authority for cooperatives may be found in the Cooperative Society Legislation of 1964. Cooperative education and audit are also responsibilities of the MCC. The cooperating Swaziland liaison official for the cooperative and marketing project is the Permanent Secretary of the MCC or his designee. A line of responsibility, duties, and communications runs from the MCC Permanent Secretary to the Commissioner of Cooperative Development, who is in practice the senior MCC official most directly involved in the project.

.5 The GOS objective is to utilize the CCU, the District Co-op Unions (DCU's) and the primary cooperative societies for multiple purposes, including:

(i) marketing agricultural products,
(ii) organizing markets,
(iii) increasing the availability of credit and financial services to low-income farmers,
(iv) providing sales and services in farm production supplies,
(v) transportation, and
(vi) training in management and administration.

1.7 The GOS regards the Cooperative structure as a necessary means for improving the productivity and income of Swazi subsistence farmers. These perceptions follow from several critical assumptions that:

(i) use of cooperative services, production supplies and markets will increase income;
(ii) Swazi farmers on Swazi Nation Land will respond to economic incentives; and
(iii) GOS policies and programs will encourage family movement from subsistence farming toward commercial agriculture.

1.8 Institutional agricultural credit in Swaziland is primarily oriented toward the commercial sector. The Swaziland Development and Savings Bank (SDSB) is the principal institution concerned with agricultural credit. Less than 5 percent of the SDSB's portfolio represented loans to farmers on Swazi Nation Land in 1976; however, the SDSB intends to considerably increase its future activities in the field of small-farmer credit, both through loans to the CCU and through direct supervised credit. The SDSB received a long-term loan of E 652,200 (US$750,000) from USAID to assist small farm credit.

1.9 The Swaziland Cooperative and Marketing Project was designed in collaboration with the ODM and contains an E 500,000 (US$575,000) ODM working capital loan and technical assistance support. Technical assistance support included the General Manager for CCU (who was withdrawn from the project in April 1978), and continuing support by one full-time U.K. accountant.

1.10 Plans for the project were approved in May 1976. CLUSA was selected on August 19, 1977 as the contractor to provide technical assistance for project implementation. Six CLUSA team members have been by now in Swaziland approximately one year, except for two area managers who arrived in February, 1978.

1.11 CCU expansion: the CCU expanded its activity rapidly over the past two years and now supplies about one-third of the production inputs on Swazi Nation Land. Most of the activities have been and may be expected to continue to be concentrated in the Swaziland Rural Development Areas (RDA's). The fastest growth came in the farm supply and transport division where the procurement, warehousing, distribution, sales development and transport functions for production inputs are performed. The financial statements show an impressive record in sales, which grew from a modest beginning in 1974/75 to almost a million emalangeni in 1977/78. Total sales more than doubled in the last fiscal year, as shown in the following text table.

1971	Establishment of the CCU concept	
1972/73	Nil	Nil
1973/74	E 297	US$ 238
1974/75	E 35,000	US$ 40,250
1975/76	E 289,000	US$ 332,350
1976/77	E 479,000	US$ 550,850
1977/78	E 973,000	US$1,118,950
1978/79	E1,700,000 (projected)	US$1,955,000 (projected)

1.12 Thus, from a superficial point of view, the project is doing well. The End of Project Status of a 200 percent increase in sales volume over 1976/77 level is likely to be exceeded already in 1978/79, as sales in that year are projected at 255 percent of 1976/77 levels. The percentage of agricultural production marketed through co-ops is also increasing; the Cotton Co-op, two years ago in its infancy, is now marketing 23 percent of all cotton produced in Swaziland, and there are advances in the co-op marketing of maize, tobacco and tomatoes. The picture is different, however, when one considers the more elusive objective of "developing a working cooperative structure". The rapid growth has caused strains in the organizational, financial and skilled-manpower aspects, which must be resolved to assure the long-term viability of the co-op system in Swaziland.

1.13 Organizational problems: there exists an uncertainty as to whether the CCU is a private-sector organization controlled by its small farmer members, a quasi-governmental development organization expected to carry out certain national agricultural goals, or an extension of the MCC placed totally under the operational responsibility of the Office of the Commissioner for Cooperative Development. The differing views of the CCD and USAID/CLUSA personnel in this regard slow down project implementation. Likewise there exists a lack of clarity in defining the respective roles of co-op management committees and co-op technical personnel at all levels. In late 1978 the function of supplying the depots and primary sheds was transferred from the CCU to the DCU's, but there still exists a considerable lack of clarity regarding their functions and mode of operation.

1.14 <u>Staffing problems</u>: as the business grows, the strain on the CCU management staff increases, while the General Manager's position remains vacant. The Deputy General Manager of CCU has been serving for the past six months as Acting General Manager. The Marketing and Credit Manager Designate position remains vacant although the primary societies and DCU's seek more and better credit and marketing services. Accounting and record-keeping is weak, especially at the DCU and Primary Society levels. Training of Swazis in the U. S. for top management positions is barely getting started, considerably behind schedule.

1.15 <u>Financial problems</u>: the CCU is seriously undercapitalized. The roughly E 100,000 in subscription capital and E 500,000 in ODM 20-year interest-free loan (which may be considered as quasi-equity) constitute a minute and diminishing proportion of its loan portfolio, which (including cotton purchase credits for the Cotton Co-op) may exceed E 6 million this year. The CCU has so far been in the red, and the slim profit margin on its main activity -- fertilizer distribution -- raises the question of its long-term financial viability.

1.16 The organizational issues will be taken up in this section. To do so, it is useful to step back and gain a perspective on the development of the co-op movement in Swaziland.

1.17 Historical development: as has often been discussed, Swaziland's dual agricultural economy and relatively free exchange with South Africa has resulted in a fairly well developed and very competitive farm supply industry and in modern marketing and processing systems for the cash crops (chiefly sugar cane, cotton, tobacco and pineapples). In the supply of farm inputs such as fertilizers and pesticides, there have historically been two established firms: Farm Chemicals (an affiliate of Swazi Milling) and Swaziland Chemical Industries. However, many other agribusiness firms from South Africa are active, as well as occasional Indian traders. This industry originally grew to meet the demands of the intensively cropped, commercial individual tenure farms (ITF), which include large plantations such as sugar cane, citrus and pineapple. While this agro-industry adequately served the need of the ITF lands, there was an apparent feeling that the same system would not be willing or able to serve the small farmers on Swazi Nation Land in a manner consistent with the overall GOS development objectives. Thus was born the idea of involving the cooperative movement in the distribution of farm supplies.

1.18 Private sector vs. cooperatives: during this evaluation, some time was spent discussing whether it would have been preferable to encourage private sector to provide small farmer supply rather than investing public funds in a possibly parallel and less efficient cooperative structure. Private sector had several factors in its favor:

(i) free enterprise and private trade have a long tradition in Swaziland and continue to be a mainstay of GOS policy;

(ii) there is generally a free movement of trade in and out of neighbouring South Africa, so that Swaziland's small size is not an important factor in the cost of doing business; and

(iii) there existed the basic infrastructure already serving the commercial farms throughout Swaziland.

There existed evidently a need to establish simple marketing outlets much nearer to the farms, catering directly to the demands of subsistence farmers, and to bear some of the higher cost of distributing in small quantities. This was the purpose of providing Primary Societies as focal points. However, there was probably a felt need in the Government to have an organization serving its public rural development programs such as the RDA's which could be directly influenced by the public sector. Cooperatives apparently filled this role. Once this link between cooperatives and rural development was established in the minds of the policy-makers, the GOS and the foreign assistance agencies have justified such critical points as the supply of farm inputs (and marketing) in massive rural development projects by a simple paragraph stating this will be handled by the cooperatives as the need arises. Therefore, while it is not unreasonable to speculate on the role private sector could have played in farm supply to Swazi farmers, it is clear the cooperatives have been asked to assume a critical role in an overall rural development program. In fact, if one was to speculate further, it is not inconceivable to picture a situation where, had not some skeleton cooperative structure existed and development of this structure been supported by foreign assistance, the GOS might have felt the need to create an entirely publicly financed and managed farm supply distribution system.

Role of the Central Cooperative Union

1.19 While the above discussion is somewhat speculative in nature, it does bear on the central issue facing the project's farm supply, transport and marketing functions. This issue, simply put, is <u>where does the Central Cooperative Union stand vis-a-vis the national policy on cooperatives</u>:

(i) is CCU the apex organization of a farmers' movement, responding only to the will of a board of directors democratically elected from among its associated cooperative members?

(ii) is CCU a quasi-public development corporation responsible for meeting the various requirements of the national rural development program as well as serving existing cooperative institutions?

(iii) is CCU a <u>de facto</u> division of the Ministry of Commerce and Cooperatives, whose management is effectively the responsibility of Office of the Commissioner for Cooperative Development?

1.20 The answers to these questions are important as they affect such secondary issues as the proper rate of growth for the CCU, its profit motivation vs. development role, the amount of government support to be expected and the degree of operational autonomy necessary to achieve its goal. The remainder of this section is devoted to the discussion of these and other institutional issues.

1.21 Perceptions of different institutions regarding CCU's role: an unstated assumption of the original project was that CCU would behave as a private sector organization operating in a rather loose, informal relation with the MCC. USAID and the CLUSA team tried to operate in this assumption, which reflects the situation of co-ops in the U.S. Swazi reality,however, is different: the Department of Cooperative Development views the CCU as an extension of the public sector, controlled by the MCC in matters of policy (including salary levels and all budget expenditures) and even such operational details as the hiring,firing and transfer of individual employees, the format of credit applications or the placement of a fence. The problem is that MCC decisions are not always guided by considerations of CCU's financial viability. The RDA program is notably uninterested in the relation of the CCU to the MCC, as long as the CCU provides inputs and marketing services to the RDA's without any MOA involvement.

1.22 Proposed solution: the current situation obliges one to conclude that the CCD is the de facto General Manager of the CCU. The general acceptance of this point of view will signify that there will be no possibility of a tug-of-war between the CLUSA team and the CCD. The CLUSA team should consult the CCD on a frequent and regular basis regarding operational decisions, and make its recommendations known,preferably in writing, spelling out the financial consequences of a contrary decision. However, if CLUSA's recommendations are overruled, the team should carry out the CCD's directives tc the best of its ability. This policy would allow the CCD both the ultimate power of decision and the responsibility for the consequences of the decisions. It is expected that such a policy would improve relations between MCC and CCU and, paradoxically, may decrease MCC intervention in the details of CCU operations.

Strengthening of the DCU's

In late 1978 the functions of the DCU's were considerably amplified by a decision of the MCC to transfer from the CCU to the DCU's the functions of supplying the RDA depots and Primary Society sheds. To fulfill this function the DCU's need strengthened accounting and transport capabilities.

1.24 This transfer of functions places an additional burden on the DCU's since they must have more and better-trained personnel to comply with their increased responsibilities; the additional costs involved will further reduce the financial viability of the co-op system (strict business criteria probably would not have dictated this transfer of functions at the present level of CCU/DCU turnover). At the same time, the strenthening of the DCU's might increase the contact between co-op officials and farmers and strengthen the adhesion of members to the co-op movement.+

Although experience in other countries indicates that farmers' adhesion to the co-op system is conditioned by the tangible benefits it provides them more than by a subjective feeling that the system might be "theirs".

Role of the Management Committees

1.27 Related to the issue of strengthening the DCU's of the role of the co-op committees at all levels (CCU, DCU, Primary Society) vis-a-vis that of the technical co-op employees. At present there seems no clear distinction between policy direction and management: the committees all too often feel it their duty to intervene in the technical details of daily operation (e.g. the approval of the smallest expense items), where they are not equipped to make optimal decisions. This tendency is expressed even in their name -- "management committees". This mode of operation tends to hamper efficient co-op management. While in the past such close supervision of daily activities might have been necessary to assure integrity, in the future this result could be better achieved by an improved accounting system, and the co-op committees could concentrate on policy decisions while leaving room to the (increasingly more qualified) technical personnel to exercise their initiative in daily operation. To achieve this, the orientation courses for committee members should focus on the proper role and duties of the co-op committees.

Proliferation of Primary Societies

1.28 The number of cooperatives in Swaziland is increasing rapidly and at present (Dec. 1978) reaches 122. Over 100 of these are agricultural co-ops, and about half of them are active. At the present rate Swaziland may soon have more registered co-ops than the entire Republic of South Africa, which reportedly has only 300 (many of which, however, are larger than the entire Swaziland co-op system).

Many of the Swazi co-ops do not have a reasonable perspective of reaching financial viability -- e.g. reaching an annual turnover of E 15,000, which is about the minimum necessary for engaging a secretary-manager. At the same time, the proliferation of the number of primary societies makes the task of providing proper training to their management committees prohibitive. The atomization of the co-op movement is bound to increase the number of societies in financial straights, and to decrease the financial viability of the CCU,which will be saddled with their bad debts.

1.29 Although the grass-roots pressure for creating ever more primary societies may be significant, the MCC should be encouraged to

- (i) apply certain criteria of minimal expected turnover before registering a new primary society;
- (ii) persuade farmers' groups to form local branches of the RDA-level co-op societies, rather than independent primary societies (since RDA's are scheduled to cover in the near future 60 percent of Swazi Nation Land, the existence of an RDA in the vicinity will be increasingly likely); and
- (iii) encourage existing primary societies to transform themselves into branches of the local RDA co-op.

Role of Expatriates

1.31 The project has cast expatriates into direct operational roles. They have become responsible for purchases, distribution of farm supplies, and the fiscal performance of member societies. A prime objective of the expatriate team appears to be an increased volume of sales to achieve financial viability.

1.31 This is a somewhat unusual role for an AID-funded grant projet. To find expatriates in an actual operating position for achieving a long-run development objective is contrary to long-standing development philosophy and to current practice in most African countries, including some in which the availability of trained local staff is more limited than in Swaziland. In the short run, the energy of the expatriate team must certainly be counted as a major factor in growth of sales. CCU started from a very low base and therefore a concerted effort -- coupled with a wholesale use of credit, which attracted new customers -- produced dramatic results, at least in terms of sales increases over previous year. However, developing countries abound with projects which ran into severe difficulties as soon as expatriate technical assistance was withdrawn, and all provisions must be made to assure that the same would not happen in Swaziland. <u>CLUSA should have a very clear plan of moving from an operational to an advisory role</u> and for a gradual phase-out over the remainder of project life. This may require some consolidation to ensure viability after phase-out.

<u>Communications</u>

1.33 Many of the problems of the project are traceable to faulty communications between the interested parties -- co-op staff, MCC staff, RDA staff, USAID, CLUSA and the farmers -- which may prevent them from realizing the real situation and each other's perceptions of it. Some means which might improve communications are:

(i) regular RDA-level meetings of the local MOA, DCU and CLUSA staff to determine the quantities of inputs which the co-op system should furnish to meet the expected demand;

(ii) more frequent visits of the USAID project management to the field;

(iii) frequent written communications from the CLUSA team to the Department for Cooperative Development, repetitively if necessary, until a reply is given or action taken regarding the point in question; and

(iv) frequent consultations of CCU/CLUSA personnel with the corresponding MCC functionary regarding current details of operations.

II. FARM SUPPLY AND TRANSPORT

2.1 Project Inputs to CCU: the USAID-financed Swaziland Co-operatives and Marketing Project calls for an input of $2.7 million over the 5-year project life, the majority of which is stated for the support of the farm supplies distribution and transportation function. The inputs relevant to this function are the following:

(i) Technical assistance:
- CCU Deputy Manager
- Input/Transport Expert
- Six Area Depot Managers (a marketing specialist is also involved);

(ii) Participant training;

(iii) Commodities:
- Vehicles
- Communications

(iv) Warehouse construction and repair; and

(v) CCU budget support.

2.2 These inputs are complemented by an ODM project which provided E 500,000 in working capital (a long-term, interest-free loan), a General Manager, a Staff Accountant, and participant training. Professional back-up support was expected from the ILO/SIDA Cooperative Development Center project.

2.3 The project inputs did not proceed exactly as programmed for a variety of reasons, most of which unfortunately can only be termed as "normal" growing pains of starting a new project in a developing country.

The British have provided their input and had the General Manager and Accountant in place when the USAID project was authorized on June 15, 1976 (15 days before the end of the project's first fiscal year). The next critical point was the selection of a contractor to provide the technical assistance staff. A contract was signed in August 1977 with CLUSA (one month before the end of the project's second fiscal year). The first four CLUSA team members arrived in October/November 1978, with two additional members expected in February 197~~8~~9.

2.4 The build-up of American staff coincided with the departure of the British General Manager. Apparently the clash between the General Manager and the MCC over his management style was so severe that it may have been a contributing factor in ODM reconsidering their support of the project. The operating loan was agreed upon and would remain, as well as ODM support of the accounting function, but the General Manager would not be replaced. This obliged the CLUSA team to assume additional functions which were not anticipated.

2.5 In sum, it can be assumed that the project inputs missed the first year[1/] entirely, operated at about half level during the second year, and moved into the third at about two-thirds of the level planned (six of nine team members in the field).

2.6 Local Contribution: In retrospect, it appears that local contribution was established by the project design team at a low level, probably just meeting AID's statutory requirements.

2.7 Table 2.1 summarizes the local contribution as it was planned, as it is presently being made, and as possible future contributions.

In looking at inputs, it is helpful to view the project in two parts: (i) the development of CCU as a self-financing agribusiness organization with its own staff, budget, and functions, and (ii) the cooperative distribution system of individual co-op stores which is served by CCU and is, in fact, the reason for CCU's existence. AID's and ODM's input have generally been devised to make the CCU as self-sufficient as possible during the project

1/ The U/S/ fiscal year (October 1 to September 31) roughly corresponds with Swaziland's agricultural cycle (spring planting through harvest).

period. This includes staff training, operating loans, and even budget support. The host country contribution was aimed at developing the overall cooperative system, and it has remained more or less at pre-project level. As a result, CCU has grown but the cooperative system may not have kept pace. Little provision was made for growth in host country support for the CCU as its distribution function grew.

2.8 Two points need clarification regarding future host country contribution as outlined in Table 2.1. First, it should be stressed that added inputs into the overall cooperative system be from public funding sources <u>external to the CCU</u>. In other words, CCU should not be required to subsidize the development of the cooperative movement in general. The second is that although SD&B has greatly exceeded its expected contribution, it <u>does not substitute for other host country support</u> to the cooperative system. If anything, it is one of the justifications for increasing support to balance the growth.

2.9 <u>Progress in farm supply to date</u>: On the whole, the business orientation of the CCU input supply function appears to be meeting with a phenomenal success, particularly when measured in terms of growth of sales (par. 1.11). The more serious question is how much of this growth is solid development meeting the project objectives, i.e., a self-financing organization, capable of local management, serving small farmers.

2.10 During this first year much time was spent, as usually is the case, in dealing with administrative matters such as housing, transport, etc. and in learning the existing operating procedures. In addition, there were several major changes to which the project had to adjust. The departure of the British CCU General Manager left a gap in personnel staffing which had to be compensated for by the CLUSA team. An order was received from the MCC to transfer the function of supplying the RDA depots and primary society sheds from CCU to the DCU's. This order was unexpected and caused a reorientation of the distribution function. CCU staff also had to become intimately involved in the organization and operation of a cotton marketing program which had been threatened with serious financial losses, if not directly assisted by CCU. All of these factors took their toll on the bottom line of CCU's balance sheet, which showed a considerable loss for 1977/78 (Table 5.2). Nevertheless, the actual supply and distribution of farm inputs made considerable progress over the year.

2.11 Total distribution of inputs by CCU in 1978/79 will probably exceed 1977 levels by about 75 percent. This is significant, as the original project plan stated a target of only a 200 percent increase in the supply of farm inputs over project life. If 1976/77 serves as the project base year, then by the end of 1978/79 there will be a 255% increase in sales (text table, par. 1.11).

2.12 There have been other indicators of progress which in the long run are probably as significant as the overall growth in sales. CCU had grown from negligible sales to over a quarter of a million emalangeni ($294 thousand) during the two years immediately proceeding the project. This rapid expansion allowed very little time for planning of staff, transport, and financial support required for orderly growth; thus the present project was proposed partly to rectify this problem. The following measures have been initiated to help solve some of the past supply problems and to introduce order into the present expanding distribution system:

(i) use of wooden pallets at warehouses to prevent moisture damage of bottom bags;

(ii) rebagging of broken bags or spilled fertilizer, usually accomplished with the use of a small standing funnel-type device (at times rebagged fertilizer is put into 25 kg bags for sale to the smallest farmers or for home vegetable garden use);

(iii) plastic covers are used for materials which must be stored outside for a time, and a rodent control program instituted in warehouse areas to prevent waste;

(iv) the introduction for sale of a variety of animal health products in several locations (stocking and inventory control of these items is generally performed by the manufacturer's agents);

(v) reallocation and transport of supplies previously misallocated to various district and primary warehouses, to bring inventories more in line with need; and

(vi) future planning of demand, based on an analysis of previous years' sales by type and location.

2.13 There are still many improvements which remain to be made, as indicated in the originally planned project outputs (Annex A). These include repair of sheds/warehouses, better stock control and accounting, a broadening of the line of sales items, etc. However, as many of these functions are now the responsibility of the DCU's, progress may be slower.

2.14 Progress toward project goal: the USAID project calls for "developing a viable, producer-oriented cooperative structure providing production-related inputs and marketing service to the rural sector." The term "viable" appears to raise considerable discussion regarding the ultimate project goal. It appears that to CCU and the CLUSA team management, this means that at the end of the project period CCU will be totally self-financing through a profit motivated business approach, and be capable of supplying the GOS rural development programs to RDA's.

2.15 Naturally, this presents a conflict of interest between those who feel responsible for balancing CCU's, books and promoting the size of business deemed necessary and those who want CCU to meet the needs to all primary co-ops, the RDA's and the subsistence farmers in general without regard to the cost of doing business with these small cooperatives. It is not easy to pin these differing views to one side or the other, and in fact they are continuously changing from time to time. On the one hand, there is a view that

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a large volume of sales and service to larger farmers are needed to obtain maximum benefits in dealing with manufacturers of supplies or with buyers of farm crops, and is therefore seen to support the fixed costs of the distribution organization. On the other hand, there exists a more skeptical (but widely held) view that a cooperative which contains both large and small farmers will never willingly orient itself to small-farmer development.

2.16 Increased farm supply sales and the use of credit when necessary are desirable project outputs, but they should be related to the project goal. It is reasonable to expect that a considerable portion of the sales and credit are additional to what existed prior to the project and that small farmers are being served in fair proportion to the growth in large farm sales. SDSB, for example, reports an increase of only about E 160,000 in agricultural loans in 1977/78 from 1976/77. However, in 1977/78 CCU borrowed E 600,000 from SDSB's agricultural window for cotton production credit. If this cotton production credit had not previously been available from other sources than the SDSB, total agricultural credit would have risen by more than E 160,000. There is an assumption that many farmers are substituting CCU credit and inputs for that provided by SDSB or by agro-industries and other traditional suppliers of farm inputs. This evaluation did not have the time to provide more specific evidence to support this assumption but follow-up with the principal suppliers of fertilizer to CCU and other credit intermediators such as the Cotton Gin should provide such evidence. This should indicate whether total volume is increasing in relation to the increased business of CCU or is remaining more or less constant. The issue remains that End of Project Status indicator of a 200 percent increase in sales by the cooperatives (which has been accomplished) may not be indicative of progress in meeting the sector goal of contributing to the welfare of the vast majority of farmers on SNL. Providing target growth indicators in farm supplies and credit to all farmers on Swazi Nation Land may be more central to project purpose and to GOS rural development goals. Unfortunately, baseline data on input use for Swazi Nation Land is scanty, but there are surveys to measure growth in output which may be useful in measuring progress in this area.

2.17 One of the most visible and desirable benefits which has occurred to date is CCU support of the RDA development. RDA demand for all types of farm supply is growing at the rate of roughly 50 percent a year. This accounts for possibly 30 to 40 percent of CCU's sales volume. This clearly is in support of Swaziland's major rural development thrust. The "Annual Survey of Swazi Nation Land" 1/ for 1973/74 and 1975/76 indicates an increase in fertilizer sales from 3,700 tons (gross fertilizer weight) in 1973/74 to 4,150 tons in 1975/76. This increase could be almost totally accounted for by the increased use of fertilizer on RDA project areas (total CCU fertilizer sales to RDA's in 1976/77 are estimated at 1,500 tons).

2.18 For Swaziland as a whole, some 20,000 to 30,000 tons (gross) of fertilizer are sold each year. In 1977/78, CCU distributed approximately 4,000 to 5,000 tons, and expects distributions this year may reach 8,000 to 10,000 tons. This would indicate that CCU is a substantial force in the national farm supply distribution system.

1/ Central Statistical Office, Mbabane.

Projected CCU Growth in Farm Supplies Sales

2.19 CCU has been distributing farm supplies for about five years only, starting from scratch and building its sales volume by capturing a part of the existing market and by developing new markets. The proportion between the two is not known with certainty. In such a situation, CCU growth projections based on the past trend would be hazardous. The alternative to trend projections is to estimate future demand based on (i) expected agricultural growth in the SNL and (ii) the share of the large-farmer market which CCU might be expected to obtain.

2.20 The main developmental force on Swazi Nation Land will be GOS progress in promoting the RDA's. RDA project targets provide an indication of the expected growth rate. Fertilizer and lime are taken as the basic common denominator, being the items sold in the largest quantity and the ones least likely to be influenced by short-term fluctuations in cropping patterns. They are also the biggest items in terms of bulk and therefore serve as indicators of storage and transport requirements.

2.21 Table 2.2 summarizes the expected demand for fertilizer and lime in existing and proposed RDA's, as indicated in their feasibility studies. Average cost was taken as $ 100/ton, which takes into account the low cost of lime in comparison with fertilizer.

2.22 The CCU percentage of fertilizer sales to sales of all farm supplies in 1977/78 was 52 percent. The IBRD study projected a fairly even division of sales value between fertilizers and other farm supplies over the project period. For the future, the stated CCU objective is to increase the percentage of other farm supplies. The broader product line will decrease emphasis on fertilizer, produce better profit margins, and distribute depot sales more evenly through the year. The following text table shows the importance of RDA farm supply sales in total CCU sales.

PROPORTION OF RDA SALES TO TOTAL CCU SALES

Year	Total Farm Sales Estimated in RDA's	Total CCU Farm Sales	RDA Sales as % of Total CCU Sales
	(E.'000)	(E.'000)	
1975/76	141	289	49%
1976/77	276	479	58%
1977/78	420	973	43%
1978/79	760	1,700	45%

2.23 While the above estimates obviously contain a lot of conjecture, as they compare various and not necessarily compatible sources of data, the following assumptions can be made, heroic as they may seem:

(i) at present about 40 percent of CCU's business is with the RDA's;

(ii) for practical purposes the growth in sales to small farmers on Swazi Nation Land can be included in the RDA figures, both because the RDA's include an ever-increasing percentage of SNL farmers and because the projected growth is based on some optimal conditions which may or may not occur, thus resulting in some overestimate of the RDA demand; and

(iii) sales to farmers on Individual Title Farms (ITF), which have grown rapidly in the past, will increase more slowly, as less new ITF farmers will be joining the cooperatives; this assumes that the Cotton Co-op will stay at approximately the present volume of operations and that CCU will adopt the policy (proposed by the present evaluation) of limiting growth in this area in an effort to consolidate institutional structure.

2.24 The following text table shows that <u>the above assumptions imply total CCU sales in 1982/83 of about E 3,800,000.</u>

<u>PROJECTED TOTAL CCU SALES</u>

<u>Year</u>	<u>ITF Sales</u> (E'000)	<u>RDA Sales</u> (E'000)	<u>Total</u> (E'000)	
1978/79	910	760	1,700	(est.)
1979/80	1,092	1,040	2,132	(proj.)
1980/81	1,255	1,500	2,755	"
1981/82	1,380	1,950	3,330	"
1982/83	1,449	2,370	3,819	"

2.25 <u>Conclusions</u>: input sales have increased rapidly from near-zero in 1973/74 to E 973,000 in 1977/78 and are projected to reach about E 3.8 millions in 1982/83. While the project is impressive in meeting its stated objective of increasing the distribution of farm supplies through the cooperatives, one cannot help but feel somewhat uneasy about the rapid rate of growth being experienced. There is no question that CCU will meet its stated physical project output targets. Far greater concerns are:

(i) whether the CCU in the long run will serve equitably the needs of small Swazi farmers;

(ii) whether the small-farmer cooperative system is growing as fast as the CCU;

(iii) whether the CCU's organizational structure will be manageable by counterpart staff when the CLUSA team departs; and

(iv) whether the CCU structure will not be dismantled by the MCC through decentralization before the benefits of the central organization can be fully assessed.

Recommendations:

2.26 The central CCU staff should continue its role of developing CCU's supply system, but with relatively more emphasis on creating a locally manageable institution through training and development of counterpart staff. The number of Area Advisors should be increased to its design level, with the view to making the district-level cooperative system compatible with the CCU's abilities to serve the DCU's and primary societies.

2.27 The MCC should give relatively more attention to education and to building strong primary societies, including the recruitment of new members to give local-level co-ops sufficient strength to participate in the market economy. CODEC should be adequately funded by the GOS to provide back-up support for the cooperative movement. MCC should gradually move away from direct management of the CCU and allow the CCU to work out its programs and policies with its member cooperatives and their respective committees.

2.28 There should be a more in-depth analysis of the present and future distribution of benefits among the various classes of cooperative members: large vs. small farmers and RDA vs. non-RDA members. This should result in an overall growth strategy with more specific project targets for each group of cooperative members.

2.29 Of particular concern is the overall GOS policy toward cooperatives. There is discussion as to what should be the proper location of the cooperative division -- whether in the MOA or the Ministry of Commerce. These internal shifts in GOS structure should be less of an issue than the concern (i) that CCU and the cooperatives receive sufficient high-level GOS support to develop their full capacity, and (ii) that there is coordination among all public and quasi-public bodies in the support of rural development and marketing activities in the country. In this regard, it would be instructive to explore the possibility of setting up a high-level committee for coordination and policy guidance in the cooperative movement. The membership of this committee could include the following:

(i) the Permanent Secretaries of MCC and MOA or their designees;

(ii) one member from each of the four DCU's;

(iii) The CCU General Manager and/or chairman of the CCU management committee;

(iv) The SDSB General Manager, and

(v) possibly representatives of large national cooperatives such as the cotton and tobacco co-ops.

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III. COOPERATIVE MARKETING OF FARM PRODUCTS

Role of Marketing

3.1 The marketing function is clearly an essential element in the progress of moving subsistence agriculture into the commercial sector. In fact any input supply program, particularly those with a credit element, should be tied either directly or indirectly to a clear market objective. If not, the credit/input program is probably a disservice to the recipient as well as an inherently risky undertaking for the credit implementing organization. In fact, one might consider marketing as the leading edge in small farmer development, rather than simply a natural follow-on to an input supply program. If farmers have a clear view of a market which provides an acceptable level of risk and a reasonable return on their investment, they will more than likely respond positively in increasing output by obtaining the necessary production inputs, through whatever means are available to them.

Swazi Market Structure

3.2 Existing system: the market system in Swaziland is characterized by a relatively high degree of private enterprise with little direct government intervention. The trade in commercial farm crops was established by the early European farmers in Swaziland, who had close or direct ties with the agribusiness sector in the Republic of South Africa (RSA). The Government of Swaziland has seen fit not to interrupt or otherwise frustrate these trading relationships. Cotton, for example, can move as seed cotton to ginneries on both sides of the border, and locally ginned lint and seed is marketed to the RSA trade. All locally grown tobacco is marketed to a Swazi cooperative, which in turn sells its output in the RSA in complete accordance with that country's tobacco marketing and pricing policies. Vegetables move freely to and from Swaziland at a dozen border crossings.

3.3 The Swazi policy of leaving the free trade of the country intact might be considered an inspired one, as it allows Swaziland to participate in and directly benefit from the market opportunities and growth of the more advanced South African agribusiness complex. Swaziland's contribution to GNP from agricultural crops is only about E 5 million from Swazi Nation Land and E 15 to 20 million from individual tenure farms, of which a major portion comes from a few sugar and citrus plantations. It appears that for at least the intermediate term, there is no lack of demand at reasonable prices (as compared to world market prices) for most of the Swaziland output.

3.4 While it would appear that the present marketing arrangements have beneficial effects on the national economy, it is not clear that they will automatically draw the Swazi subsistence farmer into the more commercial sector of agriculture. The subsistence farmer lacks the knowledge as to his market alternatives and thus he is unable to develop even a most rudimentary market strategy. Without such a strategy he is unable or unwilling to move to a level of production technology which would produce a crop surplus of sufficient quantity and quality to attract market intermediaries such as transport, storage, processing, etc. necessary to complete the marketing linkages.

3.5 Government programs: although a relatively free trade policy prevails in the country, the GOS is not adverse to making its will known through public policy when and if it feels that the need exists. The prices of certain basic items such as bread and cement are officially fixed. Of major importance in the case of farm commodities is the government intervention in establishing a nation-wide producer price for maize. This has the most far-reaching effects, as maize is the staple of the Swazi diet. It is also the crop most universally produced by the farmer on the Swazi Nation Land. In other areas the government may indirectly participate in the marketing functions by becoming a shareholder in privately-managed agribusiness ventures. This investment is often made by public trusts or foundations and is usually of a highly commercial nature rather than of small farmer development orientation.

The government, through its Ministry of Commerce and Cooperatives and such bodies as the "Inputs and Marketing Board," attempts to provide at least a measure of coordination and understanding about the functions of marketing in the country, but these do not provide direct marketing assistance to the farmer and/or to market intermediaries.

3.6 Foreign Assistance: Swaziland does not suffer from a lack of technical assistance in agriculture from international and bilateral free world donors. However, the great majority of this assistance is in agricultural education, extension, and crop production technology, while assistance in marketing often lags behind the more production-oriented projects. Swaziland is developing an almost alarming disproportion between the two. Of course there have been marketing advisors attached to the Ministry of Agriculture and the Ministry of Commerce and Cooperatives or their related projects such as the RDA's and CODEC; however, there does not appear to be any concerted effort in marketing by GOS or foreign assistance funded projects.

3.7 The seriousness of this mismatch between the production-oriented projects and the market situation cannot be assessed. Some projects such as the Taiwan rice project may have been well integrated, as marketing of rice has not been raised as an issue. On the other hand, vegetable production by the MOA's crop production unit or RDA's is being frustrated by lack of good market outlets.

3.8 In the future, consequences could be dire. The GOS, with IBRD and USAID assistance, is making a massive investment in small farmer development via the Rural Development Area (RDA) program. This investment, on the order of $25 million, is highly skewed toward infrastructure development, land improvement and increased production. The elements of farm input supply, production credit and market development are assumed to be handled by public, private or cooperative institutional frameworks outside the project scope. It appears in reading the RDA project feasibility studies that a great deal of the potential marketing problems has been assumed away through reliance on private sector intervention and the effectiveness of the USAID project.[1] The title of the USAID "Cooperatives and Marketing Project" may be misleading, as it implies a special emphasis on marketing, whereas in reality the project provides only limited assistance in marketing as one of several inputs considered necessary to strengthen the small-farmer cooperative structure.

Cooperative Marketing

3.9 Present cooperative marketing activities: it is extremely difficult to characterize the role that cooperatives play in the marketing of agricultural crops. They run the gamut of organizational styles and operational methods. The Swaziland Tobacco Cooperative, a rather staid organization, was the first cooperative in Swaziland. It has few active members but buys all the tobacco produced in the country (about 6-7 times as much comes from small Swazi non-member farmers as from members) and markets it through its long-standing South African ties. There has been relatively little change in the volume marketed in the past 20 years. In contrast, a newly-formed cotton marketing cooperative handled 23 percent of the total cotton produced in the country in its second year of operation. There exist cooperatives on the MCC books whose function is to market rice or pineapples. If these organizations are functioning, they are doing so without any direct contact or influence in the overall cooperative movement.

1/ "Virtually all incremental project production would be marketed through commercial channels, and project investments should assist farmers in selling crops and livestock by improving facilities, transport and price information, in conjunction with a recently approved USAID Cooperative Marketing Project." This is virtually the entire discussion on marketing links in the IBRD "Swaziland Rural Development Project Appraisal Report," January 12, 1977.

3.10 The typical farmer views the role which cooperatives should play very simply as someone who should pick up and transport his small lot of maize, vegetables or even cotton and tobacco in areas distant from the major buying depots, and pay him for this small lot on the spot. This request is passed up the organizational structure (and in some cases down from the MOA, MCC and others) until someone is found to help. The Central Cooperative Union has thereby been pressed into providing at least some limited relief. Collection points, storage and transport have been arranged for a number of commodities at various times on an ad hoc basis, but the effort is far from being systematized into any type of national organization.

Marketing Activities of the USAID Project

3.11 Project structure: the AID project paper combined all the project inputs into a single framework. For specific discussion and evaluation it is helpful to abstract out those project items which directly relate to the market function.

3.12 Direct Inputs/Outputs of the AID project:

(i) Inputs

- One crop marketing specialist and an undefined share of consultants, training, vehicles, equipment, local construction and $20,000 in unspecified processing equipment.

(ii) Outputs

- Market outlets in Swaziland and/or RSA for both perishable and non-perishable crops developed.
- A market info system for Co-op members.
- Quality control and grading standards developed as needed.
- At least half (22) of the multi-purpose Primary Societies offer marketing service.

(iii) End of Project Status

Volume of farm produce marketed through co-op channels is a growing percentage of total small

Swazi farmer marketing of crops being handled by the co-op system. (This spells out the project purpose, which is to develop viable producer-oriented co-op structure providing marketing services to the rural sector).

3.13 Project performance to date: despite the delays in project start-up, noted elsewhere, almost all USAID project inputs related to marketing have been made and are working to their capacity. A marketing advisor has been on the project for approximately one year. The advisor is sufficiently flexible and knowledgeable to deal with a wide variety of the marketing problems which may occur. He has seen fit to expand the scope of his work to cover the credit problems which arise in the marketing system, and even provides a portion of his time to teaching at CODEC one day per week. In addition, the marketing functions are supported in the field by the Area Managers who are working on a variety of market shortcomings at the Primary Society level. The CCU transportation system has been used when necessary to resolve various marketing bottlenecks related to transport. There appears to have been good cooperation at all levels of the Swazi Government and with organizations such as the SDSB and private agro-industries. To date no funds have been expanded for counterpart training or for the processing equipment.

3.14 The most immediate shortcoming identifiable is the lack of a counterpart for the marketing advisor. It is easy to pass over this and say that it really has not hampered the day-to-day operations of the marketing advisor -- which is probably true. Nevertheless, lack of counterparts certainly reduces the long-run development impact of the project. Already the opportunity has been missed to provide a year of training on a one-to-one basis in co-op marketing.

3.15 In addition, it appears that the CCU market specialist spends a considerable amount of his time backing up other institutions with marketing assistance which often is not directly related to CCU's operating functions. The original project design had envisioned other organizations, such as CODEC, providing the necessary market studies and evaluations to support CCU's marketing specialists. This has not materialized.

3.16 Project outputs: the evaluation of project outputs is difficult, partly because it is not exactly clear what was meant by the requirement "to provide new outlets, market info, grades/ standards and 22 cooperatives furnishing market services," owing to the wide variety of crops involved, types of market functions possible, degree of CCU involvement, etc., and also because of the short time some of these activities have been going on.

3.17 The development of cotton marketing, for example, was directly assisted in its establishment by the CCU. Twenty to twenty-five percent of the country's cotton now moves through a cooperative, where none did before. Informational meetings were held with producers, grades were established and strictly adhered to, pickup and payments were arranged at a dozen cooperative locations, and a credit and insurance program was provided. On the surface, it would appear that the marketing function was completely successful. The success of the cotton project should not be played down in the final project evaluation, if this co-op continues to function and grow during the life of the project. However, there is a great need for much more to be done in the area of marketing in most other small-farmer crops. The success of the cotton cooperative should be taken as indicative of CCU's unique position of being able to enlist technical and financial resources for stimulating cooperative marketing activity without having to become directly involved in a physical marketing function. However, the fact that CCU lost E 11,000 in the initial year of the Cotton Cooperative and is presently heavily in debt in trying to finance the Cotton Co-op production and marketing activity should be sufficient warning that future marketing schemes should be carefully analyzed before being given complete CCU support.

Conclusions

3.18 The major problem with the project's marketing function appears to be a lack of definition. This was a problem inherent in the initial project write up. The project design proposed to serve two functions simultaneously: (i) supply farm inputs and (ii) market the farmer's outputs. In fact, the project implied: supply farm inputs through a CCU managed central procurement and distribution channel, and market farm outputs in whatever way possible. The need for this dual role followed from the planners' assumption that (i) institutional structures were lacking for both marketing and input supply in the rural areas; and (ii) that both functions (supplies and marketing) can be handled with similar project inputs under a single organizational structure.

3.19 The second problem for the project, which arose partly from the first, is that demands and expectations placed on the CCU in the area of marketing may far exceed the capacity of the project to deliver. While it is somewhat refreshing for an AID project to begin with a ready clientele demanding service, rather than having to spend a substantial portion of the usually short project duration looking for suitable interested clients, the danger lies in the project assuming too much responsibility or liability in marketing activities, which may unintentionally destroy the viability of the CCU once USAID assistance is removed. The demands placed on the CCU could come both from the bottom and top of the GOS and cooperative structure. At the farmer and local co-op level there persists a view that CCU is an agency of the government and/or it is "the American project" rather than an integral part of their own cooperative structure. As a result of this view, the belief is that CCU can and should be responsible for such things as paying higher prices for farmer products than is justified by the existing supply/demand situation, and should collect, store, and transport these products to the ultimate buyer. The CCU may be able to hold off this pressure where the chances of success appear slim. A far more difficult situation occurs when requests flow from the MOA or MCC for CCU to support production-oriented projects such as the RDA's or a public function of increasing export, etc. It is particularly difficult when these requests take the form of a government fiat without sufficient consideration of the economic/financial feasibility.

3.20 In addition, the original project had assumed that credit would be available from the SDSB, and little attention was paid to the specific role of the project in this function. It is now obvious that credit is a vital, if not the essential, element in the initiation of most marketing activities. The CCU is developing certain guidelines in terms of managing this credit with its clients. What is unclear is the CCU role and responsibility in becoming a primary credit institution. One has an impression that the CCU is rapidly becoming a "soft loan window" of the SDSB, with much of the responsibility for these loans but little of the authority to manage them.

Recommendations

3.21 It might be felt from the previous section that what is required is a new or at least greatly expanded project dealing specifically with the market constraint. Undoubtedly this may occur in the future, as there are a number of specific marketing proposals being looked at by consultants and foreign assistance agencies in much more depth. The more pertinent recommendations must deal with adjustment within the framework of the existing USAID project. The basic assumption in this recommendation is that CCU is at present a financially vulnerable organization and thinly staffed, mainly with temporary foreign advisors. It is, however, the apex organization of the cooperative movement, with a unique position of being able to liaison between the government, large private agro-industry, financial institutions, foreign assistance agencies and the various cooperatives of the country, for the purpose of assisting small farmers in their marketing problems.

3.22 The recommendation is to change the title of the CCU "Marketing and Credit Division" to a much more indicative title such as "Market Promotion Division." Of course the official title on the door is irrelevant, but is mentioned here as an illustration of the type of orientation which CCU should be taking. CCU should not be expected to enter into the actual physical market function, i.e., taking title to commodities for later sale, or owning and managing a network of collection and storage points, etc.[1/]. CCU strategy should be to have the Primary Societies themselves take on this role. This can be accomplished by assisting the cooperatives to put together a complete, finance-able package for their proposed marketing activity. The activity could be supported in the initial stages by CCU supervision, technical assistance, demonstrations, and training as necessary. Outputs of the original project such as "providing market information" and "providing new market outlets" would take the form of bringing the buyer of a commodity and the primary society in contact with each other. The funds allocated by the project for processing equipment could be utilized for providing items such as pilot projects, demonstrations, or training in various marketing schemes, rather than for grant-funding CCU market infrastructure.

3.23 Arranging the necessary credit for these projects would remain an important function of the CCU. Careful project development and supervision by the Market Promotion Division will help assure the viability of the projects. The Division should be able to draw a certain income from this brokerage, supervision function they play in arranging and supplying project credit. Possibly the management of other types of credit activity, such as short-term credit to primary co-ops on CCU-supplied farm inputs, should be moved to the Audit and Finance Division.

3.24 It generally is not appropriate to indicate an End of Project Status to be the start of a new project, but in this case this appears to be a logical follow-up. During the two coming years, the Market Promotion Division should become adequately staffed with Swazis and have enough successful projects for the CCU to approach a foreign assistance agency or local financial institutions with a project to obtain a loan. These loans would be administered by CCU to primary cooperatives for continued growth in marketing. In effect, CCU would act much like a "bank for cooperatives." It may be that some foreign technical advice will be required for a further period, but CCU ability to manage a loan-funded portfolio for its cooperative society members would be a definite accomplishment.

1/ The CCU Transport Division may provide certain marketing services, but this would be purely on a cost basis.

IV. CREDIT

4.1 Background: in the AID Project Paper (PP), credit -- both CCU credit for working capital and the small farmer's need for production and marketing credit -- was treated very tangentially. There was a discussion of the ODM's E500,000 loan for working capital support, and the PP recognized an input from SDSB. On the farmer side, the PP discussed the AID loan to SDSB for small-farmer credit and some other proposed activity, including a SIDA/ILO project to plan and supervise the implementation of an agricultural credit scheme through the cooperatives which never materialized. The project designers, in fact, very clearly stated that small farmer credit did not appear to be a binding constraint to increased use of production inputs by small farmers.[1/] Not so clearly stated is the Project Paper's recommendation of degree of project/CCU involvement in credit activities.[2/] The end result was that no special project inputs were provided for management of a major credit activity, particularly small-farmer credit.

4.2 Present situation: it now appears that CCU's credit activity outstrips all its other activities in importance,

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1/ The fact that over 75 percent of the inputs sales by cooperatives were for cash, particularly in the RDA areas where input usage is the heaviest, provided some evidence that credit was perhaps not a very binding constraint.
Source: Project Paper, Annex K p.2.

2/ "However, for reasons of staff and experience, the cooperative system is not prepared to fully assume the responsibility for all agricultural credit at this time. But it will be necessary for the cooperative staff to work very closely with SDSB staff in developing satisfactory credit arrangements and making certain adequate amount of credit is available". Source: Project Paper, p. 21.

and it has been stated by CCU management that credit, from whatever source, is critical to future success of CCU in achieving its desired sales volume. The following text table illustrates the growth and diversity of CCU credit activity:

SDSB Loans to CCU

1975/76	E 409,922	Bank overdraft
1976/77	E 10,000	Tobacco Co-op Facility improvement
	E 186,000	Tobacco Co-op Marketing
1977/78	E 358,000	Cotton Co-op Marketing
	E 27,000	Cotton Co-op Administration
	E 557,000	Cotton Co-op Production Credit
	E 28,000	Cotton Co-op Crop Insurance
	E 35,000	Tobacco Co-op Improvement
	E 201,000	Tobacco Co-op Marketing

There are three areas of credit activity:

(i) working capital or operating loans to benefit CCU directly in its operations;

(ii) pass-through loans to other cooperatives for production, marketing, or improvements; and

(iii) farmer production loans which are funded by and supported by CCU.

4.3 Working capital: the CCU has received a long-term E500,000 loan from the ODM for working capital, in addition to SDSB credits. However, USAID has expressed concern that CCU expansion is being hampered by lack of capital. Undoubtedly working capital is needed to support the rapid expansion of business which is now occurring. Nevertheless, this increase in volume of operations has been largely the result of the extension by CCU of marketing or production credit.

4.4 Prior to the project about 25 percent of CCU supplies were sold on credit. Now it is estimated that approximately 75 percent are taken on credit terms. For example, last year CCU arranged an E 600,000 production credit loan for cotton producers. This loan was made available to growers to finance production costs, including purchase inputs from CCU-supplied cooperatives. This production credit therefore figured significantly in CCU achieving its E 970,000 sales level in 1977/78 and its corresponding large demand for working capital. As of December 1, 1978, CCU had about E 1.0 million tied up in stock, accounts receivable, and short-term loans. CCU has arranged an E 700,000 production credit loan for the Cotton Cooperative, and now must draw on an additional E 600,000 loan from SDSB for working capital to support the demand for inputs from the Cotton Cooperative and its other cooperative members. In such a situation, where CCU is expanding its sales through the increased use of farmer credit, it is difficult for working capital to achieve balance with sales.

4.5 Pass-through loans: the problems CCU may have in obtaining working capital and/or production credit loans may be compounded by its role as the organization responsible for arranging borrowing for all member cooperatives, regardless of the purpose of the loan or the size and financial/managerial capabilities of the member co-ops concerned. In the marketing sector of this paper, it was proposed that in the future CCU might look to becoming a quasi-development bank for cooperatives. In effect, that is its function now as dictated by GOS policy. At the end of November 1978, according to SDSB records, CCU was obligated to the bank for almost E 2.0 million on behalf of its member cooperatives. With few real assets, this appears to put CCU in a vulnerable position with respect to servicing its loan and acquiring capital for new projects which may be more directly beneficial to small farmers. The pass-through credit role of CCU does not appear rational, particularly in view of the fact that CCU is not a bank. The Tobacco Co-op, for example, could probably approach a commercial bank directly and more expeditiously, due to the secure nature of its business and to its professional management. The Cotton Co-op, on the other hand, is tending to dwarf CCU in terms of credit needs and complexity of operations.

4.6 Farmers' credit: CCU has been instrumental in arranging production credit for farmers, either as production loans to the Cotton Co-op or as short-term loans to its other member co-ops. These loans to the cooperatives within the CCU system allows them to make inputs available to their farmer members on credit while deferring payments to CCU. This production credit would show up as part of CCU's large working capital requirement. A rigorous survey of all institutions involved in farmer credit was not made during the present evaluation, but it is clear that CCU is a major source of all farmer production credit and may be the most important source of small farmer credit. The stated reason of CCU for assuming this role is that it is necessary for sales of farmer inputs and that no other institution was filling this basic farm need at a sufficiently high level.

4.7 Conclusions: CCU is very much in the credit business, which is considerably at variance with the original project design. In the credit field CCU operates with very little back-up support. There is no credit advisor or trained field-level credit supervisors or managers. There was very little time to assess the farmer's ability to use credit productively or his propensity for repayment. There exists no baseline for studies, but the record is full of cautionary tales. The SDSB has never been very active in the field of small-farmer credit (in fact, a part of an AID loan to SDSB for small farmer credit had to be deobligated for lack of activity), and this was interpreted in the past as a banker's conservative attitude. Now the danger may be that CCU is too liberal. The cotton production loan of E 600,000 went to 121 cooperative members (including two Primary Societies which are members -- these contain 235 additional growers); many of these growers could arrange their own commercial credit. The argument that these loans create the volume of business necessary to make CCU viable and thus serve the entire cooperative movement needs to be correlated with the degree of risk to which CCU is exposed.

4.8 CCU has recently developed certain policies or criteria for credit management at the farmer's and Primary Society level. These criteria are basically administrative in nature. There is still a need for a higher-level, general policy on items such as how much service charge or interest can (or should) CCU charge on pass-through loans: what services, supervision and control should CCU apply to cooperative members with regard to production credit; and what liabilities should it incur for its small-farmer members and for farmers with easy access to commercial credit sources.

4.9 Recommendations: credit has been found by CCU to be essential to farmer development and therefore must be continued and even expanded. However, it appears that CCU has been called upon to fill a void without sufficient preparation or planning. Consequently, the time may be ripe for an in-depth analysis of credit needs, operations and policy. Outside consultant help, to CCU specifically or to the agricultural sector in general, would certainly be in order. The scope of work for such an analysis might include the following:

(i) assess the amount and source of agricultural credit historically and currently available to small farmers from SDSB programs, commercial banks, co-ops, and suppliers and marketing firms;

(ii) determine (through field survey if necessary) if there is an unfulfilled demand for small-farmer credit, and to what extent;

(iii) determine the economic benefits of additional credit at the small-farmer level;

(iv) evaluate the existing interest rate structure and the lending policy of credit institutions in the country and discuss their suitability. This should take in account the Swazi land tenure situation and its social/economic dependence on livestock; and

(v) as a result of the above, propose norms for small-farmer lending programs including expected demand for credit, appropriate interest rates, amount of supervision required and bad debt situations.

4.10 In the meantime, CCU should look within its own organization to determine whether the existing size or projected future growth of loan activity is really necessary or appropriate. This examination should start out from the consideration that interst or service charges on CCU loans are low compared with the degree of risk involved, and that CCU has not yet been able to obtain a sufficient margin on sales to provide a profitable return to the organization. In addition, CCU should determine the benefits to the cooperative system of providing credit to both large and small farmers, as presently is the case, particularly where CCU substitute for loans which could be obtained by the larger farmers or the better-capitalized cooperatives from more commercial institutional sources.

V. FINANCIAL ASPECTS

Summary and Analysis of the CCU Balance Sheet

This is a summary and analysis of the CCU balance sheet at the end of the fiscal year ending May 31, 1978. This fiscal year is compared to the previous year and the changes are noted (Table 5.1).

Fixed assets increased from 1977 to 1978 by E 70,035. Itemized increases occurred in office equipment E 4,545, depot equipment E 29, motor vehicles E 54,118, office fu ture E 1,622 and prefabricated buildings E 6,489.

Current assets increased by E 1,132,672. Stock is valued at purchase price including transportation less trade discount. Damaged stock of E 1,836 was estimated as having a realizable value of 50 percent of the cost price with reprocessing, rebagging, and weight loss allowances. Total stocks declined (E 70,566) in 1978. Depot stocks are valued at cost to the depot, which includes a CCU markup of about 3.5 percent. This unrealized profit amounting to E 2,560 was eliminated. The livestock item represents the cattle sold. Since no cattle were sold in 1978 this item declined (E 3,510).

Short-term loans increased from 1977 to 1978 by E 1,019,827. Repayment terms are based on an agreement between the CCU and the SDSB, which financed the majority of the loans.

A 1976-77 cotton marketing bonus interest-free loan of E 12,893 was a verbal agreement between CCU and the

Swaziland Cotton Cooperative. This loan is repayable over a three-year period.

The 1978 cotton credit loan and the 1978 cotton insurance loan, of E 563,838 and E 27,902 respectively, are part of the agreement and administration of the cotton marketing plan undetaken by CCU throughout 1977 and 1978 on behalf of the Swaziland Cotton Cooperative.

The debtors' line item in current assets increased from 1977 to 1978 as follows:

Consumer Societies	5,504
Affiliated Societies	167,712
Primary Societies	69,634
Sundry Debtors	28,213

All of the following current assets declined from 1977 to 1978:

Marketing Operations	(E 6,911)
Bank balances	(E77,237)
Cash	(E 23)

The marketing operations item of E 70,040 for 1978 represents the outstanding balance on the 1976-77 cotton marketing operations owed by Swaziland Cotona Cotton Ginning Co. Ltd.

Current liabilities increased from 1977 to 1978 by E 1,126,412. The following line items contributed to thi increase:

Creditors:	Suppliers	E 64,872
	Sundry creditors	E 37,815

Swaziland Cotton Cooperative. This loan is repayable over a three-year period.

The 1978 cotton credit loan and the 1978 cotton insurance loan, of E 563,838 and E 27,902 respectively, are part of the agreement and administration of the cotton marketing plan undetaken by CCU throughout 1977 and 1978 on behalf of the Swaziland Cotton Cooperative.

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Current liabilities increased from 1977 to 1978 by E 1,126,412. The following line items contributed to this increase:

Creditors:	Suppliers	E 64,872
	Sundry creditors	E 37,815

Accruals E 17,920

Bank loans and overdraft E 1,005,805

The following loans are owed to the Swaziland Savings and Development Bank:

Name of Loan	Amount E	Repayment Date	Interest Charged	Society Pledge
SDSB Cotton Co-op 1978 Marketing Loan	357,519	June 79	12%	Cotton delivered to Gin. All assets of CCU & Cotton
SDSB Cotton Co-op: Administration Loan	27,577	28/2/78		All cotton & assets of CCU
SDSB 1978 Cotton Credit Loan	556,686	31/8/78	11%	All assets of CCU
SDSB 1978 Cotton Insurance Loan	27,902	31/8/78	11%	No agreement seen
SDSB Tobacco Co-op Premises improvement loan	35,165	1/1/81	11.5%	All assets of CCU
SDSB Tobacco Co-op: 1978 Seasonal Loan	201,916	31/3/79	5%	All CCU stocks & Books
	1,206,765	(E196,431 at 31.5.77)		
Bank Overdraft - Barclays No. 1 a/c	12,444	(E 16,972 at 31.5.77)		
	1,219,209	(E213,404 at 31.5.77)		

All the above loans from the Development Bank were made to the Swaziland Cotton and Tobacco Cooperatives.

SALARY FUND

	E	1977/78 E	1976/77 E
Balance of Fund at 1.6.77		17,611	7,192
Funds received from UNDP during 1977/78	7,480		
Deduct: Funds attributable to 1976/77	1,870		
		5,610	19,140
Fund available to subsidize salaries		23,221	26,332
Secretary/Manager's salaries paid by CCU	34,881		23,245
Deduct:			
Salaries charged to Societies	30,376		14,524
Salaries subsidized from the Fund	4,505	4,505	8,721
Balance of Fund at 31.5.78		18,716	17,611

UNDP will no longer be subsidizing salaries in this manner and funding has ceased.

Since the first of June, 1978, the District Unions are in the process of taking over the responsibility of employing and paying the personnel in their primaries.

DEFICIT ACCOUNT

		E
Balance of Accumulated Deficit account in Head Office Books at 1.6.77		9,105
ADD:		
Accumulated Deficit of CCU Depots for 1975/76 and not previously transferred to Head Office Books.		
Motshane CCU Depot	446	
Manzini CCU Depot	6,071	
Ngwavuma CCU Depot	1,349	
Zombodze CCU Depot	1,934	
Mayiwane CCU Depot	2,047	
		11,947

DEFICIT ACCOUNT (Cont'd)

	E	E
ADD:		
Differences in opening balances of affiliated Societies written off:		294
ADD:		
Deficit for the year ended May 31, 1978		68,819
Balance of accumulated Deficit Account in Head Office Books at 31.5.1978		90,165

The long-term loan of E500,000 is an interest-free loan made to the CCU for working capital in 1976 by the Ministry of Finance and Economic Planning under the auspices of the United Kingdom and Swaziland Government.

The balance sheet reveals that CCU is:

(i) undercapitalized;

(ii) dependent on grants and loans for operating and investment capital;

(iii) in a very tight financial position; and

(iv) accumulating a deficit because it is unable to earn a net profit.

Sales, Profits and Losses Financial Statements

The increase in CCU sales volume has been dramatic: from about E 35,000 in 1974/75 (par.1.11) to E 478,532 in 1976/77 and to E 973,257 in 1977/78, i.e. an increase of 103 percent during the last fiscal year. The pro forma budget for the year ending May 31, 1978 (Table 5.2) shows a planned 1978/79 sales volume of about E 1,429,928, i.e., an increase of 47 percent over 1977/78. However, contracts signed and sales made during the period June-November 1978 suggest that the sales volume for the financial year 1978/79 may be in the vicinity of E 1,700,000, i.e. an increase of 75 percent over 1977/78. The demands for farm production inputs are being met each year more completely and punctually.

CCU expenses increased from E34,688 in 1976/77 to E114,290 in 1977/78, i.e. by 229 percent, and are expected to reach E 156,198 in 1978/79, i.e. an additional increase of 37 percent (Table 5.2). Most of the CCU operating expenses accrue from the administrative and financial cost for services rendered to the DCU's, Primary Societies and farmers. The projected increase in expenses for 1979 is modest compared to the projected growth in the anticipated demand for services, sales and credit. There is no visible source of obtaining sufficient financial resources this year and in the future to keep up with the increasing demand for services without increasing gross margins and net profits within CCU.

CCU borrows a high proportion of its working capital because it has no net profit or adequate reserves to satisfy the increasing demand for services. A small net profit of E 6,869 or US$7,899 is projected for the current fiscal year for E 1,429,928 or US$1,644,385 worth of sales, i.e.0.5%.

It is recommended that the CCU management make a <u>shift toward cash sales and higher gross margins. Each service rendered must bear a service charge commensurate with its cost</u> plus something extra for risk, uncertainty and unpredictable losses.

The list of sales items must continue to expand in order to build a larger base for income and to share the fixed cost of operations. All credit services must pay their full share of interest plus the cost of loan management.

A future time frame of one year is too short for planning the financial requirements of a business as important as CCU. It would provide more vision to have a financial horizon for at least five years ahead for new direction and development. One place to start is Table 5.3. From this list of sales items, new products and farm supplies may be added to bring more balance and support to the heavy reliance on fertilizer sales. Gross margins could be increased by one percentage point each year until CCU brings the demand for services closer to the financial requirements needed for a viable operation of cooperatives in Swaziland.

Conclusions

One constraint to cooperative development in Swaziland has been an inadequate credit policy. This constraint is in the process of being removed as the MCC, CCU, DCU's and Primary Societies have recently agreed on a common policy, and now all the parties concerned can move forward to its implementation.

The long-term viability of the cooperative project may be improved by a multi-annual project budget. A five-year project budget could be submitted with the fiscal year budget and coordinated with the next fiscal year submission of the operating and capital budget for CCU. A multi-annual planning horizon would highlight the areas of agreement in cooperative development and priorities preferred in achieving them between the Commissioner of Cooperative Development and the Acting General Manager of the CCU.

Inadequate operating capital may be traced and linked to inadequate gross margins in sales and services. As long as this condition exists there will be a shortage of funds for short-term operations, long-term growth and development. All gross margins must be gradually increased until they support the financial requirements of viable co-operative development and the growing demand for services.

By end of project (FY 81) the CCU and DCU's can be expected to break even or have a small margin on current account (including depreciation). However, GOS support through the MOA or MCC is essential to cancel the inevitable CCU and DCU deficits during the first years of operation so that after end of project they would be able to operate without carry-over debts.

VI. MANPOWER ASPECTS

Amount of Training Necessary for Cooperative Development

6.1 The training necessary for successful functioning of the cooperative system in Swaziland may be classified in five levels:

(i) farmer training,

(ii) training of co-op committee members,

(iii) training of secretary-managers for primary societies,

(iv) training of depot managers,

(v) training of top CCU and DCU management.

6.2 Farmer training: farmers need to be contacted in order to persuade them to join cooperatives, explain to them the co-op functioning and clarify their rights and duties as co-op members. This type of training should be performed in the villages by DCU and MCC district-level staff during meetings, several times per year.

6.3 Training of co-op committee members: the management committees of the primary societies need training in (i) co-op laws and regulations, (ii) procedures of holding meetings, and most importantly (iii) elementary accounting (for enabling them to keep the books of societies which do not have a secretary-manager, or to substitute for the latter in case of need). This training can best be done in 3 or 4 five-day courses conducted at CODEC (Cooperative Development Center) over a year (during the agricultural slack seasons), followed by periodic refresher courses.

6.4 <u>Secretary-managers</u> serve as storekeepers in farm supply sheds or consumer shops of primary societies and RDA farm service centers. To fulfill this function they need training in elementary record-keeping (maintenance of cash books and individual ledgers) and knowledge of co-op law, and regulations (to participate usefully in co-op meetings). Accounts clerks, even if they possess a background in bookkeeping, need similar training to familiarize them with the co-op system. Such training is offered by CODEC through a four-week induction course, followed by a period of attachment to a working secretary-manager and a ten-week training course. Moreover, much of the secretary-manager's training is done on the job through inspection and audit by DCU and MCC officers.

6.5 <u>Middle management</u>: depot managers at the RDA farm service centers and other depots which handle larger volumes and engage in redistribution to primary societies need deeper knowledge of management and accounting, as well as familiarity with the different branches of co-op operation (input supply, marketing, consumer supplies and credit). Such training is offered by CODEC through a two-year course in which the trainees alternate 2-3 months of studies with 2-3 months of practice in a cooperative society in one of the above branches.

6.6 <u>Top management</u>: <u>in the CCU</u>, top management will consist of the General Manager and the heads of the inputs, marketing, credit accounting and possibly the consumer good branches, as well as (in the future) their deputies (figure 6.1). <u>The district managers of the four DCU's</u> also belong to the top management echelon. These persons will

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need, first of all, a dynamic entrepeneurial personality. They will also need a knowledge of agribusiness, accounting, personnel management, and cooperative organization. This training could be adequately imparted by sending candidates possessing the necessary personal qualifications (preferably after secretary-manager training and some experience in Swazi cooperatives) to a two-year study in a U.S. agribusiness college, combined with practical work in U.S. Agricultural cooperatives. All training should be in cooperative agribusiness management, with specialties in finance and accounting, marketing, and farm input supplies. MCC auditors should also undertake 2-year U.S. training in co-op accounting and auditing, in order to (i) strengthen the MCC co-op auditing function, (ii) strengthen the working relations between the MCC and the CCU/DCU system, and (iii) provide a pool of potential CCU financial managers.

The Existing Training-Manpower Situation

6.7 Number of trained personnel: Table 6.1 shows that the existing top management staff of the CCU consists of 1 Deputy General Manager Designate, 1 Input Supply Manager Designate, and 1 Financial Manager Designate (in training in the U.K. until end of 1979). The present top management of the DCU's consists of 3 District Manager Designates (of whom one is in training in Kenya until April 1979). The above persons hold a Kenya or U.K. Certificate of Cooperative Studies (9-month course) or equivalent, and have also participated in cooperative seminars of a few weeks' duration in various European countries. The lower echelon consists of 34 secretary-managers, who work at the depots or at the primary societies. Fig. 6.1 shows the organizational relations of the qualified personnel in the CCU/DCU/ Primary Society system. In addition, the Cotton Co-op and the Tobacco Co-op employ their own management and accounting personnel, and the former also employs 3 extension officers.

6.8 Technical Assistance: the CCU is assisted by 3 members of the CLUSA team: the Deputy General Manager (who is also the Acting General Manager since the resignation of the British General Manager in April, 1978), the Marketing Manager and the Deputy Supply Manager. A British short-term adviser fulfills the Financial Manager's post (a long-term U.K. adviser is expected to enter this post in January 1979). The 3 remaining CLUSA team members act as District Managers.

6.9 Staff adequacy: Fig 6.1 shows that the top Swazi staff is stretched very thin, as the positions of designates to General Manager, Marketing Manager, Financial Manager and two District Managers are vacant. Consequently, expatriate presence is at present indispensable to the functioning and expansion of co-op operations. Staff motivation is uneven, with some employees more conscienscious than others. There is a general deficiency in accounting and record-keeping skills and in ability to analyze the problems indicated by the financial statements and follow through on the solutions.

6.10 MCC qualified manpower: Fig 6.2 shows the organization of qualified personnel in the Department of Cooperative Development. The most serious staff shortage is probably at CODEC (par 6.36), which does not have enough Swazi personnel to fill all teaching posts and none to detach for instruction of committee members and farmers in the districts. The MCC audit teams (who inspect the books of the cooperative societies), the Senior Cooperative Officers (who organize and register co-ops), the Assistant Cooperative Officers (who aid in organizing societies and inspecting their records) and the Marketing Officers (who are expected to provide the co-ops with market information and connections) could have an important on-the-job farmer training function. In practice, the existing MCC field staff is only partly utilized, chiefly owing to lack of means of transport.

6.11 Salaries in the CCU/DCU system have been generally lower than in comparable private sector positions, especially in the higher positions; this was a major cause for the high staff turnover rate (par.6.13). However, the situation was considerably improved in October 1978 by salary raises nearly across the board and most notably in the higher echelons: monthly salaries were generally augmented from E80 to E95 for secretary-managers, from E95 to E110 for depot managers, from E110 to E200 for district mangers designates and from E110 to E250 for the deputy general manager and farm supply manager designates. The revised salaries are about in line with the present capabilities of the incumbents, and probably sufficient to keep most of them in the co-op system. However, it is imperative that upon return of top management trainees from abroad they will be offered salaries commensurate with their increased value on the job market to prevent the private sector from luring away most of them.

6.12 Staff expansion in the CCU/DCU system has been rapid. About 65 Swazis were on the payroll on 12/1/78, as opposed to 41 on 31/12/77 -- an expansion of 59%. The expansion of sales volume has of course been much higher (par. 1.11), indicating better staff utilization. Nevertheless, 5 Swazi top management positions are currently vacant (par. 6.9), and 4 secretary-managers are necessary to replace those who will substitute for the 4 persons going for overseas training in January 1979.

6.13 Staff stability: in the past, the CCU staff turnover has been high: of 41 persons employed by the CCU/DCU system on 12/31/77, 7 have departed by 6/30/78, i.e. an annual attrition rate of about 34%. This high rate was due primarily to low salaries (the salaries are set by the CCD following GOS pay scales, whereas the CCU is competing in the job market with the higher-paying private sector). Improper selection of employees, uncertainty regarding the future of the CCU/DCU, and lack of sufficient on-the-job orientation by the CCU/DCU and MCC inspection personnel might also have been contributing factors for the high turnover rates. However, salaries have recently been augmented (par. 6.11) and the other conditions are also rapidly improving, so that a reduction of the turnover rate to 15%-20% annually may be expected.

Future Requirements for Qualified Manpower

6.14 Projected co-op growth: the following skilled-manpower projections are based on the assumption that in 1983 the CCU/DCU/Primary system will handle an annual business volume of about E5 million in farm inputs, plus an equal or greater volume of marketing credit chanelled through the

CCU to the Cotton Co-op and other marketing organizations (par. 4.2). Considering that CCU 1978/79 farm input sales are estimated at E1.7 mill., and marketing credits at about E4 mill., and given the growth during the past few years (par. 1.11), it seems fairly certain that the effective demand in 1983 will reach or exceed E5 mill. in inputs and an equal amount in marketing credit. Furthermore, it is believed that farmers' demands, reflected in government directives, will oblige the CCU system to satisfy the above requirements, even if internal considerations would have given preference for a slower and more solidly based growth.

6.15 Demand for top management staff; Table 6.1 shows the staffing pattern which will be necessary in 1983 to meet the requirements of the expanded co-op system. The organization of skilled personnel required in the CCU/DCU system is show in Fig. 6.3. Table 6.1 indicates that the top managers required by 1983 in each organization are:

(i)	CCU: general manager & deputy, farm supply manager & deputy, marketing manager, credit manager, deputy financial manager ---------	7
(ii)	DCU's: district managers ----------------	4
(iii)	MCC : auditors -------------------------	3
	Total, positions requiring top management training	14

6.16 Demand for middle managers: Table 6.1 also shows that by 1983, about 28 middle managers (certificate level) will be required to man the 18 RDA depots, 6 other depots and 4 Deputy District Manager positions. Several more middle managers will be required by the larger primary societies.

On the other hand, about 4 existing depot managers could be upgraded to the required level by the Kenya Certificate Course. Thus the total requirement in 1983 is for about 28 new middle managers (trained by the two-year CODEC course), plus about 4 secretary-managers upgraded by the Kenya certificate course.

6.17 Demand for secretary-managers: Table 6.1 indicates that, by 1983, ninety secretary-managers (3 months CODEC training) will be required to fulfill the positions of Primary Society secretary-managers, assistant depot managers and CCU/DCU accounts clerks. In addition, of the 34 existing secretary-managers about 20 could absorb additional training and should be upgraded by the CODEC level II ten-week course (par.6.38).

6.18 Demand for trained committee members: of the 122 primary societies currently registered in Swaziland, about 50 are active agricultural societies. It is hoped (par. 1.28) that the MCC will be able to prevent the proliferation or even reduce the number of primary societies by turning many of them into branches of the corresponding RDA co-operative. Thus the need will exist for initial training (3-4 five-day sessions) for up to 50 committees, plus refresher training (1-2 five-day sessions annually) for the above as well as for the CCU and DCU committees.

6.19 Demand for trained farmers: the members of the currently active primary societies need to be contacted by DCU and MCC officers several times annually (par. 6.2). By 1983 their number is expected to increase severalfold.

Top Management Training

6.20 Number of trainees: to assure that 14 persons will be filling by 1983 the top CCU and DCU management positions and the MCC auditors' positions (par. 6.15), it is considered necessary to send during 1979-1981 about 21 candidates (an average of 7 annually for 3 years) to two-year overseas training. This would provide 7 reserve trainees as replacements for trainees who may not be able to finish their studies because of academic or family reasons, or who may upon return be lost by the co-op system to the private sector.

6.21 Duration of training: for managing the co-op system envisioned in 1983 (par. 6.15), two-year college training leading to the Associate of Arts in Agribusiness Management degree or equivalent is considered adequate. Such training will usefully complement the 9-month Kenya certificate, possessed by most present top management training candidates, which concentrates more on co-op philosophy, law and accounting and less on business management. Success in top management positions will depend more on the entrepreneurial qualities of the individuals selected for training and less on the length of training offered. Any consideration of additional studies leading to the B.A. degree or equivalent should be beyond the time frame of the present project. Four years of uninterrupted studies for B.A. degrees, as proposed by the original project design, will create an unacceptable risk that the trainees will lose their social connections and ability to function in the co-op system, as well as the risk that such degrees will cause them to be snapped up by the private sector.

6.22 Selection and quality of trainees: the CCD, who must approve all candidates for training, seems to follow the policy that (i) present co-op employees should be selected for training whenever possible, (ii) MCC employees be given second priority (to be eligible, they must transfer to the CCU), and (iii) outside candidates will be accepted only if no other choice exists, and must undergo secretary-manager's training before being eligible for studies abroad. This policy has the advantages of (i) providing the staff with promotion incentives, and (ii) assuring a more common point of view and loyalty to the co-op movement among the trainees. On the other hand, it is not certain that a sufficient number of existing employees, even after training abroad, will be up to the task of managing in 1983 an E10-million-a-year co-op system. In particular, it is not yet proven that any of the available candidates is potentially of General Manager caliber. Thus there may exist some conflict between the policy of in-house promotion and the objective of localizing top management posts by 1983; this objective might be more completely achieved if more qualified outside candidates, after passing the secretary-manager's training, would be accepted for training abroad. Such outside candidates may be sent in 1980 or 1981 as reserve trainees (Fig. 6.4), to assure the availability of a qualified manager if the first-choice in-house candidate does not terminate his studies or resigns. An attempt should be made to win capable Swazi junior executives of agribusiness firms to top co-op management posts.

6.23 Scheduling of training: the most appropriate training schedule would be to send the trainees initially for one academic year (9 months) of training, followed by three months of practical work in U.S. agricultural cooperatives.

The trainees would then return to Swaziland to serve one year of work practice in their respective institutions, while other persons are sent to similar training. At the beginning of the third year, those persons of the first contingent who have performed adequately on the job would be sent for a second year of training, while the second contingent would return for one year of work practice in Swaziland. A schematic schedule for top management training is shown in Fig. 6.4. This schedule contemplates starting with 21 trainees in order to end with 14 trained persons filling top management positions. Fig. 6.4 shows that some of the training, especially of the reserve trainees, may not be ended before end of project, and will have to be moved forward (eliminating the year of interim practice), or financed by non-project funds (e.g. by the USAID Southern Africa Regional Manpower Project). The budget of US$ 208,000 included for participant training in the project budget should cover most or all of the costs implied by this training schedule.

6.24 Pooling of trainees: it is strongly recommended not to designate in advance a specific work position to each trainee sent abroad, but to incur an obligation to employ the trainees upon their return in top CCU/DCU posts without specifying the post. In this way (i) it will be possible to assign each graduate to the post which best fits his/her talents and the current needs of the organization, and (ii) the trainees will gain motivation to excel in their studies and work for obtaining the most desirable posts.

6.25 Obligation of trainees: trainees sent abroad should undertake a contractual obligation with their institution to serve it upon return one year for every year of studies, or to reimburse it for the cost of their training. Such an obligation is likely to reduce the loss of graduates to the private sector.

6.26 Location of training: it would be desirable to send all trainees to one (or at most two) two-year agribusiness college such as Park College (Ma.), Kishwaukee College (Ill.) or the University of Wisconsin Centre for Co-op Studies. In this way (i) the trainees will not be mixed with U.S. four-year degree students, who have a different orientation, (ii) a common point of view and a team spirit will be created among the trainees, facilitating their joint work in the future, and (iii) the college concerned will develop a special relation with Swaziland, which may be expressed in sending professors on summer tours and sabbaticals to Swaziland, arranging research projects on topics relevant to the Swazi cooperative movement, etc.

6.27 The above assumed that top management training will be performed in the U.S. However, agribusiness training in an English-speaking African country should be considered, if the quality of such training is adequate.

6.28 Substitutes for trainees: while the trainees for top CCU/DCU management positions are studying, some of the more outstanding secretary-managers should be temporarily moved up to fill their work positions, in order to (i) prevent a void in the implementation of ongoing CCU/DCU activities, and (ii) give those persons the benefit of on-the-job training by the expatriate counterpart. Those substitutes, if they perform satisfactorily, could later be sent abroad as reserve trainees (par.6.20). A corresponding number of new secretary-managers should in turn be hired and trained to fill the positions of those moved temporarily up to top management positions. The timely contracting of this new staff could be assured by following the CCD's proposal of earmarking a part of the USAID CCU budget support to paying the salaries of new secretary-managers while they are pinch-hitting for those temporarily filling top management positions.

6.29 The original training plan contained in the PP has provided for only 4 degree training and 14 non-degree training positions. The present plan calls for more training, in view of (i) the large unforeseen increase in CCU activities (par. 1.6), and (ii) the organizational decentralization, which created the need for more qualified DCU managers.

6.30 Execution of the original training plan has suffered a series of delays. The original timetable called for the technical assistance team to arrive in Aug. 77 and for the 4 degree-level trainees to depart in Sept. 77, which was unrealistic in view of the lead time necessary for enrollment. The General Manager Designate resigned in Jan. 78, shortly before he was due to leave for training. Two prospective trainees returned only in April '78 from a Certificate course in Kenya, and it was considered for both professional and personal reasons premature to send them to the U.S. in September. An open advertisement for training candidates was made in May 1977, but their resumes were received by the CCU only in Oct. 1977.

By that time the policy of giving training preference to present CCU/DCU employees was defined. While all the above are undoubtedly valid reasons, the bottom line is that top management training is barely getting started and is about a year behind schedule. This situation is expected to be improved by the nomination of a CLUSA Deputy General Manager specifically responsible for training (par. 6.42).

Training of Middle Management and Secretary-Managers

6.31 Number of middle management trainees: the 28 or more middle managers required in 1983 (managers of RDA depots, other depots and larger primary society sheds, and deputy district managers -- par. 6.16) will be trained by CODEC through a two-year certificate-level course alternating study and practice periods (par. 6.23). The entrants to this training program will be at the "O" level (Form 5 -- roughly corresponding to junior high school graduates). CODEC has enrolled in Oct. 1978 the first such trainee group, which currently numbers 15 trainees, and which will graduate in Oct. 1980+. A second 15-trainee group is scheduled to enter CODEC in Oct. 1979 and terminate in Oct. 1981. In Oct. 1980 a reevaluation of middle-management training requirements should be made to ascertain the need for sending through a third group.

6.32 Number of secretary-manager trainees: if the staff turnover rate is assumed to be 15%-20% annually (par. 6.13), then to bridge the gap between the 38 secretary-managers

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+ It is noteworthy that about 75% of the trainees are from the districts, and about 50% are women.

and account clerks available at present and the 90 such persons who would be required in 1983 (Table 6.1) it would be necessary to graduate from CODEC 20 to 23 secretary-managers annually.

6.33 Facilities for training: the CODEC (Cooperative Development Centre) performs at present all the organized in-country training for co-op employees and committee members. The CODEC was established with SIDA (Swedish International Development Aid) assistance and is operated with ILO (U.N. International Labor Office) assistance. The CODEC opened its gates in Dec. 1976, but co-op instruction really started about July 1977. CODEC possesses modern facilities, with sleeping quarters for 40 participants and maximum dining-room capacity for 60 persons. Considering the need to feed about 10 employees and 23 trainees of the nearby crafts school, maximum participant dining capacity is only about 27 persons, which poses a constraint on CODEC capacity.

6.34 The original mission of CODEC was to aid development of the Swaziland Co-op movement both by training and in the field. CODEC has four branches:

(i) account & audit, which trains CCU and MCC staff in bookkeeping, accounting, commercial and managerial skills;
(ii) education & training, which includes printed and radio co-op publicity;
(iii) credit & marketing, and
(iv) consumer branch, which sets up co-op consumer shops and trains shop assistants.

Much of the CODEC field development function has been superseded by the more recent and larger CCU/USAID project. However, the CODEC has not yet fully reoriented itself to a purely training function.

6.35 Full-time CODEC teaching staff, according to the original project design, should have consisted of six Swazis (two each in the accounts and education branches, one each in the credit and consumer branches) and six expatriate counterparts. In practice, CODEC is operated at present by only four full-time instructors -- two Swazis and two expatriates. The present situation regarding full-time staff is as follows:

Branch	Swazis	Expatriates
Account & audit	None (2 instructors resigned to private sector/university)	1 senior technical adviser (part-time)
Education & training	1 (serves also as principal)	1 senior technical adviser (part-time);
	1 (radio programming)	1 may arrive
Credit & marketing	None (in training till June '79)	None (1 expected in Feb. '79)
Consumer supplies	None (in training till '81)	1 technical adviser
Total at present	2	2
Total expected, mid-'79	3	3-4

6.36 The table shows that CODEC is seriously understaffed. The most pressing need is for two Swazi instructors in accounting and auditing. At present CODEC responds to the staff shortage by operating at a low capacity and by using part-time lecturers from CCU, MCC and other organizations, to a much larger extent than desirable.

6.37 <u>Utilization of facilities</u> at the same time, the CODEC is underutilized. In the first 9 months of 1978 the facilities were used for only 33% of their theoretical capacity (taken as 40 trainees for 5 days per week). Moreover, 2/3 of the trainee-days corresponded to 362 non-coop personnel (bank officers, international conferences, etc.) and only 1/3 benefitted co-op persons. Seven courses of 2 to 15 days each were given to 141 co-op persons (new employees, depot managers, committe members, etc.). Since Oct. '78 the facilities are utilized mostly for the two-year training of 15 co-op middle managers (par. 6.31).

6.38 <u>Demands on CODEC</u>: to fully provide the in-country training needs of the co-op movement, CODEC should train annually the following number of persons:

Type of training	Weeks/year	No. of trainees
Middle management	26	15 (in 1977) or 30 (in 1980)
Secretary-manager-Level I	10	25
Secretary-manager-Level II	10	15
Secretary-manager -- refresher course (1 week/year)	1	40
Induction	4	40
Co-op committees	4	40
Co-op committees -- refresher course (1 week/year each)	5	40

6.39 The training demands of the co-op system would thus be 1350 trainee-weeks (in 1979) or 1740 trainee-weeks (in 1980), i.e. 67.5% and 87% respectively of the maximum theoretical CODEC capacity of 40 trainees x 50 weeks = 2000 trainee-weeks annually. This rough calculation indicates that CODEC facilities will barely meet the co-op training needs in 1979, if used exclusively for co-op training. By 1980 additional training facilities would be needed. This need might best be met by reserving CODEC to the training and refresher courses of depot managers and secretary-managers, shifting the training of committee members to the districts (possibly utilizing some MCC Assistant Cooperative Officers as instructors). Moreover, the above training demands considerably exceed present CODEC training targets. To meet demands, the CODEC staff will have to concentrate almost exclusively on training, leaving most field functions to the CCU staff. In particular, the training of 20-23 new secretary-managers annually should not be neglected.

6.40 CODEC expansion: the training of 40 co-op officials or members at a time would necessitate (i) expansion of dining facilities by about 20 places, or (ii) construction of separate dining facilities for the crafts school, or (iii) institution of double-shift dining. These alternatives should be considered by the CODEC expansion study expected in 1979. At the same time, the Swazi CODEC instruction staff should grow to six persons.

6.41 CLUSA/CODEC interaction: for the long-range success of the CCU/USAID project, the adequate training of sufficient numbers of Swazi middle managers and secretary-managers is likely to be more important than the more visible short-term achievements of the CLUSA team in the field. It is therefore recommended that the 4 CLUSA team members and the U.K. financial manager located at CCU will engage in part-time instruction at CODEC, particularly during the agricultural slack seasons: the Deputy General Manager, who is specifically responsible for training (par. 6.42) should teach for 2 days per week and the other expatriates for 1 day/week each. Their total impact will be far greater than that of one additional full-time instructor, since only the CLUSA team is in position to bring home to the trainees the real "how-to-do-it" knowledge.

Requirements for Expatriate Presence

6.42 During project life (assumed to include FY 81) there will be a need for 5 expatriate district managers: one each in Hhohho, Manzini and Lubombo districts and two in Shiselweni district, which handles a larger volume of business. This need can be fulfilled by posting in the districts as soon as possible the three additional CLUSA team members envisioned by the original project. Alternatively, these positions could be filled by three Peace Corps volunteers if these possess the necessary leadership abilities and a background in business or accounting. The new CLUSA or Peace Corps persons should have an experience in developing countries. Of the three existing CLUSA district managers, one should be promoted to the Deputy General Manager post, enabling the CLUSA team leader to concentrate on his functions as the Acting General Manager. The main duties of the new Deputy General Manager will be:

(i) liaison with the five district managers and their counterparts, including frequent visits to the districts; and

(ii) training: assuring the timely selection by the competent authorities of qualified candidates for overseas training, processing of their applications, follow-up of their studies abroad, and making preparations for their return; coordinating the placement of CODEC two-year students in appropriate positions during their work practice periods; coordinating the selection of secretary-manager candidates and their placement; assuring the relevancy of CODEC training programs to CCU/DCU needs; and part-time instruction at CODEC. In short, the Deputy General Manager will be responsible that the necessary training is accomplished, utilizing the appropriate agencies.

6.43 Assuming the presence at CCU of a U.K. chartered accountant for 2½ years starting in early 1979, as currently planned, the nine-man U.S. team outlined above would be sufficient for providing the technical assistance needs until end of project (assumed to include FY 81).

6.44 These ten expatriates are the minimum necessary to keep the co-op system going during the project period. In addition, some lower-level persons (e.g. two British International Voluntary Service persons and/or two U. S. Peace Corpsmen) would be useful as roving accountants for giving primary society and depot manager on-the-job training in maintaining the co-op accounts.

6.45 The post-project period: the EOPS of the original project (Annex A, Output 1.a) called for trained Swazis in the posts of CCU Deputy Manager, Marketing Manager and

Input Supply/Transport Manager. The training plan proposed in the present evaluation calls for all top management posts to be occupied by Swazis. However, it is considered that one or two expatriates would still be necessary for 2-3 years after end of project to help consolidate the rapid expansion which is expected to occur in the CCU/DCU system. After project termination, however, the expatriate(s) will be in an advisory rather than an executive capacity: one adviser to the General Manager and (possibly) one adviser to the Farm Supply Manager (Fig. 6.3). The date by which the CCU system could function without any expatriate assistance will depend largely on the entrepreneurial qualities and business acumen of the Swazi individual selected as CCU General Manager.

Conclusions and Recommendations of the manpower analysis are contained in the following Sections VII and VIII respectively.

VII. CONCLUSIONS

Institutional Aspects

7.1 The central institutional issue which hampers the common action of all parties concerned with the growth of the cooperative movement is a lack of national policy definition regarding the role of the CCU: is it (i) the apex organization of a farmers' cooperative movement, oriented to service of its farmer members and responding only to the will of its board of directors, (ii) a quasi-public development corporation responsible for achieving national rural development goals, or (iii) a de facto division of the MCC, whose management is effectively the responsibility of the Office of the Commissioner for Cooperative Development?

7.2 The decentralization of the co-op movement, while it places additional burdens on the DCU's and strains the CCU/DCU system's prospects of achieving financial viability, may strengthen the adhesion of members to the co-op movement. One current problem with decentralization is that the boundary between the duties of the DCU's and those of the CCU has not been completely defined.

Farm Supply and Transport

7.3 The project has been about a year late in starting, and is currently moving ahead at about two-thirds of the planned level of effort (six of nine CLUSA team members deployed).

7.4 Host country contributions have been planned at a minimal level. The MCC Co-op Division devotes most of its effort to project-related activities, but operates at essentially a pre-project budget level. The RDA's and local co-ops have provided the planned facilities, and the SDSB has considerably exceeded the amount of working capital it was expected to provide. However, SDSB short-term loans do not substitute, but rather creates a greater need, for direct GOS support to CCU organizational and staff development.

7.5 The CCU farm supply function is undergoing a phenomenal expansion and is expected to rise from a sales volume of E 479,000 in 1976/77 to E 1,700,000 in 1978/79, i.e., an increase of 255%, thus exceeding the original five-year project target in this area. At the same time, product conservation and handling, diversification of sales items, and the accounting system have been considerably improved. A large part of these results may be credited to the project. While a part of the CCU farm supplies may be substituting for inputs which commercial farmers who are co-op members would otherwise obtain through commercial channels, a large part -- notably the inputs channeled to the RDA's -- directly serve the project purpose of providing subsistence farmers access to modern inputs and semi-commercial agriculture. The rapid expansion poses, however, concern regarding the ability of the counterpart staff to manage the CCU after CLUSA's departure.

Marketing

7.6 The large (US$25 million) GOS/USAID/IBRD investment in the RDA program is highly skewed toward infrastructure investments, with no proportionate investment in marketing. Potential marketing problems have largely been assumed away through reliance on the CCU which is quite out of proportion with the marketing assistance given to CCU by the Cooperatives and Marketing Project. At the same time, farmers expect the CCU to solve their marketing problems.

7.7 Project marketing inputs have generally been realized on the scale planned, with the exception of a Marketing Manager Designate who has not yet been assigned. These inputs are helping to realize planned project marketing outputs, and have been important in the capture by the Cotton Co-op of an estimated 23% of the national seed-cotton market, and in advances of co-op marketing of other crops.

7.8 The major problem with the project marketing function is a lack of definition of the role which CCU should undertake in the agricultural marketing. This exposes the project to the danger of assuming too much responsibility in response to GOS directives, which may destroy CCU's viability once USAID assistance is withdrawn.

84

Credit

7.9 Credit has not been an important part of the original project design and no inputs were provided specifically for it. In practice, however, CCU's credit activity may far outstrip all other activities in importance, and certainly is the most critical to future CCU success. The increase in volume of CCU operations has been largely the result of the extension of production and marketing credit. In effect, the CCU is rapidly becoming a quasi-bank for co-ops, channeling SDSB credits to primary societies. In this function, however, CCU incurs the risk of payment difficulties by member co-ops owing to weather and price vicissitudes or internal conditions. This leaves the CCU, with its very high debt-to-equity ratio, in a vulnerable position with regard to servicing its loan and acquiring capital for new projects.

7.10 The CCU is in the process of determining a credit policy and administrative regulations concerning its constituent co-ops and their members. Still to be determined, however, is a policy regarding CCU's own role in the credit field -- what norms should it fix regarding services, interest rate, supervision and control, and what liabilities would it incur.

Financial Aspects

7.11 The CCU balance sheet reveals that the CCU is under-capitalized and dependent on grants and loans for its operation. Because of the very slim margin on its main activity (fertilizer distribution) and the need to share that margin with the DCU's and primary societies, as well as credit risks and losses, the CCU has accumulated a deficit since its establishment. The financial plans of CCU, however, forecast a reversal of that situation in the future. Most of the deficit shown in the CCU balance sheet is attributed to the fact that CCU and all of its assets serve as security for SDSB loans for marketing cooperatives and farm production credit. The highest losses to date may be traced to the Cotton Growers Cooperatives where the accounting and membership records were inadequate.

No provision was made in the accounts ending on May 31, 1978 for estimated inventory losses and uncollectable debts arising at the District Union and Primary Society levels. The precise amount of unrecoverable debts at CCU was still unknown in November 1978.

Manpower Aspects

7.12 Qualified manpower is very thinly stretched in the CCU, especially in the higher echelons; this poses a major constraint which must be resolved to assure CCU's post-project viability. Holders of top positions are mostly at the certificate level and need further training. At all levels, the accounting and record-keeping function is particularly deficient. Staff expansion has been rapid and staff turnover high, but shows signs of decreasing, especially since salaries (particularly for higher management) have recently been raised to come more in line with the private sector.

7.13 Projections of expected CCU volume of operations in 1983 show the need for filling about 7 top management positions in CCU and 4 in the four DCU's, as well as the upgrading of 3 MCC co-op auditors, i.e., a total of 14 positions. At the middle management (Certificate) level, about 28 new positions will need filling by 1983, and several present depot managers will need upgrading. At the secretary-manager level, about 20 to 23 new employees will have to be trained annually in order to fill new positions and compensate for staff turnover. Co-op committee members will need training in fundamental co-op topics through short courses.

7.14 For a variety of reasons participant training is barely starting, considerably behind schedule. Furthermore, it is not certain that enough qualified candidates for top management positions could be found among present CCU/DCU employees. Thus the present policy of preference for promotion from the ranks could come into a certain conflict with the goal of a rapid localization of management. CCU long-term viability may depend more than anything else on the entrepreneurial qualities of the candidates selected for top management training.

7.15 Middle and basic-level co-op training takes place at the CODEC. The CODEC has good facilities, but is under-staffed and under utilized, serving mostly non-co-op functions.

VIII RECOMMENDATIONS

Institutional Aspects

8.1 One way to solve the operational problems caused by the differing conceptions regarding the role of the CCU would be for the CCD to accept full management authority for the CCU, along with the corresponding responsibility. According to this option, the CCU technical staff will bring to the CCD's decision all major issues, with recommendations for action, including the probable financial consequences to the CCU of following alternative strategies. In this case, the technical staff cannot be held accountable for CCU performance and financial viability, provided they follow MCC operational instructions. The alternative would be to delegate clear areas of responsibility to the CCU's senior management staff. The staff would then be accountable for their specific areas of responsibility to the CCU management committee and/or to a superior cooperative policy committee which could include the MCC and MOA Permanent Secretaries and representatives of the CCU and DCU's management committees, of the SDSB and possibly of the major co-ops.

8.2 The role and duties of the DCU's should be clearly defined. It is suggested to strengthen the DCU's by allowing them to operate most RDA depots, particularly those in new RDA's, and by encouraging small existing primary societies and new farmer groups to organize themselves as branches of the local RDA depot. The training of management committees should spell out the role and duties of management committees and those of the technical co-op personnel. Efforts should be made to amalgamate existing small primary societies and to apply criteria of viability to the organization of new primary societies.

8.3. While the casting of CLUSA personnel in management roles might have been an operational necessity, the CLUSA team should have a clear plan regarding how its shift to advisory roles and ultimate phase-out is to be accomplished.

8.4. Communications among the parties concerned with project success could be strengthened by regularly scheduled RDA/DCU coordination meetings, USAID field visits, and CCU/CLUSA written, phone and personal contacts with the corresponding MCC personnel.

Farm Supply and Transport

8.5. GOS, through MCC and MOA, should be encouraged to offer some direct support to CCU during its start-up period, and to make more specific and formal its backing for SDSB loans to the CCU.

8.6 The expatriate team should be strengthened by three additional CLUSA (or qualified Peace Corps) District Managers to make the strength of the DCU's commensurate with the increased CCU capacity to service them.

8.7 There should be a more in-depth analysis of the present and future distribution of inputs among large vs. small and RDA vs. non-RDA farmers, resulting in more specific inputs targets for each class of beneficiaries.

8.8 The CCU should plan to enter a period of organizational consolidation in which the objective of continued rapid growth would be balanced by increased emphasis on staff development and the building of strong primary societies, for establishing a locally manageable co-op system.

Marketing

8.9 CCU should not be expected to enter into the physical market function of purchasing, transporting, storing and selling commodities. CCU strategy should be to have the interested primary societies undertake this role. CCU should act as a marketing catalyst, enlisting technical and financial resources for co-op marketing without assuming a physical market function. This could be accomplished by assisting the primary co-ops in preparation of marketing projects, technical assistance, supervision and credit. It would be in line with this role to change this name of CCU's "Marketing and Credit Division" to "Marketing Promotion Division." Marketing must be considered as the leading edge of a small farmer development program before the strong input supply project with a multiple credit service become a disservice.

Credit

8.10 An in-depth analysis of small-farmer credit needs, operations, and policy including field-level baseline credit feasibility studies, is necessary, as a base for determining the role to be played by CCU in the credit field. The scope of work would include:

(i) the amount and sources of agricultural credit historically and currently available to small farmers living on Swazi Nation lands from SDSB programs, commercial banks, cooperatives, market firms and firms selling production supplies.

(ii) determine the extent of unfulfilled demand for small farmer credit inside and outside RDA's;

(iii) appraise the economic benefits of additional credit for the small farmer who lives on Swazi Nation land with and without markets for the products produced above and beyond the subsistence level;

(iv) analyze the existing interest rate structure and associated lending policy of credit institutions including the adequacy and suitability of the cooperative credit policies for the farmers needs;

(v) based on the assessment and analysis conducted by the MOA, MCC and CCU through consultants or a research team:

- propose guidelines for small farmer lending programs,
- estimate the expected demand for credit,
- propose appropriate interest rates, management service charges on fees for loan management,
- determine the record of losses, and
- cost of supervising credit.

It is recommended that CCU make an independent appraisal of the benefits and losses experienced in making loans to both large and small farmers while the Swaziland credit study is in process. It may be possible for the Marketing Cooperatives and large commercial farmers to obtain credit directly from banks and commercial sources.

Financial Aspects

8.11 To improve the financial position the CCU should increase its proportion of cash sales and diversify its line of sales to include more items of higher gross margins and more year-around demand. All services rendered by the CCU should bear a charge commensurate with their cost. Credits should bear a realistic interest rate which reflects the cost of funds to CCU, loan management costs and a risk allowance. An additional way to raise capital could be the institution of a fund, originating from a certain surcharge on all co-op sales, which would be destined to the training of secretary-managers and other co-op employees.

It is recommended that CCU develop a financial plan that extends the planning horizon five years ahead of the fiscal budget for new direction, replanning and financial managment. The multi-year plan would highlight the cooperative project and development objectives in terms of income and expenditures required to achieve the objectives. It would provide a format to schedule the re-payment dates for long and short period loans. Each year as the new budget is submitted, the financial plan would be updated and submitted to show the potential income and expenditures of CCU and the DU's. The financial plan could be associated with the project priorities and plan of work for future direction and results.

Manpower Aspects

8.12 Top CCU/DCU management and MCC auditors could be appropriately trained by a two-year U.S. course leading to a degree in cooperative agribusiness management or its equivalent; an uninterrupted four-year university course at this stage is likely to be counter-productive. The two years of studies should optimally be separated by one year of interim work in the Swaziland co-op movement. About 21 persons should be sent for training over the coming three-year period to assure filling the 14 top co-op management positions forecast by 1983. If enough candidates of potentially top management caliber are not found within the co-op system, outside applicants should be accepted and initiated to the co-op movement through the secretary-manager course. Trainees should not be assigned a specific position before training but be promised a top management post, the specific post to be determined upon their return according to the trainee's capacities and the needs of the organization. Persons trained abroad should undertake to serve the co-op system a year for each year of studies. Upon the trainees' return, they should be offered salary raises commensurate with their increased value on the job market. While top managers are in training abroad, qualified depot managers should be moved up to substitute for them. New secretary-managers, in turn, could be hired to replace those moved up. A part of USAID's budget support to CCU could be earmarked to pay the salaries of these replacements during a specified period. To guarantee proper attention to the training function, upon arrival of the three remaining CLUSA (or Peace Corps) District Managers one of the existing District Managers should be moved to Manzini as Deputy General Manager, whose most important duty would be to be in charge of the training.

8.13 To fulfill the needs for middle managers in 1983, two or possibly three groups of 15 students each should pass through the CODEC two-year Certificate-level study-and-practice course.

8.14 At least 20 new secretary-managers should be trained at CODEC annually. At the same time, CODEC must also provide refresher courses and upgrading of incumbent secretary-managers and co-op committee members. To accomplish this essential service to the co-op movement, MCC should permanently assign qualified employees to the four currently vacant Swazi instructor positions at CODEC, and provide sufficient budget to keep CODEC at close to its full capacity, using its facilities mostly for the training of co-op personnel. At a later date the training of co-op committee members could be gradually shifted to the districts. To assure that

CODEC graduates will obtain a training appropriate to CCU/DCU needs, CLUSA team members stationed in Manzini should undertake part-time instruction, particularly in the agriculturally slack season.

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TABLE 2.1: PROJECT INPUTS BY HOST COUNTRY

Programmed Input: Source	Programmed Input: Amount	Contribution to CCU System 1/	Consideration for Additional Support
A. MCC Co-op Division	37% of Budget. to amount to $145,000/year	A. Total budget is only $100,000/ year. However, the Co-op Div. entire function is in reality to support the Co-op system.	A. Necessary additional GOS budget support to strengthen CODEC to provide training and back-up assistance.
B. MOA	Sheds/Warehouses $150,000	B. Presently being provided to CCU for distribution points in RDA's. New warehouses being provided as RDAs develop (largely financed with foreign assistance)	B. MOA/RDA should consider special budget support funds to CCU when CCU assistance is required to support new and/or special RDA production marketing activities.
C. CCU	Facilities-$20,000 Operating costs- $230,000	C. Office provided. Major portion of CCU budget goes to supporting the system. This is part of the reason why CCU as an organization has not yet shown a profit.	C. MCC, MOA, and the DCU's should be encouraged to pick some of these items which are in support of the system and are a drain on CCU.
D. SDSB	Operating Loan $250,000	D. SDSB has already provided over $2.0 millions in loans or credit. Being short-term loans this excess over the design amount does not make up for shortfalls in other GOS inputs.	D. GOS should be encouraged to make more specific and formal their guarantees on SDSB loans.
E. Local Co-ops	$50,000-Sheds $25,000-operating costs.	E. Sheds and costs being provided where available, but system is still operating at net loss.	E. Further primary expansion should be made on self-help basis and volume(membership) of primany societies should be built up to encourag a profitable level of operation.

1/ CCU system to include the total cooperative network which the CCU (apex organization) is expected to serve.

96

TABLE 5.1: SUMMARY OF THE CCU BALANCE SHEET

	Year Ending 31 May 1977 E		Year Ending 31 May 1978 E		Increase or Decrease E	
Fixed Assets		14,751		84,786	70,035	
Office Equipment	814		5,359		4,545	
Depot Equipment	7,534		7,563		29	
Motor Vehicles	5,418		62,358		54,118	
Office furniture	985		2,607		1,622	
Prefabricated Bldg.	-		6,489		6,489	
Current Assets		784,167		1,916,839	1,132,672	
Stocks	157,913		87,347			(70,566)
Livestock	3,510		-			(3,510)
Short-Term Loan	156,464		1,176,291		1,019,827	
Debtors: Cons. Soc.	2,613		8,116		5,504	
Affiliated Soc.	214,019		381,731		167,712	
Primary Soc.	43,417		113,051		69,634	
Sundry Debtors	46,827		75,040		28,213	
Marketing Operat.	76,951		70,040			(6,911)
Bank Balance	80,762		3,525			(77,237)
Cash	1,691		1,668			(23)
Current Liabilities		268,783		1,395,195	1,126,412	
Creditors: Suppliers		53,674		118,546	64,872	
Sundry Creditors		52		37,867	37,815	
Accruals		1,654		19,574	17,920	
Bank Loans & Overdraft		213,403		1,219,208	1,005,805	
Net Current Assets		515,384		521,644	6,260	
Net Current Assets plus Fixed Assets		530,135		606,020	75,885	
Financed by:						
Funds and Reserves		530,135		606,020	75,885	
Special Reserve			33,200	177,338	144,138	
Statutary Reserve			131	131	-	
Salary Fund			17,611	18,716	1,105	
Accumulated Deficit Account			(20,807)	(90,165)	(69,358)	
Long-Term Loan			500,000	500,000	-	

TABLE 5.2: CCU FINANCIAL STATEMENTS

	Trading, Profit and Loss Account for Year Ending					
						Projected for
		May 31, 1977		May 31, 1978		May 31, 1979
		Emalangeni		Emalangeni		Emalangeni
Sales		478,532		973,257		1,429,928
Less Cost of Sales		457,941		949,414		1,374,861
Gross Profit		20,591		23,843		55,067
Add Interest and Loan Management Income						108,000
Deduct Expenses		34,688		114,290		156,198
Administrative	24,840		109,971		106,198	
Financial	9,848		4,319		50,000	
Net Profit or						6,869
Net loss before Misc. recepits		(14,097)		(90,447)		
Miscellaneous receipts		2,405		17,491		
Net loss before exceptional items		(11,692)		(72,959)		
Add 76/77 Cotton Marketing loss				11,614		
Net loss for year		(11,692)		(84,570)		
Deduct: USAID Budget Support		9,829		15,751	add	20,000
Unappropriated loss for year		(1,863)		(68,819)		
Projected net income						26,869

TABLE 5.3: 1978/79 SALES & GROSS MARGIN ESTIMATES FOR FARM SUPPLIES

Items	Projection 1978/79	Gross Margin	Percentage
	Emalangeni	Emalangeni	
Fertilizer	912,428	36,592	4%
Maize Seed	105,000	5,250	5%
Veg. Seed	21,000	1,050	5%
Other Seeds	54,000	2,700	5%
Chemical	250,000	7,500	3%
Vet. Products	27,500	1,375	5%
Feed	60,000	600	1%
Total, E	E1,429,928	E 55,067	3.85%
Total, US$	$1,644,335	$ 63,327	3.85%

TABLE 6.1: EXISTING AND REQUIRED SKILLED SWAZI CO-OP PERSONNEL

	Available 1978	Necessary 1983
Top Management (2-year college degree)		
CCU		
General manager	-	1
Deputy general manager	1 a/	1
Farm supply manager	1 a/	2 b/
Marketing manager	-	1
Credit manager	-	1
Financial manager	1 a/	2 b/
DCU		
District managers	3 a/	4
MCC		
Auditors	-	3
Total, top management personnel	6	15
Middle Management (CODEC 2-year certificate)		
DCU		
Deputy district managers	-	4
RDA's		
Depot managers	-	18
Other Depots		
Depot Managers	-	6
Total, middle managers	-	28

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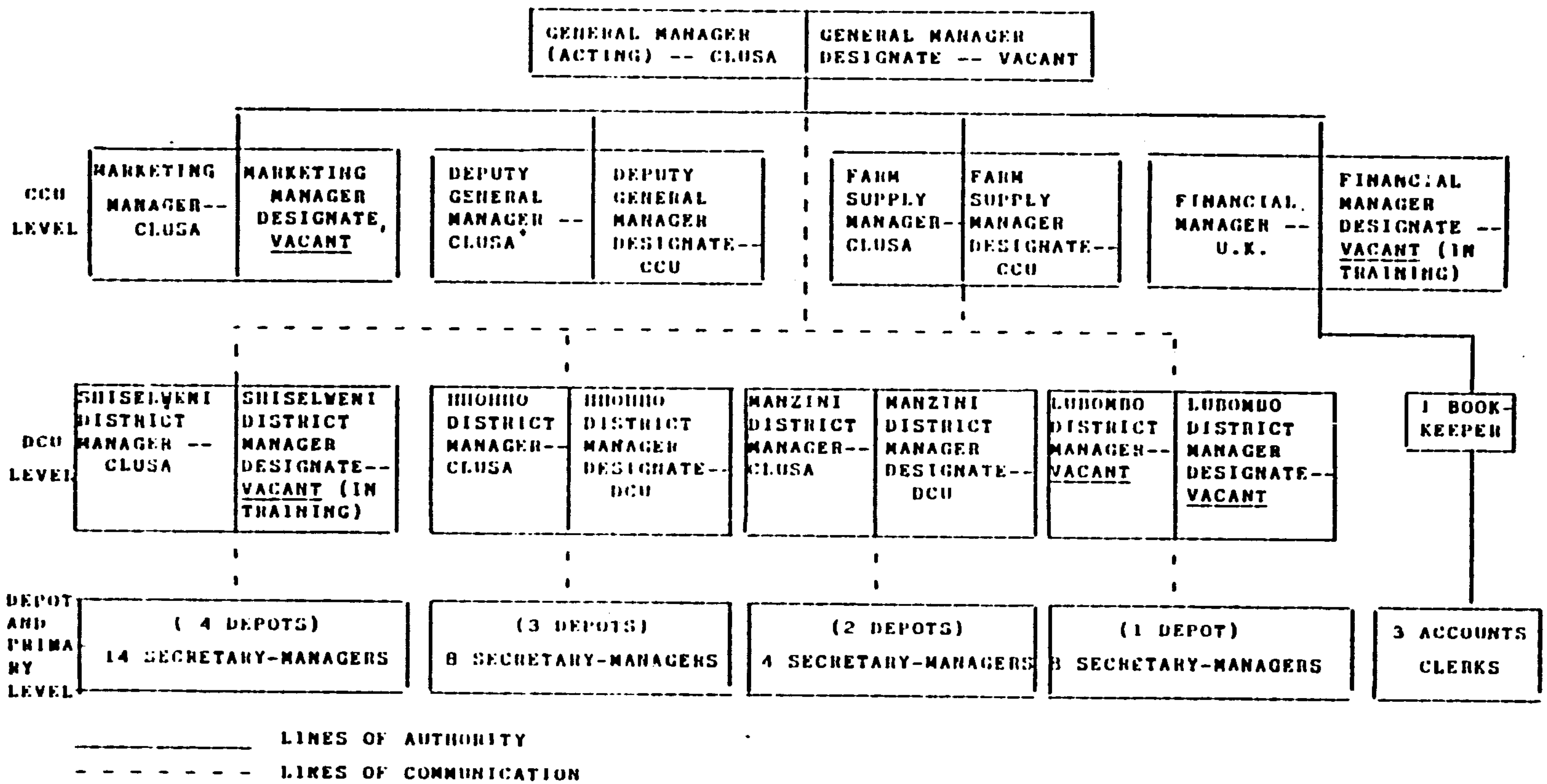
a/ Designate

b/ 1 manager + 1 deputy

TABLE 6.1: EXISTING AND REQUIRED SKILLED SWAZI CO-OP PERSONNEL (CONT'D)

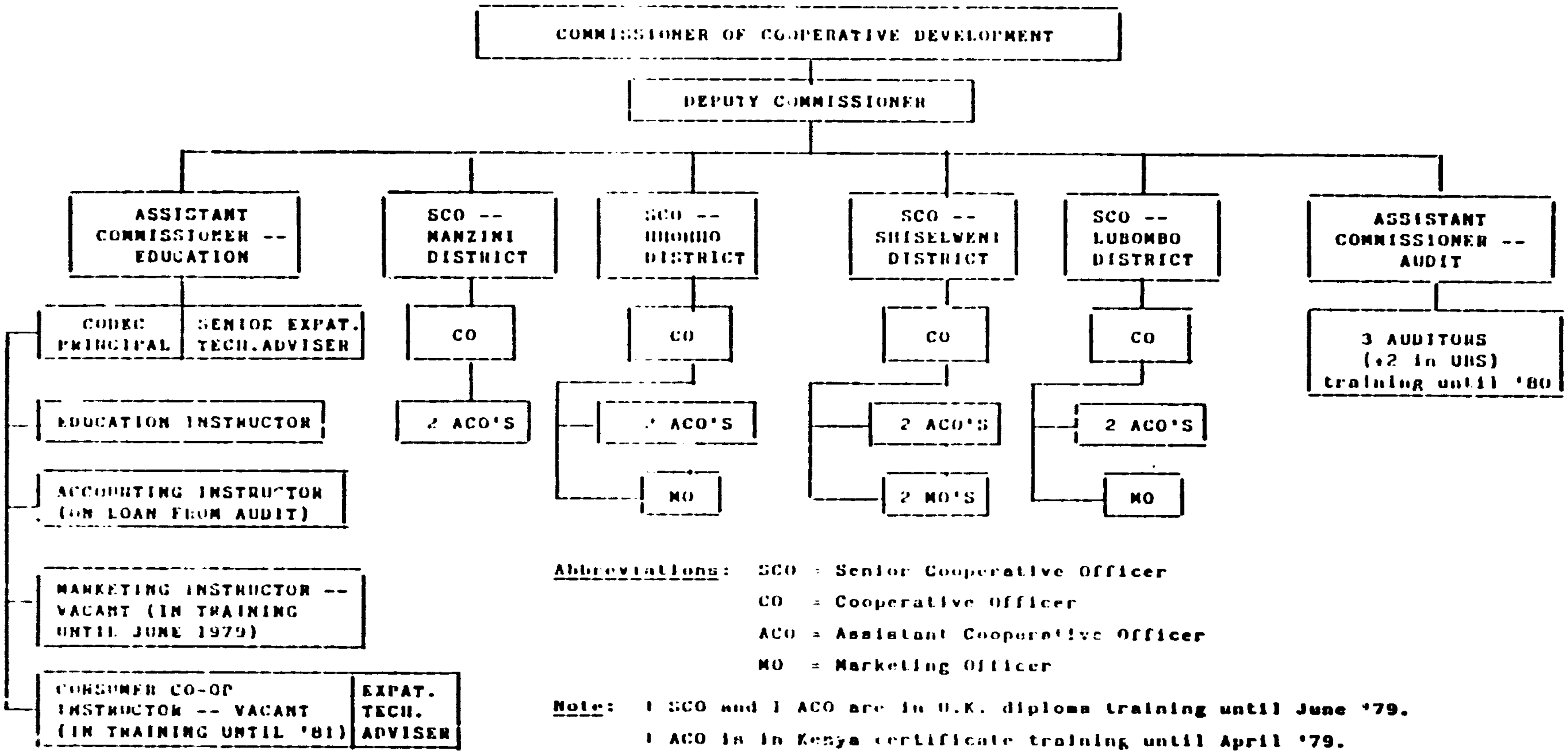
	Available 1978	Necessary 1983
Secretary-Managers (CODEC -- 3 months)		
Primary societies -- secretary-managers	23	53
RDA depots -- secretary-managers	5	18
Other depots -- secretary-managers	6	6
DCU -- accountants	-	4
CCU -- bookkeepers	1	2
CCU -- accounts clerks	3	7
Total, secretary-managers	38	90
Trained Committee members (CODEC -- 4 weeks)		
Primary societies (5 per active society)	n.a.	250
DCU's (5 each)	n.a.	20
CCU	n.a.	5
Total, trained committee members	n.a.	275

FIG. 6.1: SKILLED PERSONNEL IN THE CCU/DCU SYSTEM, DEC. 1978



* Fulfilled by the CLUSA team leader simultaneously with the Acting General Manager post.

FIG. 6.2: SKILLED PERSONNEL IN THE MCC DEPARTMENT FOR COOPERATIVE DEVELOPMENT, DEC. 1978



Abbreviations: SCO = Senior Cooperative Officer
CO = Cooperative Officer
ACO = Assistant Cooperative Officer
MO = Marketing Officer

Note: 1 SCO and 1 ACO are in U.K. diploma training until June '79.
1 ACO is in Kenya certificate training until April '79.

FIG. 6.3 : PROJECTED SKILLED-MANPOWER REQUIREMENTS IN THE CCU/CDU SYSTEM IN 1983

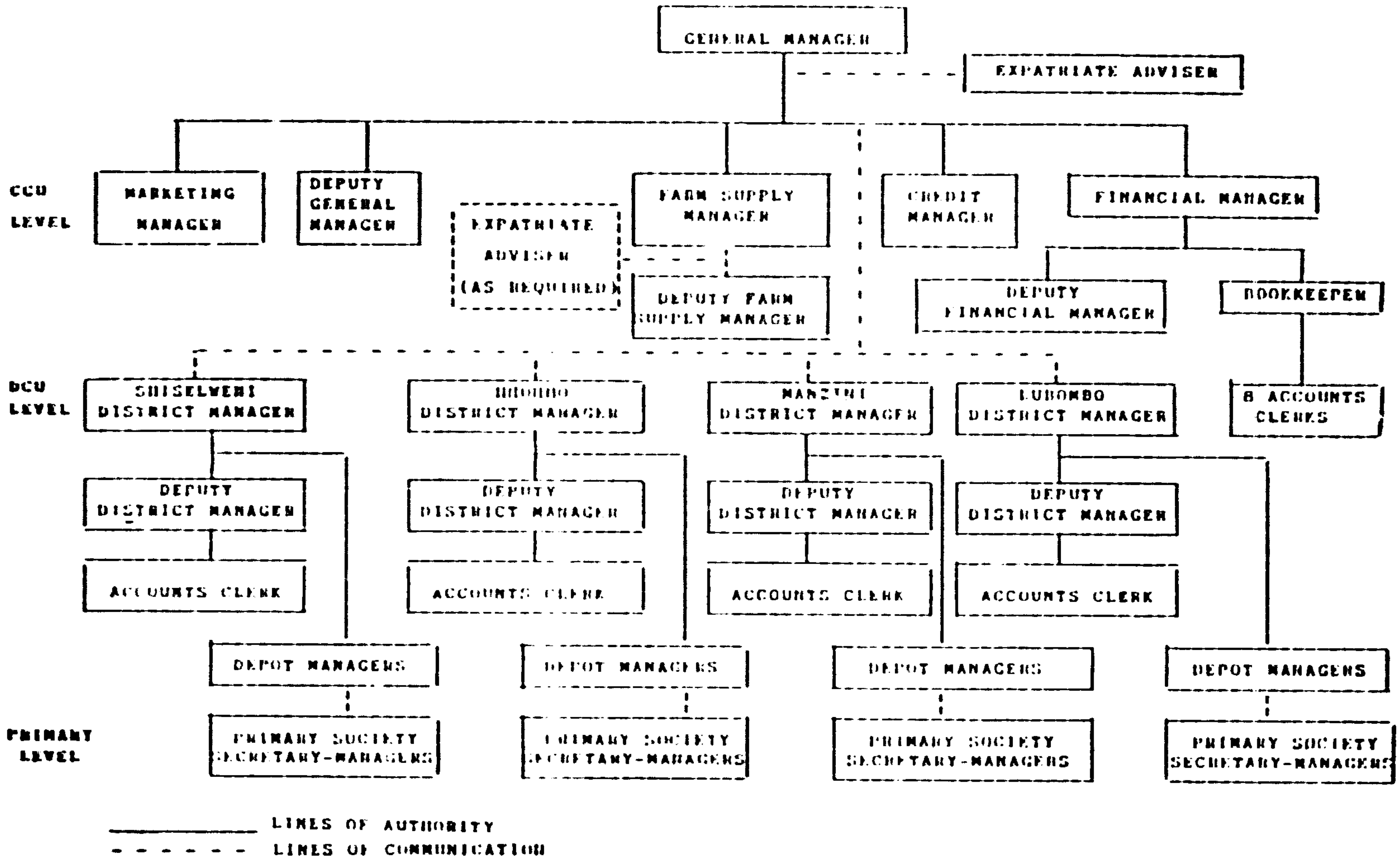


FIG. 6.4 : SCHEMATIC TRAINING SCHEDULE FOR TOP MANAGEMENT STAFF

	1979	1980	1981	1982	1983
CCU					
General manager		xxxxxxxxxx		xxxxxxxxxx	
Deputy general manager	xxxxxxxxxx		xxxxxxxxxx		
Farm supply manager	xxxxxxxxxx		xxxxxxxxxx		
Deputy farm supply manager	xxxxxxxxxx		xxxxxxxxxx		
Marketing manager	xxxxxxxxxx		xxxxxxxxxx		
Credit manager	xxxxxxxxxx		xxxxxxxxxx		
Deputy financial manager	xxxxxxxxxx		xxxxxxxxxx		
Reserve GM/DGM		xxxxxxxxxx		xxxxxxxxxx	
Reserve farm supply manager		xxxxxxxxxx		xxxxxxxxxx	
Reserve marketing manager		xxxxxxxxxx		xxxxxxxxxxx	
Reserve financial manager		xxxxxxxxxx		xxxxxxxxxxx	
DCU					
Hhohho district manager	xxxxxxxxxx		xxxxxxx		
Manzini district manager	xxxxxxxxxx		xxxxxxx		
Shiselweni district manager	xxxxxxxxxx		xxxxxxxxxx		
Lubombo district manager	xxxxxxxxxx		xxxxxxxxxx		
Reserve district manager		xxxxxxxxxx		xxxxxxxxxxx	
Reserve district manager		xxxxxxxxxx		xxxxxxxxxxx	
NCC					
Auditor	xxxxxxxxxx		xxxxxxxxxx		
Auditor	xxxxxxxxxx		xxxxxxxxxx		
Auditor		xxxxxxxxxx		xxxxxxxxxxx	
Reserve auditor		xxxxxxxxxx		xxxxxxxxxxx	

ANNEX A: LOGICAL FRAMEWORK OF ORIGINAL PROJECT

Program or Sector Goal	Measures of Goal Achievement	Means of Verification	Assumptions
1. To move the small Swazi farmer from subsistence into semi-commercial agricultural activities.	1. Increase in marketed production by small Swazi farmers.	1. Sample census of agriculture.	1. Swazi farmer will respond to economic incentives.
	2. Increase in the farm income of small Swazi farmers.	2. Records of Swazi Milling Company, the CCU and other marketing outlets.	2. Use of co-operative services will increase farm income.
	3. Increase in farm input and credit use.	3. Data under the RDAP and this project	3. GOS policies will encourage movement out of subsistence agriculture.
		4. SDSB records.	

Project Purpose		End of Project Status	Means of Verification	Assumptions
To assist in developing a viable, producer-oriented cooperative structure providing production-related inputs and marketing services to the rural sector.	1.	GOS and donors have developed a working cooperative structure.	1. MCC and CCU records, project evaluation.	1. Cooperative movement continues to receive GOS and donor support.
	2.	Volume of inputs channelled through the cooperative network is at least 200 percent higher than 1976 levels.	2. CCU and primary society records.	2. Agricultural input prices remain at reasonable levels.
	3.	Volume of farm produce marketed through cooperative channels is a growing percentage of total small Swazi Farmer marketing of the crops being handled by the cooperative system.		3. Traditional markets remain open and new markets can be developed for Swaziland agricultural produce.

Project Outputs	Magnitude of Outputs	Means of Verification	Assumptions
1. Staffed and equipped CCU.	1a. Trained Swazi occupying the CCU positions of Deputy Manager, Marketing Division Chief and Input Supply/Transport Division Chief.	1. CCU personnel records, staff in position, CCU reports, on-site inspection.	1. CCU will be able to attract adequate financing for activities.
2. Marketing channels and marketing arrangements.	1b. Transportation fleet of 12 vehicles adequately maintained.	2. CCU records, CCU reports.	2. Traditional markets remain open for Swazi produce and new markets can be developed.
3. Effective operating procedures for CCU, area depots and primary society warehouses.	1c. Radio links between CCU headquarters and Farm Service Centers (16).	3. CCU and primary records, on-site inspection.	3. Other donor assistance to th[e] cooperative move[-] ment is continu[ed]
4. Trained staff.	2a. Market outlets in Swaziland and/or South Africa for both perishable and non-perishable crops developed.	4. Personnel records, participants returned, in-country training conducted.	4. Adequate number of staff can be employed and trained.
5. Warehouse quality and capacity.	2b. A market information system for co-operative members.	5. GOS construction records, on-site inspection.	
6. A CCU with an adequate financial base to meet operating capital needs.	2c. Quality control and grading standards developed as needed.	6. CCU records.	
	2d. At least half (22) multi-purpose primary societies offer marketing services.		

Magnitude of Outputs (cont'd)

3a. Manual of operating procedures developed for CCU.

3b. Standardized warehouse stock control system in use.

3c. Agricultural input ordering and delivery in use.

4a. Trained Swazi managers at 16 Farm Service Centers.

4b. Trained secretary-managers at 90 percent (estimated to be 39) or more of the active multi-purpose primary societies.

5a. One warehouse and three fertilizer sheds constructed.

5b. Five warehouses renovated and extended.

6a. CCU has available operating capital of at least $800,000.

Project Inputs	Implementation Target	Means of Verification	Assumptions
USAID			
A. Technical Assistance			
(i) CCU Deputy Director (ii) Crop Marketing Specialist (iii) Input/Transportation Specialist (iv) Six Depot Management Staff (v) Consultants	Total of 424 staff-months at a cost of $1,821,000.	AID reports.	Suitable personnel of the proper skills can be located in the given time frame.
B. Participant Training			
(i) Degree (ii) Non-Degree	Total of 26 staff-years at a cost of $208,000.	AID reports.	Suitable staff for training can be located.
C. Commodities			
(i) Vehicles (ii) Communications System (iii) Miscellaneous Equipment	Total of $127,000	AID reports.	
D. Local Costs			
(i) Staff Housing (9) (ii) Warehouse Construction (1) (iii) Warehouse Renovation (5) (iv) Fertilizer Shed Construction (3) (v) CCU Budget Support	Total of $305,000 for construction/renovation and $120,000 for local budget support.	AID reports.	AID management is adequate.

Project Inputs	Implementation Targets	Means of Verification	Assumptions
SWAZILAND			
A. Ministry of Commerce and Cooperatives			
(i) Recurrent budget (37% of Cooperative Division Budget)	$225,000		Swaziland inputs will be made available on schedule.
B. Ministry of Agriculture			
(i) Facilities (Warehouses and Fertilizer Sheds)	$150,000	MCC, CCU and primary society records.	
C. Central Cooperative Union			
(i) Facilities (Warehouse)	20,000		
(ii) Operating Costs (Roughly 60% of expected CCU income)	230,000		
D. Swaziland Development and Savings Bank			
(i) Operating Capital Loan	250,000		
E. Primary Societies			
(i) Facilities (Small Warehouses)	50,000		
(ii) Operating Costs	25,000		

ANNEX B: LOGICAL FRAMEWORK OF REPLANNED PROJECT

Program Goal	Measures of Goal Achievement	Means of Verification	Assumptions -- Program Goal to Sector Goal[1/]
1. Move the small Swazi farmer into semi-commercial agricultural activities.	1. An increase in real farm income in 1983 by an average of ... % on ... SNL farms.	1. Annual SNL sample survey.	1. Increased income will be used by the farmer to improve his standard of living.
	2. An increase of ... % in agricultural production on SNL by 1983.	2. RDA program evaluations.	2. The rate of natural increase of farm population wil[l] not be larger than the rate of increase in income.
		3. Census of agriculture.	
		4. National income statistics	
		5. Special field surveys.	

1/ Sector goal is taken to be "improvement in living standrds of small Swazi farmers".

ANNEX B: LOGICAL FRAMEWORK OF REPLANNED PROJECT (CONT'D)

Project Purpose	End of Project Status	Means of Verification	Assumptions
Develop a viable small-farmer-oriented cooperative structure providing the rural sector with services in farm supplies, marketing, and credit as the situation requires. (Viable means that at least direct current operating expenses are covered by sales margins and other member contributions. Small Farmer is any farmer with less than ... hectares of cropped land, living on SNL either in or out of RDA's).	1. By end of 1983, trained and qualified Swazi counterparts fill all operating positions of CCU and DCU's.	1. CCU/DCU records and accounts.	1. Swazi farmers will respond to economic incentives.
	2. In fiscal year 1980/81, CCU breaks even on current account (including depreciation).	2. Annual sample survey of SNL.	2. Use of co-op services will increase farm income.
	3. By end of 1981, ...% of SNL farmers are receiving inputs, credit and/or marketing services from cooperatives.		3. GOS policies will encourage movement out of subsistence agriculture.
			4. Agricultural input prices remain at reasonable levels.
			5. Traditional markets remain open and new markets can be developed for Swaziland agricultural products.

113

ANNEX B: LOGICAL FRAMEWORK OF REPLANNED PROJECT (CONT'D)

Project Outputs	Magnitude of Outputs	Means of Verification	Assumptions
	By end of FY 81:		
1. Staffed and equipped CCU.	1.a Foreign-trained Swazis fill all CCU top management positions.	1. CCU, DCU and primary records.	1. Co-op movement continues to receive GOS and donor support.
	1.b Transportation fleet of 12 vehicles adequately maintained.	2. CCU, DCU and Primary reports.	2. CCU will be able to attract adequate financing for its activities.
	1.c Radio links of CCU to all depots operating.	3. On-site inspection.	3. Other donor assistance to the co-op movement will continue.
2. Staffed and equipped DCU's and Primaries.	2.a CODEC Certificate holders or upgraded (Level II) secretary-managers direct all depots and fill DCU Deputy Manager posts.		4. Salaries in the co-op system will be adequate to hire and keep competent personnel.
	2.b .... secretary-managers employed in depots and Primary Societies, or as CCU/DCU bookkeepers.		5. Co-ops can achieve sufficient profit margins for loss-free operations.
3. Established budgetary and accounting system for CCU and active members.	3. CCU, DCU's and Primaries keep up-to-date books and produce monthly trial balances.		
4. Agricultural inputs of RDA's and other co-ops supplied as demanded.	4. CCU/DCU system delivers the inputs demanded by RDA depts and other co-ops, projected at E 3.33 million in 1981/82.		
5. Marketing and credit assistance provided.	5a. .... Primary Co-ops establish marketing programs assisted by CCU.		

ANNEX D: LOGICAL FRAMEWORK OF REPLANNED PROJECT (CONT'D)

Project Outputs (cont')	Magnitude of Outputs	Means of Verification	Assumptions
	5b. ....Primary Co-ops obtain development loans with CCU planning and supervision.		
6. Approved 3-year plan of warehouses/transport expansion and financial plan, including a program for debt service and for replacement of equipment.	6. Plan prepared and approved by directors and MCC one year before end of project.		
7. CCU and DCU show loss-free operation.	7. Positive balances on CCU and DCU balances on current account (including equipment depreciation).		

Project Inputs

Essentially equivalent to those contained in original design.

INTERVIEWS AND ITINERARY OF COOPERATIVES EVALUATION TEAM IN SWAZILAND NOVEMBER 13-30, 1978

Date	Agency	Location	Facility	Personnel
November 1978				
Monday 13	USAID	Mbabane	South Afr. Office	Willie Cook Ted Morse & Staff
Tuesday 14	Ministry of Commerce and Cooperatives	Mbabane	MCC Bldg.	M. Dlamini P.Sec. N. Ntiwane Comm. Amos Kunene Dep. Comm. Jack L. Mbingo
	CODEC Cooperative Development Center	Ezulwini	Education Headquarters	John Roland J. Dlamini
	Central Cooperative Union	Manzini	Headquarters of CCU	L. Townsend, Act. G.M. E. Dlamini, Deputy Gernie Runnebaum
Wednesday 15	Rural Development Area	Mbabane Off.		Patrick Lakhele
	British High Commission	Mbabane Off.		Peter Morris
	USAID-with Agricultural Officer	Mbabane Off.		Willie Cook, Ag. Off.
	Swaziland MCC		MCC Bldg.	Amos Kunene
	Swaziland Development & Saving Bank	Mbabane		M.K. Mathews, Gen. Manager
Thursday 16	CCU	Manzini	Headquarters Offices and Warehouse	L. Townsend B. Runnebaum R. Forbes & Staff Joshua Mkhonza
Friday 17	CCU	Manzini Manzini Coop. District Union		Joseph Mndzebele O. Williams
		Zombodge Coop. District Union		M. Mtetwa
		Zombodge RDA		C. Mntshali A. Dlamini
Saturday 18	USAID	Mbabane	So. Afr. Hdq.	W. Cook

Presented and reviewed a plan of work with detailed questions in outline form for evaluation team.

Date	Agency	Location	Facility	Personnel
November 1978				
Monday 20	CCU Lubombo District	Manzini Siteki	Offices & Depot District Off Siteki Depot	L. Townsend A.M. Dlamini Cooperative Officer Secretary-Manager
Tuesday 21	Swaziland Cotton Cooperative	Big Bend Riverbank Estate		K. Fresen, Gen. Mgr. Brian Stein, Chairman of Cotton Committee
Wednesday 22	Nhlangano District, Nhlangano Shiselweni District, Nhlangano Natsanjeni farm Cooperative Supply Depot Mahlalini Consumers Cooperative Southern District RDA			Carl Hart L. Townsend W.M. Ginindza, C.O. Secretary-Manager Secretary Manager Director
	Primary Society & Depot			4 members of Management Committee
Thursday 23	Tobacco Marketing Cooperative Nhlangano Yukuzimele Consumer Store			Botha, Manager Hansen, Deputy and Accountant
	Mahlangatsha Farmers Cooperative Society Sitlolo Consumers Shop Adam RDA			Secretary-Manager Director-Manager
Friday 24	HHOHHO District Pigs Peak Cooperative Union Rockland Consumer Cooperative Store Pigs Peak Ntonjeni Farm Coop. Supply Depot			L. Makhanya Area Counterpart Mgr. R. B. Zwane C.O. Saswati, President of Management Committee
	Ntonjeni RDA Motshane HDCU			Lawrence Mdluli Secretary-Manager
Saturday 25	USAID	Mbabane		Ted Morse, Acting Director, USAID
	Reported on Progress to date and Plans for meeting report requirements, Evaluation content, constraints, issues			Willie Cook, Project Director and Agr. Officer
Monday 27	CODEC	Ezulwini	Educational Training Center	Advisors
	CCU Area Manager for HHOHHO District visited Holiday Inn. for conferences with team members in Evening from 7-10PM			D. Biviano
	SDSB	Mbabane	Swaziland Development & Savings Bank	M. K. Mathews

117

Date	Agency	Location	Facility	Personnel
November 1978				
Tuesday 28	MOA Ministry of Agriculture	Mbabane	Swaziland Ministry & Department of Agriculture	Mike Davis
	Lubane Cooperative Credit	Mbabane	Swaziland Electric Board	L. Mdluli
Wednesday 29	CCU	Manzini	Headquarters Offices	L. Townsend Bernie Runnebaum
Thursday 30	British High Commission	Mbabane	USAID Office	Bert Young Johns Peter Morris
	MCC	Mbabane	Ministry of Commerce and Cooperatives	Amos Kunene