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# EVALUATION OF THE BUSINESS MANAGEMENT EXTENSION PROGRAMME IN SWAZILAND

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Final Report

*Bureau for Private Enterprise  
U.S. Agency for International Development*

*Prepared for: USAID/Swaziland*

*Sponsored by: Private Enterprise Development Support Project II  
Project Number 940-2028.03  
Prime Contractor: Arthur Young*

*June 1989*

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## EXECUTIVE SUMMARY

### A. Introduction

The Business Management Extension Programme (BMEP) was initiated in 1986 by the Manzini Industrial Training Centre (MITC) with a grant of US \$250,000; the grant was later increased to US \$350,000. The objectives of the programme were the following:

1. Develop the business management skills of new entrepreneurs through a "full-time" (or "in-house") programme that would provide training and technical assistance to 20 people; and
2. Up-grade the business management skills of existing entrepreneurs through an extension programme that would serve 20 people.

The facilities including offices, classrooms, a warehouse and eight business workshops were constructed in 1986. The first in-house trainees began in early 1987. As of May 1989, BMEP offered the types of programmes listed below. (The number of participants in each programme to date is provided in parentheses).

1. The In-House Programme: Trainees participate in a six-week intensive business planning and management course; they begin their businesses in BMEP workshops where they remain for up to 12 months before moving into the community. (26 participants)
2. Extension Programme: This programme was added in August 1988 and consists of several components:
  - a. The six-week intensive business planning and management course is provided to some extension clients; after training, clients return to their businesses or establish new businesses in the community. (6 clients)
  - b. Individual technical assistance is provided to existing business people. (10 clients)
  - c. Technical assistance and training are provided to groups involved in or planning enterprise activities. (18 groups)
  - d. One-day seminars on specific topics are organized for business people. (69 participants)
  - e. One- and two-day seminars are organized for youth leaders who work with groups involved in income-generating activities. (40 participants)

3. Credit Programme: Loans are provided to BMEP clients and other Swazi small entrepreneurs. (17 loans to 13 clients in first programme; 7 loans in new programme)
4. Eswantini Retail Shop: A shop in downtown Manzini sells crafts and other goods produced by BMEP clients and small-scale producers. (Net profit of about E2,000 per month)
5. Warehouse: The warehouse facility provides inputs for BMEP clients.

#### B. General Observations

The analysis of the history and achievements of this programme must be set within the context of several observations:

1. The programme is very young. While it was funded over three years ago, the first seven months focused on construction of the facilities. The first staff person was hired 30 months ago. The in-house training was initiated only 27 months ago. The extension officers were hired in August 1988 and had five weeks of training. The extension programme began in early October, just seven months prior to this evaluation.
2. The programme has been designed and implemented in a country with little history of small enterprise training and development.
3. Due to the inexperience of both the applicant agency and the donor agency, the original programme design had a major shortcoming in that it did not include a full-time, experienced professional in small enterprise development.
4. Alex Brown, technical assistance advisor, provided substantial and invaluable assistance to the BMEP staff. The amount of assistance provided was much less, however, than desired and needed by the BMEP. As a result, the programme initially had to be operated by inexperienced people; the BMEP financial controller served, in effect, as programme manager. The development of the programme was a learning process for the staff, and they did an outstanding job under the circumstances.

### C. Achievements of the Programme

Given these conditions, it is remarkable how much the programme has achieved in such a short time:

1. Thirty-two trainees have participated in the intensive training course. Of these, 19 (60%) are operating businesses; these businesses currently employ ten additional persons. Of the 13 who are not operating businesses, at least four are employed.
2. A training curriculum has been developed which includes not only the usual business planning and management elements, but also an innovative component focusing on achievement motivation.
3. Trainees and extension clients have been introduced to a credit system. Twenty-four loans have been provided. BMEP has built the foundation for a solid credit administration system.
4. An impressive array of extension services to individuals, groups and agencies has been initiated. Sixty-nine extension clients have received short-term training, 6 have attended the six-week intensive training course, and 10 individuals and 18 groups have received direct technical assistance.
5. Effective relationships have been developed with a network of small enterprise development organisations. BMEP has trained the staff of 14 NGO's, assisted the Swaziland College of Technology (SCOT) in the development of its entrepreneurship curriculum and worked cooperatively with Sibakho and CARE.
6. The design of the programme has been clarified and refined. The need for a programme manager with experience in the field was recognised and acted upon. Intensive training now precedes new business starts. The in-house businesses now operate in ways that more accurately reflect the situation they will face when they move into the community. In addition, an effective mix of in-house and extension programmes has been developed.
7. The Swazi Assistant Programme Director has developed a high degree of expertise - strategic and operational - in small enterprise development and demonstrates professional competence and technical skills.
8. The management of the programme is exemplary. A sophisticated set of policies, procedures and systems has been designed and is being implemented efficiently.

D. Recommendations

1. Continued Donor Funding

Continued donor support for BMEP is warranted for the following reasons:

- a. There is a demonstrated client need and demand for the types of services offered by BMEP.
- b. This is a unique institution in Swaziland that fills a specific niche: training and technical assistance for small and micro-businesses and the development of new enterprises.
- c. BMEP has the potential to become the first indigenous NGO of its kind in Swaziland. MITC management has a commitment to making BMEP an independent, local institution and plans to do so are already underway. This should be encouraged and supported.
- d. It is a young programme that needs a chance to grow and mature in the refinement of strategies for creating and serving small businesses. Significant progress has been made in developing the programme over the past two and one half years.
  - Facilities have been established; staff have been hired and trained and have developed relevant skills and experience.
  - A very talented leader has developed in the person of Mrs. Gamedze. She is currently the assistant programme manager, but is ready to move into the programme manager role.
  - BMEP is beginning to gain an identity and become known in the small/micro enterprise community among both potential clients and other organisations. It has established important links that will serve it well as it continues to develop.

## 2. Priorities for the Second Three-Year Period

The following programmatic priorities are recommended:

- a. Training/technical assistance methodologies: BMEP should continue to focus on developing and refining effective methodologies for improving business management. While it is important for BMEP to build the capacity to reach many entrepreneurs, expansion should not be the main goal at this point.
- b. Emphasis on the extension programme: The focus during the first phase was on the in-house programme; this needs continuing attention and refinement. BMEP will have broader impact, however, by continuing its new direction which places greater emphasis on the extension programme.
- c. Loan program role: After a year or two of experience with Barclay's guaranteed loan programme, BMEP should re-evaluate whether it should continue to administer the loan programme; it should examine how the loan programme might be restructured so that BMEP plays more of an intermediary role than a direct administrative role.
- d. Policy initiatives: BMEP is in a position to identify policy issues relevant to the small business sector. It should establish a forum for dialogue with other small enterprise organisations to identify and act upon key policy issues for the small enterprise sector.
- e. Organisational structure: Steps should be taken immediately to incorporate BMEP as a separate organisation with its own Board of Directors.

## CHAPTER I: THE CONTEXT

A critical challenge for Swaziland in the coming decade is the expansion of income and employment opportunities for the country's rapidly growing labor force. An estimated 8,500 new workers are entering the labor market each year (Capricorn, 1989a). Swaziland has one of the fastest growing formal wage sectors in sub-Saharan Africa, averaging 4.1% per year between 1968-1988. Nonetheless, this sector will absorb only one quarter of the country's new job seekers. A majority of men and women entering the labor force will depend on the informal and the traditional agricultural sectors for income and employment. By the year 2,000, Swaziland will have 500,000 people working outside the formal sector.

Historically, the informal sector has played a relatively small role as a source of income and employment in Swaziland. Its role is now growing in importance. Data is limited, but recent studies suggest that the sector employed approximately 13,100 people in 1988, accounting for approximately 13% of monetary sector employment. Between 1969 and 1986, it expanded at an average rate of 2.7% per year (Capricorn, 1989a). These figures are based on a definition of the informal sector that includes self-employed, unpaid family workers, small scale traders and workers on private homesteads. This sector would be considerably larger if the definition were expanded to include people involved in a broader range of part-time non-agricultural cash-earning activities in both urban and rural areas (many of whom are currently classified within the traditional agricultural employment sector which makes up 75% of the total labor force) or in licensed small enterprises (some of which are classified within the formal wage sector).

The categories used in available data sources also tend to mask the heterogeneity of the sector. The informal sector includes a range of manufacturing, trade and service, part-time and full time, seasonal and home-based activities, and both men and women. It is important to note that many people in the informal sector are involved in multiple economic activities; they may earn income through formal wage employment, agricultural work or involvement in more than one informal enterprise activity. This is particularly true for rural women who, in addition to assuming primary responsibility for agricultural and domestic work, are typically involved in two or more off-farm income-generating activities. These activities may involve retail trade, handicraft production and sale, traditional healing, agricultural labor, and sales of beer, food, fuel, or agricultural produce (Government of Swaziland and UNICEF, 1979). These factors are all important considerations in designing assistance strategies for the sector.

Small-scale enterprises comprise one segment of the informal sector (or perhaps more accurately an "intersecting subset") and are defined as enterprises employing 25 Swazi employees or less. Data

limitations make it difficult to assess the relative potential of this sector to generate income and employment opportunities. A recent study based on 1988 National Provident Fund Data shows a total of 1,184 small enterprises employing 6,790 people (Capricorn, 1989b). Over 40% of these enterprises are located in or around Manzini. Preliminary findings from another study of 1,700 urban and 400 rural small enterprises suggest that over 80% of the enterprises employ 5 people or less and most are owned and operated by one person (S.T.E.P, 1989). The findings also indicate that a majority of small enterprises are retail businesses and almost half are relatively new (less than 4 years old).

The informal sector is important for several reasons. Swaziland's high population growth rate, the large number of migrants returning from South African mines and the massive influx of refugees from Mozambique are placing tremendous pressures on the formal wage sector and limiting its potential to provide income. At the same time, a majority of Swazi households are increasingly dependent, at least in part, on cash income for basic foodstuffs. Women's off-farm income from informal activities is becoming increasingly important in the absence of sufficient wage employment opportunities for male commuters or migrants. Moreover, this income is spent largely on food and education and is directly related to household well-being. Finally, the informal sector plays a role in providing affordable goods and services to lower income groups.

At the policy level, there appears to be increasing recognition of the importance of small scale enterprises and other informal sector activities in generating employment. This recognition is not yet reflected in specific policies to support these activities; employment generation policies have focused largely on encouraging foreign and domestic investments in the formal sector and providing skills training for formal wage employment. They also focus on rural development: improvement of land and water management, extension of credit and marketing facilities to small farmers and expansion of small-holder cultivation. However, according to several observers, the policy environment is not simply benign; several aspects of current tax, licensing, customs, investment and other regulatory policies have an adverse impact on small-scale Swazi businesses. This suggests a need for policy analysis and reform as an important component of overall efforts to strengthen the small enterprise sector.

Small enterprises and informal sector activities face several other constraints. The domestic market is small and characterized by skewed income distribution and low purchasing power. Given Swaziland's open economy, local businesses must compete in the marketplace with high quality imported goods and services from South Africa. Moreover, small enterprises are heavily dependent on imported raw materials which are not only expensive, but often unavailable at the time or in the quantities needed. Many people

must travel to South Africa to purchase raw materials, which imposes a significant opportunity cost in terms of time away from their businesses.

Despite cash-rich capital markets, small enterprises have limited access to credit due to the reticence of formal financial institutions to handle small loans and the perceived higher risk. Small enterprise owners often do not have adequate information about markets and technology (S.T.E.P., 1989). And many individuals, particularly younger people, lack training or previous experience in running a business; they have not had the opportunity to develop skills in business management and decision-making. Many people prefer wage employment and attach a negative stigma to self-employment. Business development is also constrained by traditional beliefs which discourage conspicuous signs of wealth.

In recognition of the growing importance of the small enterprise and informal sectors, and the problems faced by people working in these sectors, a number of organizations have initiated programmes in recent years. The Small Enterprises Development Company (SEDCO) is a parastatal body which promotes small enterprise development through credit, management training, technical assistance and the construction of estates. However, it is currently in the midst of a transition and is less active. Sibakho Chamber of Commerce and Industry is a representative organisation for small scale Swazi entrepreneurs with programmes focused on credit. The Swaziland Commercial Amadoda (SCA) is primarily a regulatory body that controls licenses for retail stores, hawkers, peddlers, taxis and buses operating on Swazi National Lands. Care International's Swaziland Training for Entrepreneurs Project seeks to identify effective approaches for promoting small enterprise development through research and experimental projects.

In general, there are very few organisations working to promote small enterprise development, and their efforts are either young or somewhat narrow in focus. BMEP, the subject of this evaluation and one of Swaziland's newest efforts, is the only local organization that focuses on strengthening the business management skills of small-scale entrepreneurs. The following chapters provide a review of BMEP's history and an assessment of its progress to date.

**CHAPTER II**  
**THE HISTORY OF THE BUSINESS MANAGEMENT EXTENSION PROGRAMME (BMEP)**

**A. 1984-85: Programme Conceptualization**

Fr. Larry McDonnell, Director, and Sr. Judith Dean, Administrator, of the Manzini Industrial Training Centre (MITC) provided the impetus for creating the BMEP. They were very aware of the high unemployment in Swaziland and the potential for creating employment through small business development. They were particularly concerned about youth who had acquired technical skills at MITC and other vocational education institutions, but nonetheless, were unable to find employment in the formal sector.

In 1984, a preliminary concept paper was prepared and discussed with various people, including representatives of the Ministry of Commerce, Industry, and Tourism and USAID. From these discussions, the concept evolved into a full-fledged proposal focusing on business management training. The proposal was submitted to USAID for funding. The proposal involved more elaborate facilities than was originally conceived because of the building standard requirements associated with USAID funding.

The primary objectives for the three-year project were: (a) to develop the business management skills of new entrepreneurs through a "full-time" (or "in-house") program that would provide training and technical assistance to 20 people; and (b) to up-grade the business management skills of existing entrepreneurs through an extension program that would serve 20 people.

The plan for achieving these objectives included building a complex consisting of an office building, a warehouse, two double classrooms and eight workshops on MITC grounds in Manzini. The program was to be managed by the MITC Director, who would report to the MITC Advisory Council and the MITC Executive Committee. The Director was to hire staff to conduct the training and operate the programme (including a financial controller, a marketing/extension officer and four support staff. A part-time technical advisor with expertise in the field of small enterprise development was to train and guide the programme staff during the planning phase and the first full year of operation.

The "full-time" participants were to house their businesses in the BMEP workshops for a period of no more than two years and "be charged rent, utilities and subjected to commercial conditions" so that they would not "become accustomed to subsidized conditions..." (USAID Program Description, Grant Award, p. 2; also, BMEP Proposal, p. 3).

## B. Programme Start-Up

A grant of \$250,000 (\$198,000 for capital assets and \$52,000 for operating expenses) was approved on February 28, 1986. The construction of the facilities began soon thereafter and was completed by the end of the year. During this period, a MITC staff member with a degree in business administration began to design the training curriculum and plan the programme. Stuart Banks was recruited through International Voluntary Service (IVS) to serve as BMEP financial controller; he arrived in September 1986. About the same time, Alex Brown, an experienced small enterprise development specialist employed by Partnership for Productivity (PfP), arrived from Burkino Faso to operate the PfP project. One aspect of the PfP project was to provide technical assistance to BMEP. Nokukhanya Gamedze, a woman with ten years experience in teaching commercial studies, was selected as the marketing and extension officer; she joined the BMEP staff in November 1986.

Immediately, the team began to design the program and develop a recruitment and selection process. This is where differences between the MITC Director and the programme staff began to emerge. The technical advisor recommended a selection process that would have required 2-3 months. This recommendation was rejected by the MITC Director, who believed that the training should begin in January 1987; this meant that the recruitment and selection would have to occur in a 4-6 week period. Furthermore, the MITC Director selected eight MITC graduates whom he wanted to include in the first group of trainees; the advisor and programme staff did not want to grant automatic participation in the programme to anyone.

The need for a quick start-up meant that there was little time to develop a detailed programme plan. As a result, the policies, procedures and the training curriculum of the programme were developed as the first group went through training. The lack of preparation created some friction between trainees and BMEP staff; such problems may have been avoided if there had been time for more careful planning.

The first group consisting of 14 trainees started in February 1987. The plan was for the trainees to begin their businesses immediately (some had previously been operating businesses in premises provided by the Salesians) and attend training for one hour twice a week. BMEP purchased equipment and materials for the businesses from a discretionary fund provided by Barclay's International Development Fund. Most trainees had minimal or no income during this early period, hence BMEP did not collect rent.

### C. Programme Implementation

Alex Brown, the technical advisor, left in December 1986 for a two-month home leave and was fully occupied with non-BMEP matters when he returned in February 1987. This meant that during the critical start-up period the advisor was not available to provide guidance to the staff. He was once again able to devote time to BMEP in April. Nonetheless, in accordance with his new agreement with USAID, he had only one day per week available to assist BMEP. The quantity of technical advisor services agreed to as an integral and critical component of the original programme design was therefore much less than desired and needed by BMEP.

MITC's original proposal requested a technical advisor half-time for three months (two months before programme start-up and one month after programme start-up); thereafter, the advisor was to provide assistance to BMEP two days per week for the next five months and one day per week for the subsequent six months. The OPG stated that USAID would provide technical assistance to the MITC, but no specific amount of time was delineated. USAID's Cooperative Agreement with Partnership for Productivity for implementation of the Swaziland Training for Entrepreneurs Project (STEP) called for PFP to "provide MITC with 12 months of technical assistance over the first two years of the project for the BMEP." In other words, USAID arranged for the equivalent of half-time assistance for BMEP over a two-year period.

In 1987, USAID terminated its relationship with PFP. Upon dissolution of the agreement, the implementation of the STEP project was undertaken by Cooperative for American Relief Everywhere (CARE). The commitment for technical assistance to BMEP was also reduced. This reduction occurred, in part, because STEP project implementation placed greater demands on the technical staff than was originally envisaged. In contractually assuming PFP's responsibilities, CARE agreed to provide the MITC with up to five months of advisory services for the life of the BMEP project.

Although the level of technical assistance was less than needed by BMEP, Brown provided timely expertise in several areas. He was involved in selecting and interviewing in-house applicants. He was instrumental in developing and refining the training curriculum and approaches, and transferring such knowledge to the BMEP staff. He also helped the staff develop several important documents: (a) participant contracts, i.e., written contracts between BMEP and the trainees that clearly stated the programme expectations; and (b) loan agreements, which converted all trainee debts into loans and specified the terms of repayment. [Since policies were not clearly delineated prior to the beginning of training, some trainees did not realise that start-up costs, such as equipment and initial inputs that were provided by BMEP were debts that had to be repaid. The loan agreements were a mechanism to make this arrangement explicit.]

The technical advisor sent a cover memo with these documents to the MITC Director to request his review and approval. He sent copies of the memo to the Advisory Council, the Executive Committee and USAID. A staff meeting followed in which concerns were expressed regarding appropriate staff relationships and differences in programme philosophy. This reflected continuing differences in views regarding the most appropriate approach to operating the programme. Perhaps the most basic difference was over the extent to which the staff should supervise and control the business decisions and finances of the trainees (or whether BMEP should permit trainees to make their own decisions and expect them to take responsibility for the results of those decisions).

In June 1986, BMEP received a grant of E119,000 from Barclay's Bank International Development Fund. The grant was requested to create a loan fund, and initially, it served that function. It became apparent, however, that BMEP had other important needs that were not covered by the USAID grant. Consequently, Sr. Judith sought and gained approval from Barclay's to use the grant as a discretionary fund for BMEP.

#### D. 1987: Programme Amendment

Various discussions and negotiations were also held with USAID during this period. An issue arose in late 1986 after the completion of the facilities regarding over-runs on construction costs. Negotiations resulted in an agreement whereby BMEP paid for these expenses from the Barclay's grant. USAID agreed to shift amounts allocated to different budget categories to cover changes in expenditures it considered justifiable. MITC also began exploring an application for a supplemental grant to cover the operating costs that these cuts left uncovered. Discussions continued over several months.

During this period of negotiation, several shortcomings in the programme became apparent, particularly BMEP's need for technical assistance. The full-time staff had little experience in small enterprise development and needed the assistance of the technical advisor. In a programme amendment, USAID urged the inclusion of funds for a full-time programme manager with professional expertise in small enterprise development. It was also suggested that funds be included to hire several extension officers. This was agreed to, and in September 1987, USAID approved an amendment for an additional \$100,000 of funding.

The amendment stipulated that USAID had to approve the person hired for the programme manager position. Tim Canedo, formerly of PFP in Botswana was recruited as the programme manager and began work in April 1988. In addition to overall supervision of the programme, he was to develop and supervise the extension program. Three extension officers (EO's), all in their 20's and educated to

the equivalent of the diploma level, were hired in August 1988. The following month, Mrs. Gamedze was promoted to assistant programme manager. After five weeks of intensive training for the EO's, the extension program was initiated.

The BMEP training programme continued during this period. In October 1987, a second group of 4 trainees was recruited and began training. By this time the staff agreed to revise the programme design so that trainees began with a five week intensive training course during which they prepared a business plan. The trainees then moved into workshops and began their businesses. The anticipated time period for in-house trainees to remain in BMEP workshops was reduced from two years to one year.

#### E. 1988: Introduction of the Extension Programme

A third group of 7 trainees (after one dropped out) began in July 1988. This time the staff tried an eight-week intensive training course, but reduced it to six in response to feedback from the trainees. The staff was also increasingly interested in moving toward an extension approach, as well as broadening the design of the programme to reach other types of business people; they decided to include persons with established businesses in outside locations in this new group of recruits. Thus, this group represented another transition in the design of the programme. The intensive training course was now for both in-house trainees (4) and extension clients (3).

The fourth group started training in February 1989 with the same plan. There were six trainees, four in the in-house programme and two extension clients. In sum, by May 1989, three years and three months after the grant award, but only two years and three months after the first training was initiated, 32 trainees had participated in the intensive training.

In the meantime, the extension programme was initiated after the new extension officers received training. One of their first tasks was to visit small businesses to ask whether they needed assistance. Ninety-eight businesses were contacted by May 1989; the vast majority of business people contacted expressed interest in assistance, but most sought loans only and did not want other types of assistance. Ten extension clients (in addition to the six who had taken the intensive training course) have requested and received individual technical assistance from BMEP. The extension programme has also served small entrepreneurs by conducting one- and two-day seminars. Six of these seminars have been conducted, with a total enrollment of 69 people.

BMEP extension officers have also served groups involved in small enterprise activities. They have made initial contact with 21 groups and have provided training and technical assistance to 18

of these. The groups served have a total membership of 183, and 45 of these members have been directly involved in the training or technical assistance BMEP has provided.

Another activity of the extension programme has been to work with other organisations which are involved in small enterprise training and/or technical assistance. A total of 40 NGO youth leaders from 14 organisations have participated in two training sessions. BMEP also has on-going cooperative relationships with several organisations involved in small enterprise development. For example, the assistant programme manager has assisted the Swaziland College of Technology (SCOT) in the development of its entrepreneurship education curriculum and has provided short-term courses for members of Sibakho, the association of Swazi business owners.

#### F. Other BMEP Activities

Other elements of BMEP's plan have also been implemented. Eswatini, the shop in downtown Manzini that was to provide a retail outlet for trainees, was established in 1984 and operated under the supervision of the MITC financial controller. It was transferred from MITC Administration to BMEP in April 1987; more than E10,000 was transferred from BMEP to MITC in exchange for the assets. Eswatini was running at a loss when BMEP assumed responsibility. The marketing/extension officer made staff changes, studied the market, acquired new products from new suppliers and initiated an advertising programme. By December 1987, the shop was showing a profit. Another staff change was required in late 1988, but by early 1989, the shop was showing a regular profit of nearly E2,000 per month.

Eswantini's merchandise is primarily handicrafts, and secondarily, textile products. It is open to all suppliers. Only a few of the BMEP clients use the shop as an outlet. It is an important marketing channel for other Swazi artisans, especially individual women producers, women's groups and handicapped groups. There are some discussions about the potential for enlarging the shop to allow space for more diverse goods, including furniture.

A warehouse was initiated early in the programme to provide inputs for trainees, as well as for other small producers. Most goods are purchased in bulk orders from South Africa and then sold at a mark-up that covers transportation, import duties, and administrative costs. The total value of purchased stock (including related costs) was E51,730 and total sales E38,028, leaving stock with a value of E13,702. A total of E2,822 of the sales are receivable, of which all but E557 is probably collectable. The warehouse policy has now been changed so that sales are for cash only except for a few regular purchasers who have a history of paying their bills monthly.

The BMEP loan programme began early using part of the discretionary grant from Barclay's Bank. From this 1986 grant, seventeen loans totaling E15,742 were made to 13 trainees, of which E12,066 has been repaid and E3,676 remains outstanding.

In January 1989, Barclay's Bank approved the "Small Business Loan Scheme" in the amount of E215,000. This guaranteed loan fund provides loans ranging from E750 to E2,500 to Swazi owned businesses. BMEP screens the applications, grants the loans and receives loan payments. The bank loans the funds to BMEP for 3% below its prime lending rate (15.5% in January 1989) and BMEP lends at 7% over prime rate. By May 1989, seven loans had been extended for a total of E8,457. (Five of the loans were to in-house participants and two to extension clients.)

One of the components of the original proposal that has not yet materialised is the Small Business Resource Centre. The Centre will contain a variety of small business materials for use by trainees, extension clients and other small-scale entrepreneurs. Half of one of the double classrooms is currently being converted into space for the Resource Centre. The area has been carpeted, some of the furnishings have been purchased, and resource materials have been ordered. A room divider will be constructed soon.

## CHAPTER III: CLIENT PROFILES

### A. Intensive Training Course Clients

To date, 32 people in 30 businesses have participated in the intensive training course. They include 20 men and 12 women. Participants' average age is 27 and almost three-quarters are single. Nonetheless, a majority, especially the women, have two or more dependents. All but two of the participants are involved in manufacturing businesses with half involved in handicrafts, sewing and knitting. Other manufacturing businesses include upholstery, carpentry, welding, sign-writing and picture framing. Both service businesses are involved in electronics.

The current status of the businesses, on the whole, is encouraging. Ten businesses involving 11 trainees are still located on the BMEP premises. Of the other 21 trainees, ten have ongoing businesses in the community (eight in the same business activity and two in different activities). Seven businesses have failed, and four participants have entered wage employment. Thus, the program has created nineteen businesses that, in addition to the owners, employ 10 people.

Available information on business performance is scant, but among the in-house participants, four reported two or more profitable months over the past six months. Five reported monthly draws ranging from E130 to E900. Two in-house participants are behind in their rent payments to BMEP, and four are behind in their cash books and balance sheets.

BMEP advanced seventeen loans averaging E1,148 to thirteen in-house clients, primarily for raw materials and equipment. Most of these loans were made in the programme's first year. To date, seven (over 41%) of these loans are in arrears, averaging E282. The repayment record among women has been much better than among men. Only one woman is behind and owes E22. Six men are behind and owe a total of E1,949. The reasons for these late payments should be carefully considered as BMEP further expands its credit programme.

Two other BMEP services with active participation by in-house clients are the warehouse and Eswatini, the retail shop. A majority purchase raw materials (fabric, upholstery hardware and materials) from the warehouse on a regular basis. Average purchases total E75 per month. Only three in-house clients sell goods through the Eswatini shop, with average sales totalling E90 per month.

## B. Extension Clients

The extension programme serves individuals, groups and organisations. In seeking to identify potential clients, the extension officers have made contact with 98 individual small enterprise owners (in addition to the intensive training participants) and 21 groups during its first 10 months of operation. By May 1989, they had provided direct technical assistance to ten of these individuals and 18 group clients. In addition, 69 individual small business people, 34 group members, and 40 members of national youth organisations participated in the programme's one and two day seminars (detailed information on these clients is not available).

Of the ten individual clients who received technical assistance, seven are men and three women. The average age of the men is twenty six; they have an average of one dependent. Three of the men are married. The women are considerably older, averaging 46 years. Two are married and one is a widow. They have an average of six dependents. The average number of years in business is 2.3 for the men and 4.6 for the women; the numbers range from one to seven years. The men are involved in agriculture, welding, carpentry and upholstery. Their initial capitalization ranged from E100 to E1255 (average E502), mostly provided from personal resources. Only one client had started his business through loan capital. The three women all have sewing businesses; they typically started with less capital than men, averaging E150 from their own resources.

The extension officers visited these clients on an average of six times. The most common problems identified by the clients are lack of tools and equipment and lack of capital. However, based on their assessment of the businesses, the extension officers have focused primarily on costing and pricing, marketing, and record keeping. Lack of motivation is another common problem identified by the BMEP staff. In addition to receiving technical assistance, six of these clients have participated in the seminars. Given the types of services provided and the short tenure of the program, it is still too early to assess the direct impact of these services on client performance.

Five extension clients have applied for loans, but only two E500 loans have been approved (both for women clients) for the purchase of raw materials. Repayments are up to date, although the loans are still very new. Only one client purchases goods from the warehouse, and one sells goods through the Eswatini shop.

The extension programme is also serving 18 groups with 187 members. Most of these are women's groups but one agricultural group is primarily men; three are urban-based and fifteen are rural-based. Most of the groups are relatively new, having been created since 1985. Although income generation (as opposed to other community

or social development activities) is their primary purpose, most are not currently involved in on-going enterprise activities. They are at the stage of training and formulating plans for initiating projects in the areas of agriculture, livestock (pigs and cattle), handicrafts, candle-making, sewing and knitting, fencing and brick-making. The BMEP extension program has provided assistance to groups in the areas of book-keeping, accounting, proposal writing, business plan development and marketing through in-house and on-site seminars.

## CHAPTER IV: OBSERVATIONS AND ANALYSIS

### A. Introduction

The history and achievements of this programme must be set within the context of several observations:

1. The programme is very young. While it was funded over three years ago, the first seven months focused on construction of the facilities. The first staff person was hired 30 months ago. The in-house training was initiated only 27 months ago. The extension officers were hired in August 1988 and had five weeks of training. The extension programme began in early October, just seven months prior to this evaluation.
2. The programme has been designed and implemented in a country with little history of small enterprise training and development.
3. Due to the inexperience of both the applicant agency and the donor agency, the original programme design had a major shortcoming in that it did not include a full-time, experienced professional in small enterprise development. Instead, the design was for a technical advisor to provide assistance the equivalent of 50% of the time.
4. Alex Brown, technical assistance advisor, provided substantial and invaluable assistance to the BMEP staff. The amount of assistance provided was much less, however, than desired and needed by the BMEP. As a result, the programme initially had to be operated by inexperienced people; the BMEP financial controller served, in effect, as programme manager. The development of the programme was a learning process for the staff; they did an outstanding job under the circumstances.

Given these conditions, it is remarkable how much the programme has achieved in such a short time:

1. Thirty-two trainees have participated in the intensive training course. Of these, 19 (60%) are operating businesses; these businesses currently employ ten additional persons. Of the 13 who are not operating businesses, at least four are employed.
2. A training curriculum has been developed which includes not only the usual business planning and management elements, but also an innovative component focusing on achievement motivation.

3. Trainees and extension clients have been introduced to a credit system. Twenty-four loans have been extended. BMEP has built the foundation for a solid credit administration system.
4. An impressive array of extension services to individuals, groups and agencies has been initiated. Sixty-nine extension clients have received short-term training, 6 have attended the six-week intensive training course, and 10 individuals and 18 groups have received direct technical assistance.
5. Effective relationships have been developed with a network of small enterprise development organisations. BMEP has trained the staff of 14 NGO's, assisted the Swaziland College of Technology (SCOT) in the development of its entrepreneurship curriculum and worked cooperatively with Sibakho and CARE.
6. The design of the programme has been clarified and refined. The need for a programme manager with experience in the field was recognised and acted upon. Intensive training now precedes new business starts. The in-house businesses now operate in ways that more accurately reflect the situation they will face when they move into the community. In addition, an effective mix of in-house and extension programmes has been developed.
7. The Swazi Assistant Programme Director has developed a high degree of expertise - strategic and operational - in small enterprise development and demonstrates professional competence and technical skills.
8. The management of the programme is exemplary. A sophisticated set of policies, procedures, and systems has been designed and is being implemented efficiently.
9. The retail shop has been turned from a loss-making to a profit-making component of the programme.

In the context of these observations, the following more detailed observations and analysis are presented:

#### B. Target Population

Initially, the target population of BMEP was graduates of MITC and other vocational/technical programmes who could not find employment in the formal sector or who preferred self-employment. The potential market for BMEP training soon broadened to include other youth who already had skills. By late 1987, there was much more

awareness of the potential for training existing entrepreneurs through the intensive 6-week course, short-term courses and individual technical assistance.

The target population has since expanded to groups engaged in productive activities. This is often an effective way to reach larger numbers of women. Service to these groups should be encouraged, but attention needs to be given to developing methodologies and skills in working with groups. Group out-reach requires a somewhat different approach to the provision of technical assistance. There are probably other organisations in the country that are also trying to develop such methodologies (for example, the Home Economics section of the Ministry of Agriculture). BMEP could cooperate with these organisations to learn effective methods for working with groups.

While the original proposal, as well as current programme descriptions, indicate that the service area will be the Manzini area, BMEP has in fact gone significantly beyond those boundaries. Some of the in-house trainees have moved to remote areas and the programme has maintained its responsibility for following-up on these trainees. The extension programme receives requests from many areas of the country and has responded to many of these. For example, it is working with 13 groups in the Piggs Peak region. It is important for BMEP to make a clear decision on its target area and shape its programme planning to meet the demands of the area served.

The focus of the BMEP has been on artisans, which means that the programme has limited itself almost entirely to production-oriented businesses. Even among production businesses, it has tended to focus on limited sectors: sewing, knitting, upholstery, carpentry, electrical and welding. The programme may benefit from some analysis of the sectoral development in the country. What sectors are expanding? What is the potential for expansion in various sectors? What sectors are most in need of assistance in order to expand? What types of assistance strategies are needed?

BMEP has not focused on a variety of other types of businesses (for example, retail and service businesses) that could benefit from its training and technical assistance. Since these are the types of businesses that women are more likely to be involved in, expansion to these areas would likely increase BMEP's services to women entrepreneurs. It would be beneficial to consider including these types of businesses in the target group.

Other options for broadening the programme's outreach might be considered. For example, the in-house programme has served mainly young people, but the extension programme has served more diverse age groups. One person interviewed suggested including retired teachers or retired government employees in the target population for both the in-house and extension programmes.

### C. Training

BMEP provides two types of training: a six-week intensive course in small enterprise planning and management and one- and two-day seminars on special topics. The intensive course seeks to achieve three objectives: (a) the development of an entrepreneurial orientation; (b) the preparation of a business plan; and (c) introduction to basic management processes and skills. The training curriculum for the intensive course covers all the topics needed to achieve these objectives, including production, marketing, costing, regulations, taxes, promotion, distribution, planning and organising, loans and other financing options, profit and loss analysis, balance sheets, book-keeping, record-keeping, customer relations, problem-solving and personal entrepreneurial patterns. A fee of E35 is required for the intensive course.

The training approach seems quite good. A participatory methodology is used in the training which involves the trainees in the learning process; there are also field assignments to gather information. According to the trainees, the instructors are responsive to feedback from the trainees and make adaptations to improve the training. The trainees indicated that they felt well-prepared to initiate their businesses at the conclusion of training; their business activities did not always turn out as they had planned, but they felt they knew how to analyse their problems and make necessary adjustments.

The evaluators recommend that the training curriculum be re-organised to follow the same steps an entrepreneur would follow in planning, managing and operating a small business. While the BMEP curriculum covers virtually all of the major content areas, the modules are not sequenced in a way to help trainees understand the relationship between the various steps of business planning and management.

In taking a more detailed look at the training program, it appears that the agenda for the first day is appropriate because it sets the context for the training program. It covers the following three modules:

- Introduction/Orientation
- What is Business?
- Business in Swaziland

The eleven modules in the remainder of the week include the following subjects:

- Entrepreneurship/Personal Development (4 modules)
- Marketing (4 modules)
- Mark-Up and Discounts (1 module)
- Basic Records (1 module)
- Calculators (1 module)



training itself, but the failure to assure systematic follow-up. Stronger follow-up would create opportunities for establishing a relationship with the entrepreneurs and would probably lead to additional individualised technical assistance.

#### D. In-House Programme

There was a tendency among many of the people interviewed during the evaluation to dismiss the in-house program altogether and see it as an inappropriate approach for training entrepreneurs. On the other hand, the in-house programme seems to have served an important function in giving business knowledge and experience to individuals who might not have even tried to start a business otherwise -- or who might have failed if they had gone directly into business without training. These are young people who have never been involved in any business. Thirteen of the twenty-two trainees who began prior to 1989 are still in business; these businesses have employed six additional people.

In addition, several of the trainees who are no longer in business are employed, and the experience in BMEP probably expanded their horizons considerably. Many of those who are no longer in business have been exposed to small enterprise management and may return to it at a later date. In short, the in-house programme seems to be producing a good number of businesses; but it is also having other positive impacts, including increased familiarity with entrepreneurship among the youth of Swaziland. This is noteworthy in and of itself, given the limited tradition of entrepreneurship in the country.

When BMEP started, its approach was more nurturing, "providing" and protective; the programme provided all of the equipment and raw materials. Later the programme staff realized that the trainees must obtain experience in purchasing their own inputs and assuming and repaying loans. The staff has thereby tried to simulate a more realistic business environment by having the trainees make their own decisions. BMEP still monitors their operations and provides advice when it is important to the continued operation of the business.

The in-house workshops have both advantages and disadvantages. The programme staff are near and can provide technical assistance; fellow trainees are also nearby which enables the students to advise one another and share knowledge and experiences. The warehouse provides inexpensive and convenient supply of some inputs; the subsidised rent provides some cushion in the early stages of the creation of the business. They have access to the BMEP phone and photocopy machine (for which they pay). Most importantly, there is ready access to credit.

On the other hand, the location of the in-house workshops is not convenient to potential suppliers or customers. As a result, a high percentage of the business must be in the form of contracts with individuals or organisations; this is a disadvantage in terms of the diversity of customers, but an advantage in terms of teaching marketing skills and processes.

One of the major problems has been getting in-house trainees to leave the premises and move into the community. Four of the trainees who started the programme in February 1987 are still housed in the workshops. There are many factors that contribute to this problem. One is that alternative facilities are not readily available in the community. This may be alleviated somewhat by the construction of additional workshops via a Rotary-sponsored project for which the EEC has recently approved funding. A second factor is that the in-house facilities are extremely fancy compared to other facilities that might be available to the trainees (a by-product of USAID's building standards). Third, the rental prices of the in-house workshops are probably below market value. Finally, it is disadvantageous for any small business to move, because their customers expect them to be at the old location and may not make the effort to find the new location.

There has been limited response to promotional efforts to recruit applicants for the full-time programme. This may reflect the limited appeal of the programme. However, it may also indicate a need for more diverse recruitment, for example, retirees, vocational training institutions and other NGOs. It may reflect the perception that the programme is aimed only at artisans; a broader approach within the programme could attract additional applicants. It may also be that the approach of extensive screening for "entrepreneurial characteristics" may be inappropriate; perhaps there are no "magical" characteristics.

One weakness of the programme as currently designed is the lack of systematic follow-up by BMEP staff for in-house and other intensive training graduates who locate their businesses in the community. The programme needs to pay attention to this issue.

Finally, BMEP management needs to devise new approaches to encourage trainees to move out of the in-house workshops after their planned 12 month tenure. This may have been particularly difficult for the first training group. The expectations were not clearly laid out when they began the programme; furthermore, they have been involved in the planning of the Rotary-sponsored workshops and are awaiting their completion. In the future, it may be necessary to establish a policy to discourage trainees from remaining in the in-house workshops. One approach would be to charge market-rate rents for the workshops as trainees approach graduation and perhaps above-market rents for trainees who remain past their expected graduation dates.

## E. The Extension Programme

When people ask about Swazi businesses, the frequent response is, "There aren't many Swazi businesses." This may be partially true if one is referring to formal sector businesses, but there are also many Swazi businesses operating outside the formal sector. Many of these enterprises are marginal and need assistance if they are to make the transition to long-term and expanding businesses.

BMEP's extension program has been underway for less than a year. Its achievements in such a short time-span are impressive. However, it is still in the formative stage of clarifying objectives, approaches and methodologies, as was true of the in-house programme two years ago.

The extension programme serves individuals, groups and organisations. It provides individual technical assistance to persons with on-going businesses in the community. A few of these have participated in BMEP's intensive training and a few have graduated from BMEP workshops, but most have not had any formal business training. The emphasis in the technical assistance is on record-keeping, book-keeping, pricing/costing, and some marketing.

The extension programme has provided one-day seminars for individual business-people and for groups initiating enterprises and income-generating activities. Each seminar has covered one of the following topics: record-keeping and book-keeping, profit and loss statements and balance sheets, costing, marketing and entrepreneurship. Several of these seminars have been developed in cooperation with Sibakho and offered to its members. BMEP has also provided seminars in record-keeping, book-keeping, and communication skills for the staff of non-governmental organisations that assist groups and/or individuals engaged in enterprise development and income-generating activities.

It is not easy to identify qualified and experienced people for extension work in Swaziland. BMEP tried to recruit people who would be trainable. A limitation of the extension programme is thus the youth and inexperience of the extension officers (EOs). The EOs are all in their twenties. They have developed considerably, but their abilities to establish rapport through casual conversation are not yet fully developed. They do not have the business knowledge and experience to broadly conceptualise practical business issues and options. The predictable outcome is that they tend to focus on issues that are familiar and comfortable, such as book-keeping and record-keeping. The problem is that these may be the most sensitive areas for business people, areas that they are willing to reveal only after they have developed trust and confidence in the extension officer.

Whether the current extension officers continue or are replaced with others, the central issue is how should extension officers be

trained and supervised and how can BMEP increase their effectiveness. The EOs started with a five-week training course in business planning and management and the process of providing technical assistance. While the programme manager has gone into the field with them, they appear to need closer supervision and on-going training. Other strategies for gaining credibility have not yet been explored. For example, it might be beneficial if each EO were to specialise in a specific sector or trade so that he/she would be able to provide business people with information about suppliers, markets, and production processes in that particular sector. Another approach would be to identify and train the EOs in some specific interventions that would be immediately beneficial to entrepreneurs (for example, specific information or suggestions about sources of supplies, costing, marketing or promotion). These must be done in an informed way to ensure benefits.

Another issue already noted in Section B (Target Population) is the need for developing specific skills and methodologies for working with groups. The service area of the programme also needs clearer definition. If the programme is to serve a national clientele (groups, graduates of the in-house programme and individual extension clients), appropriate organisational resources and programmatic planning will be required.

The allocation of responsibilities among extension officers is a related issue. Currently, each EO is responsible for three in-house clients. This consumes more time than is appropriate; this may be due to the fact that EOs feel more comfortable dealing with the younger trainees in the in-house program whom they know well from daily interaction. If EOs are going to be used in the in-house programme, it would probably be best to have all in-house clients handled by one EO so that the other two EOs could focus on extension activities. Furthermore, consideration might be given to more systematic scheduling of EOs. For example, EOs could be assigned to work in Manzini on set days and assigned to conduct field work on other days; on days they are scheduled to be out of the office, they must be assured access to transport. The two BMEP vehicles are not scheduled systematically for use by EOs, and this is a significant deterrent to their field work. In general, it appears that the EOs spend too much time in the office; this may be because they do not feel sufficiently confident in their own abilities to conduct field work.

There are many opportunities to provide individual technical assistance as a follow-up to other BMEP training activities such as seminars, the intensive training programme and the in-house training program participants who move into the community. These opportunities to provide client services are not being fully exploited. Early attention should be given to scheduling systematic follow-up.

Finally, at a later date, consideration might be given to developing a part-time training programme for existing entrepreneurs. This could be a condensed version of the 6-week intensive training programme, but spread out over a six month period in a one or two evening per week schedule.

#### F. Credit Programme

The original loan programme using the 1986 Barclay Bank grant was only for in-house trainees. It was a small programme but it provided an opportunity for BMEP to establish systems and gain experience in handling credit. BMEP staff have been introduced to a range of issues and challenges in running such a programme. Arrears in this program suggest a need for closer attention to the loan selection, monitoring and repayment systems.

The new guaranteed loan program through Barclay's began in January 1989. Only seven loans have been made so far, so there is not yet a record to assess. Under the current credit system, BMEP staff have developed a good set of application forms, loan agreement forms, repayment schedules (through a spreadsheet program) and repayment monitoring forms for individual clients. This complements more detailed information on clients collected through the extension programme.

At this point, initial screening of clients is done on an informal basis by the extension officers who consider the size of requested loans (many potential borrowers are requesting more than the E2,500 upper limit), the general business idea and personal knowledge or references. They sometimes discuss the potential loan client with the programme manager before suggesting that the client fill out a formal application. The extension officers may assist the clients in gathering the information requested on the form.

Once the application is submitted, the programme manager and assistant programme manager discuss it with the extension officer and decide whether to grant the loan. While the interest rate is fixed, the loan period and schedule for repayment are individually tailored to the client. The extension officer is responsible for collecting repayments from the client and does so in the course of extension visits. The money is then deposited with the financial officer. BMEP is required to submit monthly reports to Barclays Bank on the status of the program.

One question at this point is the capacity of the current system to effectively administer the full E215,000 loan fund. If this amount is disbursed, BMEP could be faced with administering 200 or more loans. This could become a drain on organisational resources, particularly staff time. Moreover, the somewhat informal system of screening clients, establishing loan terms, and collecting repayments could become cumbersome.

Issues that have arisen in similar programmes elsewhere need to be considered in relation to BMEP. For example, there is an inherent conflict in combining loan collection and business management assistance. If extension officers were to act as loan collection officers, their roles as advisors would clearly be undermined. The BMEP has already experienced this type of problem with the in-house clients. Getting banks more directly involved in loan administration would prevent this type of conflict. Another option would be to separate staff responsibilities so that there is a single credit officer. If loan repayments are on schedule and there is a low default rate, the 10% interest earned by BMEP could support such a staff person.

Another issue that arises with expansion is accountability. At this point there is no external check on the staff which, among other things, leaves them vulnerable to criticism in how they operate the loan fund. BMEP may want to consider establishing a loan advisory committee composed of non-staff persons to review the status of the programme (loans, recipients, repayment status, etc) on a regular basis (monthly or quarterly). Involvement by this committee in actually reviewing applications and selecting loan recipients would probably be unnecessary and time consuming. At the same time, an outside check on the system could make the process more objective. This committee could seek to involve someone from the banking community, which would further serve to familiarize the banks with the credit needs of small enterprises and appropriate credit delivery systems.

While the loan programme is still relatively new, BMEP is at a good point to review its loan policies and procedures in light of the credit programme's anticipated expansion. It must also plan for the increased amount of staff time that will be needed to operate this programme in the coming year.

#### G. Retail Shop (Eswatini)

Turning Eswatini from a loss-making to a profitable business was an outstanding accomplishment for the assistant programme manager. The process also gave her valuable business experience.

Eswatini serves as a retail outlet for only a few of the BMEP trainees, as well as a number of other small scale producers. The goods it sells are primarily those produced by individual women, women's groups, and handicapped groups. The rapport established in this process could lead to new opportunities to provide business management extension services to these producers. Thus far, it appears that BMEP has not attempted to exploit such opportunities.

The shop pays an administrative fee of E500 per month to BMEP as reimbursement for the staff time of the assistant programme manager (APM) and the finance officer. BMEP's actual costs for its work

with Eswatini have not been carefully calculated, but this appears to be a fairly close approximation because the APM now estimates that about 25% of her time is devoted to the shop. However, there have been periods of several months (for example, July-November, 1988) when the APM has devoted 50% of her time to the shop.

In May 1989, for the first time, some (E1,600) of Eswatini's profits were transferred to BMEP to support its activities. This was an important step that should become a consistent pattern if one of the primary goals is for Eswatini to be an income-producing activity for BMEP. Also, payments from profits should reimburse the discretionary fund for the money used to purchase the original stock.

Consideration is being given to moving the shop to a larger facility and expanding it significantly. While this could be important as a model of a Swazi-owned and operated retail store, of which there are evidently few, it should be approached with caution. The shop is primarily a direct service to small producers. Its operation is only marginal, at best, to BMEP's central purpose of business training and technical assistance. Therefore, careful study should be carried out regarding the benefits to BMEP in comparison with the amount of BMEP resources that would be diverted (as well as the opportunity costs of using the resources this way rather than in ways focused on its primary purpose).

If a decision is made to expand the shop, it would be possible to add product lines that would directly benefit BMEP trainees, for example, wood furniture, reupholstered furniture, burglar bars, clothes, and jerseys. However, the profitability of a downtown retail distribution outlet for such goods should be carefully analysed in advance.

#### H. Warehouse

The availability and convenient access to inputs has been a significant benefit to the trainees. While the difference in prices compared with commercial outlets is not great on some items, it is significant on others. Overall, in addition to reducing the direct costs, it reduces secondary costs of acquiring inputs, for example, time away from the business.

The warehouse is well-organised and well-run. The system of acquisition has been effective. Trainees identify inputs they need and the programme manager, in consultation with the staff, decides whether to stock the item. Orders are phoned to South Africa. Goods are either shipped by rail or picked up by staff when they are going to South Africa on other business. Stock control and dispersement are handled by the finance officer.

Prices charged include transportation, import duties, and a very small additional mark-up. There has been no analysis of the actual costs (including staff time, space, long-distance telephone calls, etc.) of operating the warehouse, but it is clear that it is a subsidised service.

Consideration is being given to expanding the warehouse, and perhaps offering these services to a wider segment of small entrepreneurs. This should be approached with caution, in that it is another direct service which could drain resources from the primary function of business training and technical assistance. Furthermore, it may be more appropriate for a business association or a purchasing cooperative to serve this role. It would probably be best to continue to limit the focus of the warehouse to in-house trainees, and secondarily, to extension clients or other entrepreneurs. It would also be beneficial to analyse the availability of goods in local shops and relative prices. On the basis of this information, a decision could be taken to limit the goods carried in the warehouse to products where there is a clear unmet demand or where warehouse prices represent significant savings over those in local outlets.

Finally, the financial records of the warehouse are integrated into the BMEP's operations account. It would be useful to keep a separate account for the warehouse so that the revenue and expenditures of BMEP and the warehouse can be easily analysed.

#### I. Staff

The truly exciting achievement regarding staff is the development of Mrs. Gamedze, the assistant programme manager (APM), who has become highly knowledgeable and skilled in small enterprise development. She is mature, has excellent communication skills with a variety of people, is good at conceptualising programme issues and options, takes both a strategic and practical approach to her work and is technically proficient in the field. She is clearly ready to assume the position of programme manager.

The relative abilities and constraints of the extension officers were discussed in Section E (Extension Programme) and will not be repeated here. The support staff seems capable and conscientious, though the finance officer has not developed the level of skills for complete self-direction and will probably need on-going support and training.

Expatriate advisors have been important in the development of the programme, but they are no longer necessary in a leadership position. It would be helpful to have an expatriate advisor with expertise in specific areas who could serve as an advisor to the Swazi programme manager in the future. That individual should be full-time during the next two years when the programme manager will

be on an 18 month training leave. The specific areas of expertise for this advisor should include: developing programme strategies, especially for the extension programme; developing methodologies and skills in working with group enterprises; refining loan policies and procedures; and assisting in developing financial management systems and management information systems.

#### J. Organisational Structures

The founders of BMEP saw a need in Swaziland, had a vision for meeting that need, and consequently took initiative to create this programme. This was in spite of the fact that, as they acknowledge, they had little knowledge of the field. They supervised the construction of the facilities and the hiring of staff and then let the programme develop and live through the frustrations of that process. But the seeds were planted well, and in spite of the organisational tensions that are typical of any new organisation, BMEP has become a good programme with a promising future.

The founders recognise that BMEP is a distinct type of programme, and they have indicated a readiness for BMEP to become a separate organisation, independent of MITC. This is an important step in the process of building local Swazi institutions. These steps should be taken immediately, particularly, the incorporation as a separate entity and the creation of a local governing board. The Board of Directors should include representatives from the small enterprise community, local business associations, Government, MITC, and NGOs (especially women's organisations). It should include an Honorary Treasurer, perhaps from an accounting firm, who could assure that appropriate financial record-keeping and reporting systems are in place and implemented.

#### K. Management

BMEP is one of the best managed NGOs the evaluators have seen in their experience in several countries. There are established policies, procedures and systems, and good files and records on finances, clients and general operations. There is an on-going process of monitoring the finances and programme operations, though these are not formalised as much as they might be.

The need at this point is to move one step further to develop a management information system which will record data in a system that will produce regular reports and summary information. As the programme expands, this information will be important for analysis of programme performance and for guiding decision-making.

Two other problems need to be addressed. One is transportation. There should be a regular schedule for the use of vehicles so that

extension officers can plan and use their time more effectively; this may create constraints on the mobility of senior staff, but careful planning should avoid major problems. Vehicle logs should be used regularly. A second problem is that the spatial layout of the office building discourages interaction among the staff, hence renovation would be useful.

#### L. Donor Relations

USAID demonstrated vision in supporting this project; it involved establishing a new programme which is always more risky than supporting an established operation. The risk paid off. The programme has supported institution and capacity building in the best sense in that it has created a new organisation in a sector that truly needs to be strengthened.

There was lack of expertise from both the founding agency and the donor during the programme design stage. Consequently, many aspects of the programme design evolved during the operation of the programme.

There were five different liaison persons from USAID during the three years of the project. Greater continuity would have reduced the burden on the project officers of orienting themselves to the project, establishing relationships and responding to changing perspectives.

USAID became involved in project management and monthly team meetings more than is customary for donors. While this might have been appropriate for a young project, such a level of involvement would probably be inappropriate and an inhibition to the institution-building process in the next stage of BMEP's development.

USAID could be particularly useful to the development of the programme by ensuring that all relevant reports and documents are shared with BMEP. For example, research, evaluations and policy documents related to economic trends and small enterprise development in Swaziland and other countries would help to inform BMEP's planning and could be made available to small entrepreneurs through the Resource Centre.

## CHAPTER VI: RECOMMENDATIONS

### A. Continued Donor Funding:

Continued donor support for BMEP is warranted for the following reasons:

1. There is a demonstrated client need and demand for the types of services offered by BMEP.
2. This is a unique institution within Swaziland that fills a specific niche: training and technical assistance for small and micro-businesses and the development of new enterprises.
3. BMEP has the potential to become the first indigenous NGO of its kind in Swaziland. MITC management has a commitment to making BMEP an independent, local institution and plans to do so are already underway. This should be encouraged and supported.
4. It is a young programme that needs a chance to grow and mature in the refinement of strategies for creating and serving small businesses. Significant progress has been made in developing the programme over the past two and one half years.
  - Facilities have been established; staff have been hired and trained and have developed relevant skills and experience.
  - A very talented leader has developed in the person of Mrs. Gamedze, the current assistant programme manager, who is ready to move into the programme manager role.
  - BMEP is beginning to gain an identity and become known in the small/micro enterprise community among both potential clients and other organisations. It has established important links that will serve it well as it continues to develop.

B. Priorities for the Second Three-Year Period:

The following programmatic priorities are recommended:

1. Training/technical assistance methodologies: BMEP should continue to focus on developing and refining effective methodologies for strengthening business management. It is important that BMEP be able to reach significant numbers, however, expansion should not be overemphasised at this point.
2. Emphasis on the extension programme: The focus during the first phase was on the in-house programme; this needs continuing attention and refinement. BMEP will have broader impact by continuing its new direction, however, which places more emphasis on the extension programme.
3. Loan program role: After a year or two of experience with Barclay's guaranteed loan programme, BMEP should re-evaluate whether it should continue to administer the loan programme; it should examine how the loan programme might be restructured so that BMEP plays more of an intermediary role than a direct administrative role.
4. Policy initiatives: BMEP is in a position to identify policy issues relevant to the small business sector. It should establish a forum for dialogue with other small enterprise organisations to identify and act upon key policy issues for the small enterprise sector.
5. Organisational structure: Steps should be taken immediately to incorporate BMEP as a separate organisation with its own Board of Directors.

C. Programme Design

1. Target Group:

As BMEP expands its work, especially the extension programme, it needs to reconsider the definition of its target group. Clear policies will help BMEP establish an image in the community, guide extension officers in their work, and have implications for programme design and management. Issues to consider include the following:

- a. Types of businesses: The focus to date has been mostly on the manufacturing sector. This somewhat narrows the scope of the programme's outreach; for example, it emphasises individual women clients involved in sewing. BMEP may want to consider broadening its outreach to the service and trade sectors and to people

involved in part-time or seasonal activities. These comprise important sources of income within the informal sector which do not seem to be receiving assistance at the moment.

b. Urban/rural focus: The programme is beginning to work with rural clients, mainly in groups. BMEP needs to examine this "spread," particularly in relation to the allocation of staff time and resources.

c. Mix of individual, group, and organisational clients: BMEP is providing useful services at all levels. As the demand for services increases, however, BMEP will need to examine the balance it wants among these targets and the amount of staff time it will allocate to each. This will have implications for programmatic design and for training of staff.

## 2. Training:

The curriculum should be reviewed to see whether it could be organised in a more logical pattern. Trainees should write out each section of the business plan as they complete their study and research on that section.

## 3. In-house programme:

Increased attention should be given to creating mechanisms for encouraging trainees to leave BMEP workshops and move into the community; these might include changes in rent policies, financial management planning/advice to prepare businesses to absorb higher costs, and support of the Rotary workshop scheme. Greater priority should also be placed on follow-up technical assistance to help in-house trainees once they move into the community.

## 4. Extension programme:

There should be increased emphasis on developing the extension programme. It will be important to hire one new person who is mature, experienced, and good at extension work to serve as a role model and mentor. Further training of the extension officers is needed to strengthen their practical skills in client interaction, business planning, problem-solving and working with groups. Exposure to income-generating activities outside the manufacturing sector and in rural areas may also be necessary if BMEP plans to move into these areas.

BMEP should experiment with new strategies and methodologies for working with individual clients, e.g., sectoral strategies and non-record-keeping interventions.

BMEP should develop a more systematic approach to working with groups which gives attention to how to establish rapport, how to help groups identify feasible products or services, how to identify problems, and how to train groups in ways that empower them by increasing their cohesion and their problem solving skills.

Allocation of extension officer duties and scheduling of transport should be reviewed and changes made that assure good use of staff resources and ability to schedule visits with rural clients.

BMEP must develop more systematic follow-up of business people who attend training seminars.

#### 5. Credit:

BMEP should establish a loan advisory committee, comprised of non-staff members, to review the loan activities and the repayment patterns of loan recipients. BMEP should re-evaluate, after a year or two, its role in loan administration and the possibility of expanding the role of banks.

#### 6. Retail shop:

The profits of the shop should repay the discretionary fund for the original purchase of the stock. A consistent pattern should be established of transferring profits to BMEP to support its operations. Careful study should precede any expansion of the shop. Consideration should be given to establishing it as a separate, self-sustaining entity.

#### 7. Warehouse:

Analysis should be done to ensure that the warehouse is self-supporting. Careful study should precede any expansion, including examination of options for meeting this service need that could be met by other sources.

#### 8. Staff:

A plan (including financial support) for training the extension officers should be drawn up and implemented. A full-time technical advisor should be identified and contracted to assist the programme manager with specific aspects of continued programme development. A new assistant programme manager with experience and skills in

extension work should be hired when Mrs. Gamedze becomes programme manager.

9. Organisational Structures:

BMEP should be established as a separate corporation with its own Board of Directors.

10. Management:

BMEP should continue monthly management team meetings. BMEP should create a management information system which produces monthly programmatic reports. Transport allocation problems should be resolved. The administrative office building should be remodeled.

11. Donor relations:

Basic funding is an immediate priority for BMEP. BMEP should revise its current funding proposal to more accurately reflect programme achievements, current directions, and specific objectives and activities for the next three years. Subsequently, efforts should be initiated to diversify sources of support. Negotiations should begin immediately to secure government support for basic staff positions. Also, planning should go forward to maximise self-support through income from the in-house workshops and Eswatini. Flexible funds, such as that from Barclay's in 1986, are important to the effective operation of the programme.

## APPENDIX A: CLIENT PROFILES

INTENSIVE TRAINING COURSE CLIENTS	Men	Women	Total
Total number of participants	20	12	32
Total number of businesses	19	11	30
Average age of participants	26	28	27
Family status			
Married	3	6	9
Single	17	6	23
Average no. dependents	2	3	2
Type of Business			
Handicrafts	7	1	8
Knitting	-0-	1	1
Sewing	-0-	6	6
Upholstery	4	2	6
Electronics	3	-0-	3
Signwriting	1	-0-	1
Welding	1	-0-	1
Carpentry	3	-0-	3
Picture framing	1	-0-	1

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INTENSIVE TRAINING COURSE CLIENTS (continued)	Men	Women	Total
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Business Status

Of all businesses:

Ongoing in workshops	5	4	9
Ongoing in community	5	3	8
Changed businesses (ongoing)	2	-0-	2
Failed businesses	4	3	7
Trainees who have entered wage employment	3	1	4
<b>Total ongoing businesses (as of May 1989)</b>	<b>12</b>	<b>7</b>	<b>19</b>
Average no. employees	1	1	1
Average no. profitable months over past six months	1.5	2.6	2
Average monthly owner draw	332	267	304

Status of workshop businesses

Up to date with rent	3	4	7
Arrears	2	-0-	2
Up to date with cash book	3	2	5
Up to date with balance sheet	3	2	5

INTENSIVE TRAINING COURSE CLIENTS (continued)	Men	Women	Total
<b>Loans</b>			
Number applied	9	5	14
Number approved	9	4	13
Number rejected	-0-	-0-	-0-
Number pending	-0-	1	1
<b>Of approved loans,</b>			
Average amount	E1400	E581	E1148
Repayment up to date	3	3	6
In arrears	6	1	7
Average amount in arrears	E325	E22	E282
<b>Warehouse</b>			
Number buying raw materials	5	4	9
Average amount per month	-	-	E75
<b>Retail shop</b>			
Number selling goods	1	2	3
Average amount per month	E100	E85	E90

EXTENSION PROGRAM CLIENT PROFILE	Men	Women	Total
Number potential clients contacted			
Individuals	-	-	98
Groups	-	-	21
Number Active Clients (excluding intensive training participants)			
Individuals	7	3	10
Groups	-	-	18
Of active clients,			
Average age	26	46	34
Family status			
Married	3	2	5
Single	4	-0-	4
Widow	na	1	1
Average no. dependents	1	6	2
Average years in business	2.3	4.6	3.1
Type of business			
Handicrafts	1	-0-	1
Sewing	-0-	3	3
Upholstery	1	-0-	1
Welding	2	-0-	2
Carpentry	1	-0-	1
Agriculture	2	-0-	2

EXTENSION PROGRAM CLIENT PROFILE (continued)	Men	Women	Total
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Initial capitalization

Average amount	E502	E150	E414
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Source

Personal resources	5	3	8
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Loan	1	-0-	1
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Unknown	1	-0-	1
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Participation in BMEP services

Technical assistance	6	3	9
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Average no. extension officer visits per month	1	1	1
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Seminars	3	3	6
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Business problems identified by clients:

Lack of tools and equipment	2	1	3
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Lack of raw materials	1	-0-	1
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Marketing	1	-0-	1
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Lack of capital	1	1	2
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Business problems identified by extension officers:

Recordkeeping	1	1	2
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Marketing	3	-0-	3
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Costing/Pricing	3	-0-	3
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Lack of business skills	2	-0-	2
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Lack of motivation	1	-0-	1
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Need for expansion	-0-	1	1
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EXTENSION PROGRAM CLIENT PROFILE (continued)	Men	Women	Total
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Loans

Number applied	3	2	5
Number approved	-0-	2	2
Number rejected	2	-0-	2
Number pending	1	-0-	-0-

Of approved loans:

Average amount	na	E500	E500
Repayment up to date	na	2	2
In arrears	na	na	na
Average amount in arrears	na	na	na

Warehouse

Number buying raw materials	-0-	1	1
Average amount per month	-0-	E80	E80

Retail shop

Number selling goods	1	-0-	1
Average amount per month	E50	-0-	E50

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## APPENDIX B: SUMMARY OF HISTORICAL DATES

### 1984

Outline proposal and early discussion with Ministry of Commerce, Industry and Tourism and with USAID.

### 1985

Oct Formal proposal submitted to USAID.

### 1986

Feb USAID approved grant of \$250,000.

Mar Building construction began.

Jun Received E119,000 grant from Barclay's Bank.

May MITC staff member did program and curriculum planning

Sep Building construction completed.  
Financial controller (S. Banks) arrived.  
Advisor (A. Brown) arrived in country (50% time allocated to BMEP)

Nov Marketing/Extension Officer (N. Gamedze) hired.  
Agreement negotiated regarding overspending on buildings.  
Negotiations began for additional USAID funding

Dec Program participants recruited and selected.  
A. Brown left on two month home leave.

### 1987

Jan Group 1 participants (14) began intensive training.

Apr A. Brown began spending time with BMEP staff again, but only one day per week.  
Eswatini shop transferred from MITC to BMEP.

Sep USAID approved additional \$100,000 funding, including costs of new program manager.

Oct Group 2 participants (4) began intensive training.

1988

Apr Program manager (T. Canedo) began work.  
Jul Group 3 participants (8) began intensive training  
Aug Extension officers (3) began work.  
Sep S. Banks began 2 month home leave.  
Nov S. Banks assigned to Sibakho for last 3 months of term.

1989

Jan Barclay Bank Small Business Loan Scheme approved.  
Feb Group 4 participants (6) began intensive training.  
Apr USAID approved extension without cost to 30 June 1989.

## APPENDIX C: DOCUMENTS REVIEWED

### Business Management Extension Programme documents:

Files, training materials, curriculum and participant lists; extension programme monitoring forms and client records; loan administration forms; minutes of management meetings; financial records and other programme materials; original programme proposal to USAID/Swaziland (October 21, 1985); second programme proposal to USAID (December 12, 1988).

### USAID/Swaziland documents:

Original Operational Program Grant (OPG); three OPG amendments; project implementation report for October 1, 1988 to March 31, 1989.

### Other background materials:

- Care International, 1989. "Swaziland Training for Entrepreneurs Project. Activities overview." mimeo.
- Capricorn Africa Economic Associates, 1989a. "Swaziland Employment Project." Mimeo. Mbabane, Swaziland, May.
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- USAID, 1984. "Country Development Strategy Statement. FY 1987." Washington, D.C., November.
- World Bank, 1985. "Economic Memorandum on Swaziland." Report No. 5666-SW. Country Programs Department 1, Eastern and Southern Africa Regional Office. Washington, D.C., November.

APPENDIX D: PERSONS INTERVIEWED

Fr. L. McDonnell	MITC Director
Sr. J. Dean	MITC Administrator
T. Canedo	BMEP Programme Manager
N. Gamedze	BMEP Assistant Programme Manager
E. Magagula	BMEP Extension Officer
S. Zwane	BMEP Extension Officer
A. Dlamini	BMEP Extension Officer
C. Ngwenya	BMEP Finance Officer
P. Nxumalo	Eswatini Manager
N. Mpungose	BMEP In-house trainee
S. Hlatshwayo	BMEP In-house trainee
S. Dlamini	BMEP In-house trainee
N. Dlamini	BMEP In-house trainee
R. Stewart	BMEP In-house trainee
R. Nxumalo	BMEP Extension client
Siyabya Women's Group	BMEP Group Extension client
A.B. Ginindza	Sibakho Chamber of Commerce and Industry
Dr. B. Dlamini	Ministry of Education
S. Banks	CARE International
M. Gonson	USAID/Swaziland
L. Diaz	USAID/Swaziland
R. Carlson	USAID/Swaziland

Also visits to businesses located in BMEP workshops, the City Market, the Trade Fair grounds and three located elsewhere in and around Manzini.

## BACKGROUND NOTES TO THE REPORT

### The PEDS Project

This study was conducted under the Private Enterprise Development Support Project. The PEDS Project is a five year (FY88 - FY92) \$20 million project managed by the Bureau for Private Enterprise. The PEDS Project is designed to provide a wide range of expertise in private sector development. Areas of technical assistance include the following:

- Policy analysis related to private sector development
- Sector assessments and analyses
- USAID private sector strategy development
- Legal and regulatory analysis and reform
- Small-scale business development
- Trade promotion
- Investment promotion
- Free trade zone development
- Financial institutions and instruments
- Management and financial training
- The role of women in private enterprise
- Applications of MAPS: Manual for Action in the Private Sector

USAID Missions have the resources of thirteen contractors available to them through the PEDS Project.

- |                                    |                          |
|------------------------------------|--------------------------|
| ● Arthur Young (prime)             | ● Ferris & Company       |
| ● SRI International                | ● Metametrics            |
| ● Management Systems International | ● Elliot Berg Associates |
| ● The Services Group               | ● Robert Carlson Ass.    |
| ● Trade and Development, Inc.      | ● Ronco                  |
| ● Multinational Strategies         | ● Dimpex Associates      |
| ● J.E. Austin Associates           |                          |

### The Consultancy

The evaluation of the Business Management Extension Programme (BMEP) was conducted at the request of USAID/Swaziland. The team, consisting of John Else and Jennefer Sebstad, carried out the evaluation and wrote this report during a two-week field trip to Swaziland from May 23 - June 2, 1989.

## The Authors

### **John Else**

Mr. Else is an Associate Professor at the University of Iowa where he teaches courses in small-scale enterprise development and community development; he is also the Chair of the African Studies Program. Mr. Else serves as the Director of the Institute for Social and Economic Development, where he manages a project to provide training and technical assistance to small businesses. From 1985-1986, Mr. Else served as a Training Officer and Special Projects Advisor to Voluntary Organisations in Community Development (VOICE) in Harare, Zimbabwe. Mr. Else holds a Ph.D. in Social Policy and Planning from Brandeis University, an M.A. in Sociology from the University of Nebraska at Omaha, a Master of Divinity from Yale University and a B.A. from the University of Nebraska-Lincoln.

### **Jennefer Sebstad**

Ms. Sebstad is currently a consultant to the Ford Foundation and other development agencies. From 1984-87, she served as the Ford Foundation's Program Officer in Nairobi, Kenya, where she was responsible for developing program strategies and monitoring and evaluating grants for enterprise development, employment generation and women's rights. From 1982-84, Ms. Sebstad was a Project Officer in A.I.D.'s Office of Rural and Institutional Development in Washington D.C. Ms. Sebstad holds an M.A. in Urban and Regional Planning from the University of California, Los Angeles and a B.A. in South and Southeast Asian Studies from the University of Michigan.