

A.I.D. EVALUATION SUMMARY - PART I

- 1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.
- 2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE

IDENTIFICATION DATA					
A. Reporting A.I.D. Unit: Mission or AID/W Office: <u>USAID/Swaziland</u> (ES# <u>Human Resources/General Dev Offc</u>)		B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan? Yes <input type="checkbox"/> Slipped <input checked="" type="checkbox"/> Ad Hoc <input type="checkbox"/> Evaluation Plan Submission Date: FY <u>88</u> <u>04</u>		C. Evaluation Timing Interim <input checked="" type="checkbox"/> Final <input type="checkbox"/> Ex Post <input type="checkbox"/> Other <input type="checkbox"/>	
D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)					
Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
645-0227	Swaziland Training for Entrepreneurs	1986	9/89	\$990	\$990

ACTIONS		
E. Action Decisions Approved By Mission or AID/W Office Director *Action(s) Required	Name of Officer Responsible for Action	Date Action Completed
1. A strategic focus and project work plan needs to be developed before the portfolio of subproject activities developed by STEP is approved by AID.	USAID/CARE	DEC 88
2. (1) USAID Swaziland should revise the asset and employee criteria, for small business, given in the PFP cooperative agreement to allow the project more flexibility to work with Swazi small businesses above the scale of micro enterprises and (2) The project should make a concerted effort to work with all Swazi based businesses above the scale of the micro enterprises regardless of racial or national origin.	USAID/CARE	DEC 12-88
3. USAID should reconsider the division of activities given in the cooperative agreement with an eye to increasing information gathering activities and decreasing the emphasis on anecdotal experimental subprojects.	USAID	DEC 88

APPROVALS			
F. Date Of Mission Or AID/W Office Review Of Evaluation:		(Month) June	(Day) (Year) 1988

G. Approvals of Evaluation Summary And Action Decisions:			
Name (Typed)	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer
	Leticia Diaz USAID/HR/GDO	Nancy Cailolla CARE/Swaziland	Jim Bednar USAID/PROG.
Signature	<i>[Signature]</i>	<i>[Signature]</i>	<i>[Signature]</i>
Date	2/2/1991	April 4, 1991	April 2, 1991

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ACTIONS

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*Action(s) Required		
4. Minimum training and experience criteria for STEPS professional personnel should be developed by CARE, approved by USAID and applied to all future hires - especially the proposed assistant project director.	USAID/CARE	SEPT 88
5. CARE should establish an effective oversight function for STEP.	CARE	AUG 88
6. The mission should develop a procedure for reviewing subproject proposals which will help it in evaluating both how the proposal will contribute to achieving STEP's overall purpose as well as its acceptability under AID contracting regulations.	USAID	SEPT 88
7. USAID should amend the cooperative agreement to remove the continuing obligation of STEP to provide technical assistance to BMEP.	USAID	APRIL 88

(Attach extra sheet if necessary)

APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation: _____ (Month) _____ (Day) _____ (Year)			
G. Approvals of Evaluation Summary And Action Decisions:			
	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer
Name (Typed)			
Signature			
Date			

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A B S T R A C T

H. Evaluation Abstract (Do not exceed the space provided)

The three-year project was aimed to develop and test a number of approaches to AID interventions in Swazi small enterprise development. Partnership for Productivity International (PFI) was initially selected to implement STEP. In late 1986, PFI failed financially and CARE took over STEP activities in May 1987. The mid-term evaluation (6/88) was conducted by a two-person team from International Science and Technology Institute (ISTI) and CARE International. The evaluation reviewed the project implementation, finances, staff and the manner in which CARE and USAID provided administrative guidance and management oversight. The evaluation was based on interviews with USAID and CARE staff, principals of co-operating institutions and project beneficiaries.

The major findings and conclusions were:

- Four baseline studies had been completed, two experimental projects approved and a large amount of technical assistance had been provided to local organizations and Swazi entrepreneurs;
- The project lacked a strategic focus and work plan, which needed to be developed before USAID approved the portfolio of subactivities;
- The asset and employee criteria for defining a small business needed to be revised to allow the project more flexibility in working with businesses above the micro enterprise size;
- More emphasis should be given to information gathering rather than anecdotal experimental subprojects.
- USAID's slow approval of experimental projects affected the project's progress;
- The system of administrative and technical oversight needed improvement.

C O S T S

I. Evaluation Costs		Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
1. Evaluation Team				
Name	Affiliation			
Robert Otto	Senior Associate International Science and Technology Institute	14	20,000	PD&S
Dawn Wadlow	Deputy Director CARE, Small Enterprise Development	14		CARE
2. Mission/Office Professional Staff Person-Days (Estimate) <u>14</u>		3. Borrower/Grantee Professional Staff Person-Days (Estimate) <u>14</u>		

A.I.D. EVALUATION SUMMARY PART II

J. SUMMARY OF EVALUATION FINDINGS, CONCLUSIONS AND RECOMMENDATIONS (Try not to exceed the 3 pages provided)
Address the following items:

- Purpose of activity(ies) evaluated
- Purpose of evaluation and Methodology used
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

Mission or Office: _____

Date this summary prepared: _____

Title and Date of Full Evaluation Report: Mid-Term Evaluation for Swaziland Training for Entrepreneurs
Project

The three-year project was aimed to develop and test a number of approaches to AID interventions in Swazi small enterprise development. The experiences and information gathered under STEP were expected to assist USAID in identifying opportunities and developing a strategy for interventions in the Swazi private sector. Partnership for Productivity International (PFI) was initially selected to implement STEP. In late 1986, PFI failed financially and CARE took over STEP activities in May 1987.

The purpose of the mid-term evaluation was to assess the project's implementation, the adequacy and appropriateness of implementation procedures and sound management practices. The evaluation (6/88) was conducted by a two-person team from International Science and Technology Institute (ISTI) and CARE International. The evaluation reviewed the project implementation, finances, staff and the manner in which CARE and USAID provided administrative guidance and management oversight. The evaluation was based on interviews with USAID and CARE staff, principals of co-operating institutions and project beneficiaries.

The major findings and conclusions were:

- Four baseline studies had been completed, two experimental projects approved and a large amount of technical assistance had been provided to local organizations and Swazi entrepreneurs; The two experimental projects did not receive USAID approval until December 1987, nearly 17 months after project start-up; Furthermore, one of these projects (Sibakho) was not funded until April 1988.
- The project lacked a strategic focus and work plan, which needed to be developed before USAID approved the portfolio of subactivities; a work plan would have indicated the experimental and baseline information gathering requirements for developing a small enterprise support strategy for follow-on activities;
- The asset and employee criteria for defining a small business needed to be revised to allow the project more flexibility in working with businesses above the micro enterprise size; the project also marginalized the utility of its research and information-gathering efforts by excluding non-Black Swazi enterprises and foreign-owned small scale enterprises:

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- More emphasis should be given to information gathering rather than anecdotal experimental subprojects; the work with Swazi small business organizations to implement STEP experimental activities were hampered by the Swazi organizations themselves needing development support; the burden on project personnel was substantial.
- USAID's slow approval of experimental projects affected the project's progress; USAID should develop a review process which not only examines subproject proposals from the perspective of AID contracting regulations but also how the proposed activity serves to achieve the project's purpose.
- The system of administrative and technical oversight needed improvement; this is especially true for monitoring the subprojects.
- The project does not have a standardized method by which the experiences gained from the subprojects are reduced to a useable form for USAID's incorporation into its private sector development strategy.

K. ATTACHMENTS (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier)

Mid-Term Evaluation for Swaziland Training for Entrepreneurs Project

L. COMMENTS BY MISSION, AID/W OFFICE AND BORROWER/GRANTEE

This project was designed as a mechanism to explore areas where USAID might assist in developing Swaziland's small business sector. The experimental nature of the project was interpreted differently by various parties from the outset. This created some confusion as to the expectations of the project. The Agency needs to develop clear guidance on experimental projects and the need for flexibility on the project's implementation.

The Mission agreed with the evaluation's findings. The recommendations guided the refocusing of the project in its final year. Among the areas improved as a result of the evaluation were project staffing, the Mission review process for approving experiments, project reporting and the project's staff's authority.

ATTACHMENTS

MISSION COMMENTS OR FULL REPORT

XID-ABC-837-A
7111
~~XID-ABC-834-A~~

Mid-Term Evaluation
for
Swaziland Training for Entrepreneurs Project
(645-0227)

Prepared by
Dawn Wadlow, Deputy Director of Small Enterprise Development
CARE International

and
Robert Otto, Senior Associate
International Science and Technology Institute, Inc.

June 3, 1988

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I. Executive Summary:

This mid term evaluation was conducted in May 1988 following interviews with USAID Swaziland personnel, STEP Project personnel and Project beneficiaries. The preliminary findings of the Evaluation Team were presented to the Mission on May 26, 1988 prior to the Team's departure from Swaziland.

Summarized below are the key findings and recommendations of the Evaluation:

1. The Project has proceeded with implementing a number of subproject activities without benefit of a defined strategic focus or even a work plan. The Project has not adopted any specific learning objectives or working Hypotheses. After almost half of the Project's life has elapsed, there remains some confusion among principals as to the meaning of the Project's purpose statement.

The Evaluation Team recommends that a strategic focus and project work plan keyed to that focus be developed before the proposed portfolio of subproject activities currently being developed by STEP is approved by AID. As it is now being implemented, the Project is following an opportunistic path rather than a path determined by learning objectives. It would be useful to key the Project's strategic focus and work plan to satisfy specific analytical objectives that would provide the Mission with useful information concerning, inter alia, cultural, political, economic, demographic, and institutional factors that impinge on the development potential of the Swazi small business segment of the private sector.

2. By virtue of its selection of subproject activities, the Project has marginalized the utility of its experimental and information-gathering efforts by excluding the vast majority of Swazi small businesses. All of the Project's experimental

activities currently underway or planned for implementation involve working only with either self employed individuals or micro enterprises owned and operated by black Swazis.

The Evaluation Team suggests that (1) the Mission revise the asset and employee criteria given in the cooperative agreement to allow the Project to work with Swazi small businesses above the scale of micro enterprises and (2) the Project should make a concerted effort to work with all Swazi-based businesses above the scale of the micro enterprise regardless of racial or national origin..

3. For a variety of reasons both within and beyond of its control, the Project is very much behind what might be considered a reasonable schedule for expenditures and subproject implementation. With its current focus on anecdotal, experimental activities requiring intensive technical assistance efforts, the Project will not be able to achieve its learning objectives before PACD (September 31, 1989).

The Evaluation Team recommends that the Mission reconsider the division of activities given in the cooperative agreement with an eye to increasing information gathering activities and decreasing the emphasis on anecdotal "hands on" experimental subprojects to the minimum necessary to achieve project objectives.

4. With the exception of the Project Director, STEP personnel may not meet what might be considered reasonable minimum training and experience qualifications or experience for the tasks to which they are assigned.

The Evaluation Team recommends that minimum training and experience criteria for STEP's professional personnel should be developed by CARE, approved by AID and applied to all future hires - especially the proposed Assistant Project Director.

5. For a number of possible reasons, CARE has provided little in the way of program-level oversight since assuming responsibility for the Project from PIP. Supporting services have been limited to technical advice on specific subprojects and administrative systems.

We suggest that CARE review its process of project management oversight with an eye to establishing an effective oversight function for STEP. CARE should develop a protocol for providing technical and administrative support and oversight. One element of that protocol would be the determination of which management unit within CARE is responsible for STEP's achieving its objectives.

6. We see two problems with the Mission's subproject approval process; it is slow and is not very useful for supporting the process of project management. STEP's subproject proposals appear to be reviewed from the perspective of their acceptability in the context of AID's contracting regulations without regard to how each activity will contribute to achieving the Project's purpose.

The Mission should develop a procedure for reviewing subproject proposals which will help it in evaluating both how the proposal will contribute to achieving STEP's overall purpose as well as its acceptability under AID contracting regulations. Developing such-a procedure should be given high priority because the Project will be generating as many as twelve subproject proposals within the next six months!

7. We recommend that the Mission amend the cooperative agreement to remove the continuing obligation of STEP to provide technical assistance to BMEP.

II. Introduction/Acknowledgements:

During the period May 16 - May 27, 1988, an evaluation team composed of Dawn Wadlow (Deputy Director of Small Enterprise Development for CARE) and Robert Otto (Senior Associate with the International Science and Technology Institute Inc.) prepared this midterm evaluation report of the experience to date with implementation of CARE's cooperative agreement with USAID Swaziland's Swaziland Training for Entrepreneurs Project (STEP).

The Mission's charge to the Evaluation Team was to examine and, where appropriate, make recommendations concerning the following:

1. The course STEP has taken during implementation, including its general approach and scope of activities and how they might affect the achievement of the Project's purpose;
2. The adequacy and appropriateness of implementation procedures vis a vis applicable AID regulations, provisions of the cooperative agreement and sound management practices;
3. The adequacy of project resources including funds available for subprojects, project staff/manpower and time remaining for project implementation; and,
4. The manner in which the Mission and CARE provide administrative guidance and management oversight for STEP.

During the course of its investigations, the Evaluation Team met with USAID Swaziland personnel, CARE staff members, principals of cooperating institutions and project beneficiaries. Following consultations and field visits, the Team presented its findings and an initial draft of its report to a panel of Mission personnel on May 26, 1988. The final draft of the report, incorporating Mission comments, was prepared in Washington at the offices of ISTI Inc.

The Team received guidance from Deputy Director Harry Johnson and Program Officer Joan Johnson. It was materially assisted in its research by Leticia Diaz (Director of the Mission's General Development Office) and David Martella, a USAID contractor acting as project monitor. In addition, CARE Project Director Alex Brown and his staff provided valuable insights into the operations of the Project office.

The evaluation was financed in part by funds provided under the Project and by AFR/MDI under its African Business and Investment Development Project.

III. History/Background of the Project:

On May 19, 1987, CARE signed an Amendment to the Cooperative Agreement (No. 645-0227-A-00-6002-00) with USAID/Swaziland to assume responsibility for the execution of the Swaziland Training for Entrepreneurs Project (STEP) (645-0227). This amendment was one of several historical events which has contributed to the evolution of STEP. The original Cooperative Agreement under the auspices of Partnership for Productivity/International (PfiP), a private voluntary organization, was designed to carry out a number of activities which, collectively, were intended to provide the Mission with insight into and experience with the small business sector in Swaziland. It was expected that the experience gained under this Project would assist the Mission in identifying opportunities and developing a strategy for interventions into the sector. A total of \$750,000 in SDA and EHR funds were committed to STEP to carry out experimental projects, baseline data collection, technical assistance and documentation of results and findings.

To understand the course STEP has chartered since August, 1986 (i.e. choice of project activities, target population and scope), it is important to take into account how several past occurrences affected Project management decisions and Project performance to date. The following discussion illustrates the series of events which significantly affected STEP's direction and management: the initial phase of project development; the period of implementation of the Project under a cooperative agreement with PfiP; an interim period following the termination of PfiP's active involvement in implementing STEP; and subsequent assumption of project management by CARE International. Taken collectively, the events in STEP's history provide the basis from which this report's recommendations are drawn.

A. Initial Project Concept

In August 1985, USAID Swaziland approved a Project Identification Document (PID) for the Small Enterprise Support Project (SESP). The PID identified unemployment as a major development problem in Swaziland and reflected the Mission's then-current thinking that stimulating growth in the small enterprise sector would generate enough jobs for the anticipated number of school leavers. Consequently, the PID's goal and purpose statements were given as follows:

"The goal of the proposed project is to increase employment in Swaziland. The purpose of the project is to identify potentially successful means of promoting employment through indigenous small-scale enterprises."

After PID approval, the Mission reconsidered the approach it would take toward implementation of the Project and split SESP into two somewhat independent activities. First, the Mission signed an OPG with the Manzini Industrial Training Centre's Business Management Extension Programme (BMEP) for the construction of physical plant and provision of services for a sheltered workshop scheme for Swazi tradesmen, who were recent graduates of the Manzini Industrial Training Centre. Then the Mission prepared an RFA for a project, entitled the Swaziland Training for Entrepreneurs Project (STEP), to be implemented under a cooperative agreement with a U.S. private voluntary organization (PVO). The RFA called for PVOs to offer a design for a project, to be implemented over a three year period, which would develop and test a number of approaches to AID interventions in the small enterprises segment of the Swazi private sector. A number of PVOs responded to the Mission's solicitation and, after due consideration, USAID selected Partnership for Productivity International (PFP) to implement STEP. A cooperative agreement was awarded in August, 1986.

B. PfP's Stewardship

PfP's project design for STEP included a number of activities which were designed to gain, through primary data collection and pilot subprojects, information leading to the identification of appropriate means for AID to intervene in support of development of Swazi small enterprises. PfP was to work with Howard University to implement certain portions of the Project. Although somewhat peripheral to the Project's main thrust, an additional requirement to provide up to 50% of the Project Director's time for technical assistance to BMEP was added as a key project element.

The cooperative agreement provided for the following:

- * A budget of \$750,000 to be used to finance PfP's project operations and subproject activities. (Approximately 52% of the budget was to be used for funding research and experimentation subprojects.
- * The project was to be implemented over a three year period, culminating in a report to AID summarizing PfP's findings concerning its experience with the small enterprise sector.
- * Twelve months of the Project Director's time was to be dedicated to providing technical support to the BMEP.
- * Substantial Mission involvement in project decision-making including budget allocations and approval of subprojects.

Prior to project startup, several Swazi business organizations received commitments from the Mission concerning access to AID funds from Step. These commitments were not stated explicitly in the cooperative agreement.

The PFP proposal suggested a framework of research themes and hypotheses based on four assumptions which provided a degree of guidance for selection of experimental projects and research activities loosely keyed to the learning objectives of the Project. Unfortunately, these assumptions and hypotheses were not incorporated into the cooperative agreement either directly or by reference. Consequently, implementation of the Project began with a budget allocation but with little else in the way of a strategic focus or a substantive work plan to be used to guide project implementation.

From August to December 1986, STEP engaged in a number of startup activities including leasing office space in Manzini, procuring office equipment and furnishings and hiring a secretary. It also negotiated an agreement with the Government of Swaziland (GOS) for PFP to operate legally in the country. The agreement was signed on November 3, 1986. Following completion of these actions in early December, the Project Director left country for a delayed PFP home leave.

C. Interim Period

In mid-December 1986, PFP ceased Project operations entirely due to its financial failure. It had been found to have abused its authority to draw funds from its Federal Reserve Letter of Credit. AID/Washington arranged for CARE International to temporarily manage the PFP portfolio until such time as a resolution could be made concerning succession of management for the STEP project. CARE began negotiations with USAID/Swaziland in February, 1987 for transfer of the Cooperative Agreement. An amendment to the cooperative agreement naming CARE as the "recipient" was signed on May 19, 1987.

During this period, STEP program activities came to a virtual standstill. No experimental projects, research activities or substantial technical assistance were undertaken. The STEP

Project Director was on home leave from December 1986 until mid-February 1987. Upon his return, he began the process of assisting in the transition of STEP to CARE auspices. During this period, a number of changes were made to adjust to the new circumstances surrounding the Project:

* Budget: The project lost \$125,806 of its original project funding for its pro-rata share of the PFP Letter of Credit. As a result, the Research Component was decreased from \$138,000 to \$30,000, and the Experimental Project Grant/Loan Fund was decreased by \$15,000. (See Table 1, STEP Summary Budget, for details.) A portion of this money is still expected to be restored once AID/W has determined this figure. As of May 1988, AID/Washington has not provided USAID Swaziland with this figure.

* Project Management and Administration: With the reduction in the overall budget and the need to install CARE's financial system, the Project Director was forced to reexamine the Project's budget. Nearly two months was spent in budget redesign, installation of CARE's financial management system and learning how to operate it. An unanticipated demand on the Project Director's time (without a corresponding increase in personnel), has been installation of CARE's administrative and reporting systems required from its overseas missions. (Although CARE had not formally opened a country mission in Swaziland, project reporting requirements were the same as if it were a CARE mission).

* Institutional Support: As the implementing agency, CARE expanded STEP's access to outside small enterprise development (SED) technical expertise. CARE's Regional Technical Advisor for SED, based in Nairobi, has provided some input, as has the SED support Unit in CARE/New York.

D. CARE's Project Management Activities Since May 1987

Amendment #1 to the Cooperative Agreement (May, 1987) naming CARE as the implementing agency, incorporated additional modifications based on STEP's first nine months of experience in Swaziland. These included:

* Budget: The Project's budget was reduced by \$135,806 due to a combination of PFP's losses under the Federal Reserve Letter of Credit episode and an additional loss of \$10,000 for unallowable expenditures under the PFP Cooperative Agreement. This left \$565,049 to accomplish the Project's objectives. (No ongoing experimental projects or research activities were directly affected as none had been begun at that time.)

* Research Activities: The brunt of the budget cuts were absorbed in the area of research activities. The number of studies was reduced from 4 to 3 and the name of the "Research" activity category was changed to "Baseline" to reflect the type of information to be gathered as a necessary starting point for understanding Swaziland's SED environment. Furthermore, since no formal agreement was signed between Howard University and PFP, this line item had been eliminated.

* BMEP Technical Assistance: STEP and BMEP agreed that an allocation of 50% of the Project Director's time for direct technical assistance to BMEP was probably excessive. This requirement was changed to limit his obligation to "up to 20%" of his time for consultancy services over the life of the USAID funded BMEP (645-0222) project.

* Experimental Projects: The cooperative agreement with CARE contained an additional set of selection criteria for deciding on the acceptability of proposed subprojects; "The small enterprise sector being considered consists of those firms owned and

operated by indigencus Swazis with assets under Emalangenl 100,000 and less than 25 employees." The amendment reiterated the requirement that proposed subprojects forwarded to AID for approval of funding should clearly state the learning objectives to be achieved by the subproject.

Neither the original cooperative agreement nor subsequent amendments contain any definition of the universe of issues to be investigated by the Project. Furthermore, we found no description of the Mission's subproject approval process with the exception of a reference to an "ad hoc Project Committee". The lack of definition of this process has been a source of much distress to the Project Director.

Two further amendments have been approved since May 1987. Amendment #2, dated September 30, 1987, obligated an additional \$240,000 covering the previous \$125,806 loss and increasing the project's monitoring and documentation capability through procurement of a computer and other equipment. This brought the total obligated amount for STEP to \$990,000. No change was made in the Project's implementation schedule with PACD remaining September 31, 1989. Tables 1 and 2 provide further details.

Amendment #3, dated May 20, 1988, made a budget line item adjustment to approve an increase in the amount of funds which could be used for Project staff. This change was necessitated by an anticipated sharp increase in personnel needed to monitor some twelve subprojects including an inhouse "credit training" subproject designed to provide the Project with experience in managing a "retail" loan facility. Consequently, the budget's Personnel line item was increased by \$90,000 while Baseline studies decreased proportionately.

E. Project Accomplishments to Date

Table 3, STEP Current and Completed Activities, provides a snapshot view of project accomplishments to date. Table 4, STEP Proposed Activities, describes project activities under development but not yet approved by USAID. In general terms, however, four baseline studies have been completed, two experimental projects have been approved, and a great deal of technical assistance have been provided to BMEP, local organizations, and Swazi entrepreneurs. It should be noted that the two experimental projects approved to date did not receive AID approval until December 1987, nearly 17 months after project start-up. Furthermore, one of these projects (SIBAKHO) was not funded until April, 1988.

An important Project activity not reflected in the Tables of current or Proposed Activities which should involve a substantial portion of the Project's resources and the Project Director's time is the matter of project documentation. To date, the Project has not adopted a methodology or standardized means by which the experience gained from the subprojects will be reduced to a useable form for the Mission's incorporation into its private sector development strategy. In the original PFP proposal, documentation and dissemination were considered crucial to ensure that the lessons learned from subproject activities would be captured in a manner and form which would be useful for USAID and future SED interventions. A few reports have emerged from the Project Office thus far including the following:

- * January-June, 1987 Semi-Annual Report: particularly section III, Prevailing Conceptual Confusions.
- * Small Enterprise Development Issues and Observations, paper presented to the Economics Association of Swaziland, February 26, 1988.

- * Small Economic Activity Development Workshop, Trip Report, March, 1988.
- * Various technical assistance materials for BMEP including business management training curriculum, business monitoring tools, and loan policies and procedures.

In terms of the development of appropriate administrative and monitoring systems to manage the project, STEP has made some notable progress. The financial systems and controls brought online under CARE appear to be effective management tools aiding resource allocation. Monthly budget controls tracking quarterly expenditures are produced regularly. A detailed record of the various grants and loans recorded by disbursement date is also available. CARE administrative procedures and policies have been also established. Individual subproject monitoring systems have been less effective. It would appear that the Project Director has not given adequate attention to designing and overseeing the monitoring systems for the various subprojects.

IV. Findings of the Evaluation:

The Team's findings are organized into three sections. The first section addresses issues of project strategy. The second section deals with problems of an administrative nature which have arisen during project implementation. The last section examines the resources available to the Project and whether they are adequate to achieve the objectives of the Project.

A. Strategy Issues: We have found that STEP's strategic framework has certain problems. Key among these are the following:

1. The Target Group: The criteria used to define the business segment with which STEP is to work (less than E100,000 in assets and 25 or fewer employees) actually define not one but three business segments - (a) the lower end of Swazi small scale businesses, (b) the micro enterprise segment and (c) self employed individuals. This presents three problems:

A. If STEP fails to recognize the substantive difference between the two segments and mixes the results of experimental project and information gathering activities developed under this project, it will gain a highly misleading perception of how best to support Swazi small enterprise development. In practice, development assistance programs that provide technical and financial assistance and training for small and micro enterprise segments have differing emphases, require different support delivery mechanisms, and even varying forms of assistance.

B. For all intents and purposes, the Project has marginalized the utility of its research and information-gathering efforts by excluding non-Black Swazi enterprises and foreign owned small scale enterprises from its experimental and research programs. Since non-Black Swazis own and operate the overwhelming majority of businesses in the small business segment, the results of

STEP's experimental and research activities must be considered useful as helping to define design parameters for follow-on activities only with the Black Swazi-owned micro enterprise segment of the nation's business community. If the Mission's chosen target groups are restricted to black Swazi micro enterprises and black Swazi self employed individuals, we can say that STEP is working with the chosen population. If the Mission actually intended for STEP to work with small scale enterprises (not just micro enterprises and self employed individuals) of whatever racial persuasion, it should advise the Project accordingly.

C. Asset and employee criteria set in the cooperative agreement are too low to include a representative sample of the Swazi small enterprise community. The asset criterion should be raised to at least E250,000 and possibly higher. The employee criterion might be raised to include firms with up to 50 fulltime and intermittent workers.

2. Working with Private Sector Organizations: The AID/CARE cooperative agreement stipulates that STEP is to concentrate its efforts on working with Swazi small business organizations to implement its experimental and research agenda rather than work with individual businesses. The logic of this approach seems sound. For any follow-on project, the Mission will have to work through Swazi organizations (or sponsor the creation of new Swazi private sector organizations) to implement small enterprise development activities.

However, STEP's activities to date have exposed a problem which calls into question the feasibility of STEP's focussing its subproject activities strictly through Swazi small business organizations. The problem is that most Swazi small business organizations are themselves in need of development support before they can function as effective intermediary outreach mechanisms. They have very limited capacities to deliver

technical or financial assistance to their members and are often torn between political and technical agendas which are not likely to be resolved by the type and limited amount of financial and technical assistance provided through STEP. Hence, the Project office is required to provide extensive financial and technical assistance (and a great deal of "hand holding") to the typical Swazi small business organization even before collaborative activities can be launched. The burden on Project personnel is substantial - so much so that we question the likelihood that useful lessons can be learned about how AID might best work with indigenous private sector organizations prior to the current PACD. The experimental subprojects we see under development with Swazi business organizations require that STEP provide a Business Extension Officer to be attached to each organization

3. Experimentation vs Baseline Information Gathering:

The cooperative agreement stipulates the methods by which the Project is to gather information concerning Swazi small enterprise support requirements. The division of activities between experiments and baseline information gathering appear to be somewhat arbitrarily drawn based less upon an understanding of their actual relationship to achieving the purpose of the Project than to a rough estimate of feasibility under the Project's time and funding constraints.

At first blush it seems reasonable for the Project to initiate a number of small scale experimental projects to identify, formulate and test a variety of approaches to providing assistance to small businesses prior to launching a small enterprise support program. With the aid of hind sight, it might have been better to focus more attention and resources on gathering information by survey methods rather than "in vivo" testing.

We make this finding for three reasons: (a) concentration on information gathering and experiential learning through experimentation appears to require more staff time and attention than is currently available under the Project; (b) it is difficult to justify indepth experimentation in a few areas given the broad gaps in our understanding of what factors (cultural, financial, political, legal, regulatory, manpower, etc) most impinge upon the development of swazi small business; and, (c) participating swazi business organizations neither understand nor accept their role as test subjects in what they view as a "U.S. Government sponsored" assistance (versus experimental) program.

B. Operational Issues

This section deals with concerns identified during review of the Project office's portfolio of subprojects and operating procedures.

1. The Need for a Work Plan: The Project has proceeded to develop a very full agenda of activities (including some twelve subprojects) on what would appear to be an opportunistic rather than a planned basis. The scope of STEP's program as it now stands is so broad, complex and labor intensive that it is taxing the capacity of available staff to provide technical and administrative oversight. The Project plans to be so fully engaged in implementing "experimental" subprojects that it will have to dramatically increase its staff to cope with its ballooning portfolio.

However, neither the requiring agency nor the implementing organization has developed a work plan for the Project. Having such a work plan in place from project startup would have helped to identify the key issues that affect small enterprise development in Swaziland. A work plan would have indicated the experimental and baseline information gathering requirements for developing a small enterprise support strategy for follow-on

funding. We feel that it is unlikely that STEP can achieve its stated purpose because it is not working toward any particular set of learning objectives correlated with STEP's purpose.

We are also concerned that STEP has not defined an explicit means or methodology to convert the results of its experimental and baseline information gathering activities into the small business support program guidance that the Mission requires.

2. CARE Program Support: Since taking over implementation of STEP from PfP, CARE has come through with administrative support services such as financial control and reporting systems, personnel policy guidelines, filing systems and other supporting services important to STEP's operation. It has also provided technical oversight on subproject issues through a visit by its regional technical advisor. In addition, it has provided (at no cost to STEP) inservice training for the Project Director during the life of the Project.

However, CARE has provided minimal overall program guidance to STEP. One might speculate that had CARE been more closely engaged in monitoring the progress of STEP, we might not have found the Project some half way to PACD with no work plan in place and little likelihood of achieving its objectives.

We can not be certain of the reason or reasons for CARE's lack of oversight of the Project from a programmatic perspective. It might be any one or all of the following things which explain the current situation:

-- When CARE assumed responsibility for STEP from PfP it also took on responsibility for some thirty other PfP projects that, along with its existing worldwide portfolio of small enterprise projects presented a huge burden on CARE's project management capabilities. The increased responsibility for the new projects may have overwhelmed the capacity of CARE's support staff to

follow up with effective program monitoring. Furthermore, as it was only recently that CARE received any funds to pay for its costs of project implementation (CARE's Federal Reserve Letter of Credit was funded in April 1988), one might assume that CARE could not provide much in the way of program oversight from its own limited resources.

-- It isn't entirely clear which management unit within CARE is responsible for program oversight of STEP. The Project falls under the regional authority of the CARE Mozambique country mission while the regional technical advisor for small enterprise program issues (located in Nairobi) and the Small Enterprise Development Office at CARE New York have some backstopping responsibilities. None of these units appear to have actually assumed the role of project monitor. STEP may simply have fallen between stools.

-- Possibly because of his unfamiliarity with CARE's capacity for supporting field projects, we do not know of any call from STEP's Project Director for assistance in resolving problems he may have had (or has) with STEP's program design or implementation plan. If no program issues were brought to their attention, CARE's practice of allowing a high degree of local autonomy for "country programs" would leave STEP's manager to his own designs.

Given the issues which have surfaced during this evaluation, it would seem appropriate that CARE increase its support for STEP. This support would be most useful in two areas: delivery of a fully qualified project assistant to provide administrative support to the Project Director and specialized assistance (to be provided immediately) to aid in the development of STEP's strategic and work plans.

3. AID Approval of Subprojects: The STEP cooperative agreement stipulates that AID "will review and must approve each project funded grant and research proposal". By and large, CARE has complied with this provision by preparing subproject proposals for Mission review. However, one subproject, the CARE-managed Credit Training activity, had been in operation for some four months before its recent submission to AID for approval. The Evaluation Team has been assured by the Project Manager that he will henceforth comply with the prior approval provisions of the cooperative agreement.

The Mission should be prepared for a sharp increase in subproject approval applications. STEP will be sending forward as many as 12 new applications within the next four to six months. The sheer number of proposals will likely overwhelm the Mission's capacity to provide due diligence to their review.

The Mission should develop a review process which not only examines subproject proposals from the perspective of AID contracting regulations but also how the proposed activity serves to achieve the Project's purpose.

Project Personnel: From the beginning, the Project's staffing requirements have remained somewhat unclear. Shortly after the Project Director returned from home leave in February 1987, he hired a secretary. A local hire extension agent was retained for an unbudgeted position in April 1987 and a more senior Project Specialist has hired in November 1987 (then dismissed for cause in March of 1988). A U.S. expatriate (resident in Swaziland) was hired as Data Manager in February of 1988. Two other employees, hired to work as a marketing specialist and an extension officer, have since left for other employment.

In recent months, the Project office has made plans for a substantial increase in the number of full time staff members. A fifth person (a U.S. expatriate resident in Swaziland) is being

hired this month to serve as a business extension agent. A sixth employee (another resident U.S. expatriate) will be added in July along with four Swazi business extension agents. The Project Director plans to hire two other professionals this summer to fill assistant project director and project accountant positions.

In September of 1988, with about twelve months remaining in the cooperative agreement, STEP will be operating with a complement of twelve employees - eight of whom will have less than four months experience with the Project. It would seem that the Project Director is faced with the almost superhuman task of familiarizing new staff members with the Project, training them in their duties and supervising their work - work which is sometimes carried out in remote sites with institutions and activities needing a great deal of technical and administrative oversight. With the prospect that STEP personnel will all be dismissed in twelve months from the date of a full complement (PACD is August 1989), the prospect that the Project Director will be able to first train, supervise, and then retain an effective team through completion of the subprojects and documentation of the lessons learned seems remote.

It seems to us that professional personnel serving with STEP should have at least one of the following minimum qualifications:

- Private sector experience.
- Fully successful professional experience in the field of small enterprise development.
- A high level of attainment in a relevant discipline such as anthropology, sociology or business administration.

We do not believe that these minimum qualifications have been or will be applied in the selection of STEP staff members with the exception of the Project Director and the four yet-to-be-hired small enterprise extension officers.

Our cursory appraisal of Project staff does not allow us to make an informed judgement as to their capabilities and level of performance nor do we wish anything said here to be considered derogatory of their efforts, commitment or capabilities. We are concerned, however, that the proposed candidates for the new position of Project Assistant do not appear to meet the minimum qualifications listed above.

5. Technical Assistance for MITC/BMEP: Under the terms of the original cooperative agreement, STEP was obliged to provide up to fifty percent of the Project Director's time for technical advisory services to the Manzini Industrial Training Centre's (MITC) Business Management Extension Program (BMEP). (STEP was required to provide this assistance in lieu of arrangements for the same which might better have been made within the AID-funded BMEP (645-0222) project). During the early days of STEP, the Project Director spent a great deal of his time with BMEP in an attempt to develop a workable operating plan for their program. He has made a substantial contribution to the program by helping the grantees to think through their operating scheme for a sheltered workshop/training center and suggesting revisions to various aspects of the program which we consider to be major enhancements.

While his efforts were described in quite laudatory terms by the BMEP administrative officer, it seems unlikely to us that the STEP Project Director's services can overcome the fundamental weaknesses of the program's design. Consultation services from STEP did help to "save" the project during its first year but can have little effect on project viability over the long term. The unfortunate selection of the facility's site and the failure of

the grantees to develop a workable plan for its use presents STEP with basically / insurmountable obstacles to solving BMEP's problems.

C. Adequacy of Resources: It is very difficult to provide a rationale for recommending increasing, decreasing, or holding the current level of funding, staffing or time allocated for project implementation. The Project, as it is currently designed, has sufficient funds to implement its proposed portfolio of activities. If the Mission feels that the experimental agenda and the plans for baseline information gathering will aid them in their efforts to determine how best to intervene in the small business segment of the Swazi private sector, the current level of funding is sufficient. We believe that the proposed Project agenda does not allow sufficient time for careful documentation of the results of experimental and baseline information gathering. The Mission should consider an extension of time of up to six months beyond the current PACD to allow for compilation of the results of the Project's experimental activities and preparation of a detailed report.

If we are correct in our understanding that the unstated goal of the Project is the formulation of a small enterprise strategy, the Mission may not be satisfied that the Project's proposed activities will, by September 31, 1989, produce the information it needs to formulate that strategy. With the Project in the early stages of implementation (albeit half way to PACD), the Mission has an opportunity to reevaluate the course that STEP has taken, decide what activities should be supplemented or replaced to produce the necessary information, then determine what, if any, additional resources should be provided.

Table 1: STEP SUMMARY BUDGETS

<u>LINE ITEM</u>	<u>PFP</u> <u>(8/5/86)</u>	<u>CARE</u> <u>(5/19/87)</u>	<u>AMEND'T #1</u> <u>(9/30/87)</u>	<u>AMEND'T #2</u> <u>(5/20/88)</u>
Personnel	\$191,457	\$178,575	\$178,575	\$268,575
Consultants	12,300	---	---	---
Travel/PerDiem	16,530	27,670	27,670	31,670
Materials/Serv.	55,056	41,246	58,246	58,246
Communications	3,750	---	---	---
Evaluation	---	5,000	5,000	5,000
Recruit/Reloc.	5,946	---	---	---
Overhead(PfP)	76,961	---	---	---
Subcontr-SSRU	120,000	---	---	---
Subcontr-Howard	18,000	---	---	---
Baseline	---	30,000	218,000	124,000
Grant/Loan Fund	250,000	235,000	250,000	250,000
Overhead(CARE)	---	<u>47,558</u>	<u>59,046</u>	<u>67,558</u>
SUBTOTALS	\$750,000	\$565,049	\$805,049	\$805,049
PfP-12/29/88		59,145	59,145	59,145
Share PfP LOC		<u>125,806</u>	<u>125,806</u>	<u>125,806</u>
TOTAL		\$750,000	\$990,000	\$990,000

STEP COOPERATIVE AGREEMENT AND AMENDMENTS
CHRONOLOGY

EFFECTIVE DATE	TYPE OF AGREEMENT	PURPOSE	RESULT
August 5, 1986	Cooperative Agreement No. 045-0227-a-00-6002-00 STEP (645-0227). USAID/Swaziland and Partnership for Productivity/International.	PFP, in cooperation with USAID, to implement a 3 year project aimed at identifying approaches to stimulate the creation and growth of small scale enterprise development in Swaziland.	Obligation of \$750,000 over years of which \$388,000 earmarked for loans/grants and research. PFP signs Operational Agreement with GOS on November 3, 1986.
December 29, 1986	Management Contract signed between AID/W, CARE and PFP.	CARE assumes temporary financial and program management of PFP grants and contracts, including Swaziland Cooperative Agreement, due to PFP insolvency.	CARE conducts financial and program audit of STEP. Begins negotiations with USAID/Swazi regarding appropriate amendment to the STEP Project for transfer to CARE. STEP loss of \$125,000 for pro rata share of PFP IOC advance.
May 19, 1987	Amendment No. 1 to Cooperative Agreement. USAID/Swaziland and CARE/International.	CARE recipient of Cooperative Agreement.	CARE administrative and financial systems set-up for project reporting. Alex Brown remains as Project Manager.
September 30, 1987	Amendment No. 2	Obligation of additional \$240,000 to reinstate previous \$125,000 loss, and increase capacity of project monitoring and documentation.	Materials, Loan/Grant Fund and Baseline budget line item increase.
May 20, 1988	Amendment No. 3	Adjust line item budget to increase CARE capacity to effectively implement STEP.	Personnel increased. Baseline component reduced.

SMEP CURRENT AND COMPLETED ACTIVITIES
(May 26, 1988)

BASELINE RESEARCH	EXPERIMENTAL PROJECTS	TECHNICAL ASSISTANCE
<p>1. "Swaziland Government Policy Towards The Small Entrepreneur: Practice and Effects." SSRU, November 1987</p> <ul style="list-style-type: none"> • E 16,500 grant • Final Document pending editorial changes. 	<p>1. <u>SIBAKHO: Revolving Loan Scheme and Technical Assistance.</u></p> <ul style="list-style-type: none"> • Delay in disbursement, • E115,000 Grant, December 9, 1987 • Implied Purpose: Determine if business organizations can accurately assess members credit requirements effectively administer a self-sustaining loan fund. 	<p>1. Business Management Extension Programme at Manzini Industrial</p> <ul style="list-style-type: none"> • Currently less than 20% Project Manager's time. • Business Management Trainers Curriculum development. • Loan policies and procedures • Business Monitoring Tools.
<p>2. "A Report on the Feasibility of Collecting Baseline Data on Small Enterprises and Commercial Farmers in Swaziland." Coopers & Lybrand, September 1987.</p> <ul style="list-style-type: none"> • E11,250 grant • Review of existing data sources • Phase I of III 	<p>2. <u>Art Industries Small Enterprises Spinoff Scheme</u></p> <ul style="list-style-type: none"> • E 20,000 Loan, December 7, 1987 • Implied Purposes: Determine feasibility and means of employee microenterprise spin-off. Discover if/how foreign investment can be linked to local economy to stimulate small enterprise development. 	<p>2. Small enterprises technical consultancies.</p>
<p>3. "Collection of a Baseline Inventory on Small Enterprises in Swaziland" Coopers & Lybrand, May 1988.</p> <ul style="list-style-type: none"> • E 15,000 grant • In-depth assessment of President Fund Database. • Phase II of III 	<p>3. <u>Credit Training: Operations Research</u></p> <ul style="list-style-type: none"> • E 120,000 In-house Loan Fund • Three month 'Feasibility' Phase' (Jan-March, 1988) - 8 loans, total E 49, 5000 • Project Proposal submitted to USAID May 18, 1988 for approval. • Stated Purpose. Determine if credit through non-formal financing mechanisms is a primary intervention necessary to support small enterprise growth in Swaziland. 	<p>3. Organizational technical consultancies</p>

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STEP CURRENT AND COMPLETED ACTIVITIES
(May 26, 1988)

TABLE 3

BASELINE RESEARCH	EXPERIMENTAL PROJECTS	TECHNICAL ASSISTANCE
4. "Consulting Services Survey" Draft - December 31, 1987		
5. "Swaziland Marketing Information Survey." John Bento. Draft - February 20, 1988		
6. "State of the Industry Reports" (4) C.R. Pemberton-Pigott of New Dawn Engineering. R 6,000 per report. • Woodworking - carpentry (March 9, 1988) • Welding-in progress (May, 1988) • Sheet Metalworking • Soft Goods (sewing)		

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BASELINE RESEARCH	EXPERIMENTAL PROJECTS
<p>1. Census of Small-scale enterprises in Swaziland. Phase III of III</p> <ul style="list-style-type: none"> • Letters sent to potential bidders 	<ol style="list-style-type: none"> 1. Rural/Urban Linkages (E 3,500 loan) <u>Purpose:</u> Discover/Document existing systems of barter and exchange 2. Rural SED Projects (2) (E35,000 each) <u>Purpose:</u> Gain first-hand knowledge of needs in rural Swaziland to stimulate small scale enterprise development, and test various projects interventions responding to those needs. Document cultural and political constraints in rural areas inhibiting SED. 3. Rotary Shopspace (E 50,000-60,000 grant) <u>Purpose:</u> Document high demand for affordable, available shop space. 4. Commercial Amodada Assessment: (E 10,000-15,000 Grant) <u>Purpose:</u> Assess Commercial Amodada's activities and technical assistance needs. 5. Various loans to organizations and small businesses to gain broader knowledge of technical, financial and management needs of Swaziland's small enterprise sector.
<p>2. Small Enterprise Development and Swazi Cultural: Factors which inhibit or/encourage small enterprise growth.</p>	

PEOPLE INTERVIEWED

STEP Project Personnel

Alex Brown STEP Project Director, CARE
Mike Moe STEP Data Manager
Sifiso Ndwandwe STEP Extension Officer

USAID/Swaziland

Leticia Diaz General Development Officer
Harry Johnson Deputy Mission Director
Joan Johnson Program Officer
Mike Kenyon Contracts Officer
David Martella Mission Contractor- STEP Monitor

OTHER

Stuart Banks Business Management Extension Program
C.R. Pemberton-Pigott New Dawn Industries
Members & Executive Com. SIBAKHO