



AGENCY FOR INTERNATIONAL DEVELOPMENT
USAID MISSION TO SWAZILAND

PD-ABE-804
79544

P.O. BOX 750, MBABANE, SWAZILAND
TEL. 46430, TELEX 2016 WD

August 29, 1991

Mrs. Moroesi Popi Khoza
Chairperson
Swazi Business Growth Trust
P. O. Box 901
Mbabane, Swaziland

Subject: Cooperative Agreement No. 645-0235-A-00-1048-00

Dear Mrs. Khoza:

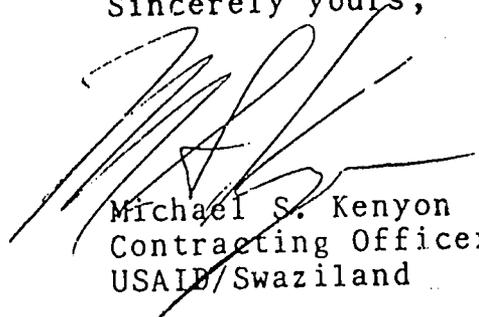
Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter referred to as "AID" or "Grantor") hereby provides to Swazi Business Growth Trust (hereinafter referred to as "The Trust" or "Recipient"), the sum of \$1,440,928 to perform the program in small entrepreneurial development as described in Attachment 1, the Schedule of this agreement, and Attachment 2, entitled "Program Description." Subject to the availability of funds, AID intends to provide a total of \$5,463,502.

This agreement is effective and obligation is made as of the date of this letter and shall apply to commitments made by the Recipient in furtherance of program objectives during the period beginning with the effective date and ending December 31, 1995.

This agreement is made with the Trust, on condition that the funds will be administered in accordance with the terms and conditions as set forth in Attachment 1 entitled the "Schedule", Attachment 2 entitled "Program Description", and Attachment 3 entitled "Standard Provisions", which have been agreed to by your organization.

Please sign the original and seven (7) copies of this letter to acknowledge your acceptance of the agreement, and return the original and six (6) copies to the USAID Office here in Swaziland.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'M. Kenyon', is written over the typed name and title.

Michael S. Kenyon
Contracting Officer
USAID/Swaziland

Attachments

1. Schedule
2. Program Description
3. Standard Provisions

ACKNOWLEDGED:

SWAZI BUSINESS GROWTH TRUST

BY: M. M. Khoza
Moroesi Popi Khoza

TITLE: Chairperson, Swazi Business
Growth Trust

DATE: _____

BY: Roger D. Carlson
Roger D. Carlson

TITLE: Mission Director

DATE: 29-8-91

WITNESSED: Stephen H. Rogers
Stephen H. Rogers

TITLE: Ambassador

DATE: 29 August 1991

FISCAL DATA

Appropriation: 72-111/21014

Budget Plan Code: GSSI-91-21645-KG13, GSSI-91-21645-KG63

PIO/T No.: 645-0235-3-10018, 645-0510-3-10019

Project No.: 645-0235; 645-0510

RCN: X910047; X910062

Total Estimated Amount: \$5,579,948

Total Obligated Amount: \$1,397,095 and \$43,833 (\$1,440,928)

ATTACHMENT I

SCHEDULE

A. Purpose of Agreement

The purpose of this Agreement is to provide support for the Swazi Business Development Project, as more specifically described in Attachment 2 to this Agreement entitled "Program Description".

B. Period of Grant

1. The effective date of this Grant is the date of signature of the Regional Contracting Officer, USAID/Swaziland. The expiration date of this Agreement is December 31, 1995.

C. Amount of Agreement and Payment

1. AID hereby obligates the amount of \$1,440,928 for purposes of this Agreement. \$1,220,928 is reserved for AID-direct procurement. The remainder is for use of the Trust after written approval of its financial management and procurement systems by the Controller, USAID/Swaziland.
2. Payment shall be made to the Recipient in accordance with procedures set forth in Attachment 3 - Optional Standard Provision 1, entitled "Payment - Periodic Advance."

D. Financial Plan

1. The following is the Agreement Budget. Revisions to this budget shall be made in accordance with Standard Provision 4 of this Agreement, entitled "Revision of Grant Budget."

<u>Cost Element</u>	<u>This Obligation</u>	<u>Total Agreement</u>
1. Personnel	\$ 140,000	\$1,012,165
2. Other Direct Costs	80,000	661,046
3. Supplies and Equipment*	212,857	212,857
4. Technical Assistance Contract*	805,963	3,298,772
5. Baseline Data Survey*	46,108	46,108
6. Swazi Business Conference*	16,000	16,000
7. Construction*	140,000	333,000
Total	\$1,440,928	\$5,579,948

*NOTE: Monies in these cost lines are reserved for the use of USAID/Swaziland to procure project technical assistance, supplies and evaluation/audit services, and to fund certain associated activities directly.

E. Reporting and Evaluation

The Trust will coordinate with the USAID/Swaziland Private Enterprise Office (PEO) Project Officer responsible for project management and monitoring. The Project Officer will be responsible for monitoring compliance with the Cooperative Agreement. This Project Officer will also monitor the development of project workplans and implementation of workplans as described in Attachment 2. USAID/Swaziland will track expenditures of Agreement funds based upon submission by the Trust of the financial reports called for in Attachment 3. In addition, the Trust will submit to the Project Officer, USAID/Swaziland, a quarterly report of expenditures-by-cost-line in the Financial Plan above. During the tenure of the institutional Contractor, all reports described above will be prepared by the Contractor and submitted to USAID through the Board of Trustees. In the fourth year of the project the Trust staff will prepare these reports and submit them to USAID through the Board. All personnel recruitment, procurement of commodities, and any change in project activities must be approved by the Regional Contracting Officer, (RCO), at USAID/Swaziland.

B. Evaluation

The Trust will establish a computerized system for the gathering and recording of gender specific information needed for project management and evaluation. The system will incorporate data sheets to be completed at each stage of contact between Trust employees and project beneficiaries. On a daily basis, the data sheets will be entered into the Trust tracking system by a data entry clerk. The data will be used to generate reports necessary for day-to-day management and implementation and for periodic project evaluations. In addition to these reports, the participating bank under the credit component will provide financial reports on loans which will also be used for monitoring borrowers.

To establish a basis for project evaluation, an initial baseline study is in the final stages of editing and will be provided to the Trust by USAID before significant project activities are initiated. The baseline study will provide most of the information needed from which to measure project impact. USAID will furnish further baseline data indicators to the Trust during the first program year. These indicators will concentrate to the degree possible, on easily-obtained, firm-level criteria

Monitoring of these indicators by the Trust Management and USAID/PD/PE (through reports generated by the computerized monitoring systems discussed above) on a periodic basis over the life of the project will allow USAID to view the changes in specific firms receiving project assistance. More qualitative indicators such as enhanced management capability, better bookkeeping and business planning skills will be captured through the field reports discussed in the previous paragraph. The Trust General Manager will provide USAID with a plan for monitoring the control group.

The baseline survey discussed above will be updated at the end of year three of project implementation. The survey will be used for impact reporting and in development of a follow-on project. This survey will be expanded to include data on micro businesses without a fixed location and will include a closer examination of rural small and micro businesses to determine the feasibility of future Trust program interventions with those groups.

Using the data generated by the project's computerized tracking system, USAID and the Trust will cooperate in carrying out two project evaluations. The first evaluation is scheduled in 1993 and will be used for both impact reporting and to make mid-stream adjustments in the project. The second and final evaluation will be carried out three years from the initiation of project implementation. It will be used for impact reporting and to assist in the refinement of USAID's follow-on project.

Funding is also available in the Agreement for an audit to be conducted at the end of the third year of project implementation. USAID/Swaziland will arrange for an independent audit firm to evaluate project costs, including an examination of the Recipient's financial procedures and internal controls relating to project expenditures.

F. Title to Property

Title to any property purchased under this Agreement shall vest in the Recipient in accordance with the terms of Attachment 3, Optional Standard Provision 18, entitled "Title to and Use of Property (Grantee Title)."

G. Estimated Level of Effort

<u>No.</u>	<u>Position Description</u>	<u>Estimated Person-Months</u>
1	General Manager	36
1	Deputy General Manager	36
1	Business Development Advisor	36
1	Deputy Business Development Advisor/Training Coordinator	48
2	Small Business Facilitators	60
1	Executive Officer	48
1	Business Loan Manager	48
3	Small Business Advisors	132
6	Clerical Staff	276
Various	Short Term Technical Assistance	36
3	Technical Assistance Contractor Home Office Support	27

H. Substantial Involvement

The following activities and controls establish substantial USAID involvement in the activities of the Trust.

1. USAID/Swaziland will review and approve yearly work plans of the Trust before work can begin.
2. USAID/Swaziland will staff key Trust positions with AID contracted personnel.
3. Prior to the grant award USAID/Swaziland will insure compliance with such statutory requirements as civil rights, environmental protection, and provision for the handicapped.
4. USAID/Swaziland will require biannual project implementation reports on all Trust activities from the institutional contractor managing the Trust and conduct project mid-term and final evaluations.
5. USAID will directly contract for all major Trust equipment, vehicles and work space.
6. USAID will approve terms of the Trust agreement for the credit guarantee program with the participating commercial bank.
7. During the project, USAID/Swaziland will have a non voting position on the Trust Board of Directors.

I. SPECIAL CONSIDERATIONS AND COVENANTS

The Trust will be a new institution. Since it will be managed in all respects for the first three years by an institutional contractor capable of meeting AID requirements in financial controls and procurement a cooperative agreement may be signed with the Trust. However, after three years the contractor will be phased out and the Trust must be prepared to demonstrate that it has the capacity at that time to manage AID funds. Therefore, before funding may be obligated for the fourth year of the project, the Trust must demonstrate to AID that it has the capability to manage AID funds.

As a covenant, the Trust, in keeping with a private sector orientation, will to the degree possible, identify and implement procedures to sustain the organization through cost recovery for services rendered.

As a covenant, the Trustees will seek to raise funds to endow the Trust and to participate in fund raising training programs provided under the project.

As a covenant, during the project, the Trust will use its full resources to implement the project activities described in the Cooperative Agreement.

J. EQUIPMENT

Equipment Needed by the Trust

Abbreviations

GM	General Manager
DGM	Deputy General Manager
BDA	Business Development Advisor
DBDA	Deputy Business Dev. Adv./Training Coordinator
BLM	Business Loan Manager
EO	Executive Officer
SBA	Small Business Advisors
S	Secretary
C	Data Entry Clerk Typist

SBF Small Business Facilitators
GO General Office
BR Boardroom

Office Furniture

Desks - 20 (1GM, 1DGM, 1BDA, 1BLM, 1EO, 3SBA, 1DBDA/TC, 4S, 2C, 2SBF, 2TDY)
Chairs - 28 (3GM, 3DGM, 3BDA, 3BLM, 2EO, 6SBA, 2DBDA/TC, 2SBF, 2C, 4S, 4TDY)
Bookshelves - 10 (1GM, 1DGM, 1BDA, 1BLM, 1EO, 1SBA, 1DBDA/TC, 1TDY, 2GO)
Credenzas - 6 (GM, DGM, BDA, BLM, EO, BR)
Computer Stands - 12
Board Table and 12 Chairs
Filing Cabinets - 6 four drawer (6S), 4 2-drawer (3SBA, 1BDDA/TC)
Reception Area Furniture - 1 sofa, 2 coffee tables, 2 armchairs, 1 lamp

1 Bulletin Board

Coffee Pot or Hot Water Heater

Set of Coffee Cups

Fax Machine

1 GO for Mbabane,
1 GO for Manzini

Photocopy machine

1 - GO

Computers

12 - Hard disk desk top (1GM, 1DGM, 1BLM, 1BDA, 1DBDA/TC, 4S, 2C, 1EO)

Printers

- 1 - Laser printer (BDAsec'y)
- 2 - Letter quality(1GMsec'y, BLMsec'y)
- 4 - Near letter quality(BDA, shared with DBDA/TC, TDY office)
- 2 - Dot matrix (C)

Modems

- 2 - one in Mbabane and one in Manzini

Software

Word Processing
MSDOS
Lotus
DBASE
Bank software
Sideways Printing Program

Typewriters

- 4 - 4S

Telex Machine

- 1 - GO

Vehicles

- 4 (1GM,1BDA, 2 Credit program)

These vehicles will be a sedan for the GM, a station wagon for the BDA and two pickups for the Credit Program.

Other Operating Costs

Office Rental (470sq meters total for offices in Mbabane and Manzini)

Utilities

Communications

Stationery and Supplies

Cleaning

Vehicle Petrol, Maintenance and Insurance

Postage

ATTACHMENT II

PROGRAM DESCRIPTION

I. INTRODUCTION

The Swazi Business Development Project (SBD) is a four and a half year project, whose goal is to increase Swazi incomes and expand the employment-generating capacity of businesses owned by Swazis. The project's purpose is to stimulate the growth of Swazi owned businesses.

Project beneficiaries will be primarily from Swazi owned and operated businesses with growth potential. They will include established businesses; individuals with demonstrated managerial and technical skills, a sound business plan and some capital; or entrepreneurs who have achieved success in one line of business and who wish to diversify. Characteristics of the majority of the target group include having a fixed place of business, and employing at least one person other than the owner. The project aims ultimately for national coverage, although coverage may be limited in the early years due to start-up constraints and personnel and fund limitations.

Day-to-day project activities will be carried out by the Swazi Business Growth Trust (SBGT), a private, tax exempt, non-profit legal entity. An institutional contractor will provide technical assistance and also help in managing the Trust. This contractor will be selected by USAID in collaboration with the SBGT Board through an AID formal competitive negotiation process.

Although all funds related to procurement of commodities and construction will be granted to SBGT, in advance of the arrival of the long-term technical assistance, AID will procure equipment and vehicles and lease office space for the Trust. Project activities related to the construction component will be procured by the Regional Housing and Urban Development Office (RHUDO) through a separate institutional contractor.

II. THE SWAZI BUSINESS GROWTH TRUST (SBGT) - SCOPE OF WORK

A. SBGT Structure and Staff:

SBGT will implement the project through this Cooperative Agreement. SBGT has a Board of Directors that will provide overall guidance for project implementation.

Day-to-day project activities will initially be managed by SBGT through the AID-supplied institutional contractor. This contractor will be selected by USAID in collaboration with the SBGT Board through a formal competitive negotiation process. The contractor will field a team of (two) long term advisors, including (1) the Chief of Party, who will be the General Manager (GM) of SBGT and (2) the Business Development Advisor (BDA). The GM will report to the SBGT Board. Other principal SBGT officers will be the Deputy General Manager, Deputy Business Development Advisor/Training Coordinator, and the Business Loan Manager. These officers will be recruited by the GM as employees of SBGT. The contractor will also be responsible for recruiting and supporting all short term advisors and for arranging the purchase and transfer of commodities.

Staff of SBGT will number 17 including professional and support staff. The principal structure and staff of SBGT are described below. Detailed position descriptions are given in the following section on the activities of the Trust.

1. A Board of Directors of approximately nine people composed of respected individuals who are committed to the purpose of the project and who are willing to serve. The composition of the Board will include two small business representatives; two large business representatives; one person from a Swazi business association or organization to represent business organizations; two professionals who have substantive private sector related responsibilities; one GOS representative, nominated by the Ministry of Commerce; and a representative from the commercial bank which participates in the credit activity. During the Project, USAID will have an observer, nonvoting, position on the Board. The Chairperson will be elected by the Board from among the group of nine. Secretariat support for the Board will be carried out by the Trust General Manager who will attend Board meetings for this purpose.

The Board's chief role will be a non-executive one. It will provide overall guidance to the project and set the general policies of SBGT, acting through the General Manager. It will meet quarterly to a) provide overall policy direction to the Trust; b) promote the Trust, c) approve yearly work plans developed and presented by the General Manager. The Board will also be responsible for developing a fund-raising plan to ensure the sustained future of SBGT when USAID project funding ceases.

2. A Business Advisory Group that will meet periodically to provide feedback to the General Manager on project activity and effectiveness. This group will be drawn primarily from the small business community although other interested parties concerned with small business development may be included. These advisors will ensure that direct dialogue and feedback from the beneficiary group occurs throughout project implementation. The Business Advisory Group's role will be purely consultative. It will not have any policy or operational authority in SBGT. The General Manager will, however, report on the Advisory Group's input to the Board of Directors.

3. A General Manager (GM) will be provided by the US contractor who successfully bids on the SBD contract. During the first three years of the project, the GM will manage the day-to-day technical activities of the project and will set up the SBGT offices and procedures. The GM will produce SBGT's life-of-project and yearly work plans and reports. S/he will develop and review terms of reference and manage all short term technical assistance. A major responsibility will be recruiting and training the Deputy General Manager to assure a smooth transfer when the GM's contract is completed. As head of SBGT, the GM will also promote the SBGT concept in Swaziland. The GM will be funded for 36 months of the agreement.
4. A Deputy General Manager (DGM) will be a direct employee of SBGT, recruited locally by the GM by the beginning of year 2. The DGM will report to the GM and will act as GM in his/her absence. This person will be expected to replace the GM at the conclusion of the GM's contract. The other professional staff members of SBGT will report through the DGM to the GM. The DGM will be funded for 36 months of the agreement.
5. A Business Development Advisor (BDA) will be recruited internationally and employed by the US contractor for a period of 36 months. S/he will be responsible for the business linkage component of the project and for organizing direct management assistance to Swazi companies. In addition, the BDA will coordinate the construction management component of the project with the A.I.D. Regional Housing and Urban Development Office (RHUDO) Nairobi. The BDA will recruit, manage, and train the Deputy Business Development Advisor/Training Coordinator, who will take over the BDA function at the end of year 3.
6. A Deputy Business Development Advisor/Training Coordinator (DBDA/TC) will be hired locally in year one to coordinate the project's training component and to replace the DBDA at the end of year three of the project. The DBDA/TC will report to the Business Development Advisor and will work closely with business associations to design small business training courses locally. This position will be funded for 48 months of the agreement.
7. Small Business Facilitators (SBF) In years 2 and 3, two facilitators will be hired locally as employees of SBGT to provide consultancy services to small businesses. They will report to the BDA. One of these positions will be funded for 36 months of the agreement and one for 24 months.
8. A Business Loan Manager (BLM) will manage the credit component of the project. This person will be recruited locally by the GM as a direct employee of SBGT. Although the BLM will report to the GM, s/he will have considerable operational autonomy. The BLM will recruit and develop the Small Business Advisors and establish credit policies and procedures. S/he will chair the Business Loan Committee. This position will be funded for 48 months of the agreement.

9. Small Business Advisors (SBA)

Three Small Business Advisors will identify potential loan recipients, assist small business persons to prepare business plans and loan applications and monitor loans. The SBAs will be recruited locally by the GM as employees of the Trust. Two SBAs will be recruited in year 1 and be funded for 48 months each under the agreement and one will be recruited in year 2 and funded for 36 months under the agreement.

10. An Executive Officer (EO), recruited locally as an employee of the technical contractor, will set up office systems and procedures, procure office equipment and other commodities, and prepare invoices and financial reports for the contractor and the SBGT. When the technical contract has been completed, the EO will continue with SBGT as a direct employee of the Trust. This position will be funded for 48 months of the agreement.

11. Four Secretaries and two Data Entry Clerk Typists will be responsible for general office secretarial and clerical support. The secretaries will report to the General Manager, the Business Development Advisor, the Executive Officer, and the Business Loan Manager respectively. The clerks will be responsible for data entry of project monitoring information required for project management and evaluation and will report to the Deputy General Manager. These positions will be funded for 48 months of the agreement, except the clerk for Manzini who will be funded for 36 months.

B. SBGT Activities

The SBGT will implement and coordinate the activities of the four project components. They are:

- creation of a small business loan program;
- forging business linkages between small and large firms;
- providing business training to Swazi small business;
- strengthening business associations and encouraging changes to improve the environment for small business.

Each project component is discussed in detail below.

1. The Credit Program

Under the Agreement, the Trust with assistance from the technical contractor will establish a credit unit within SBGT to assist small business persons to obtain credit from a commercial bank. This unit will provide small business persons with credit application preparation and business planning assistance as well as credit appraisal and monitoring. In addition, the GOS will provide the Trust with resources to establish a guarantee fund to insure against

defaults. The guarantee will be funded with E1 million of Section 416 local currency funds. These funds were generated from the sale of wheat donated to Swaziland by AID in 1987. The use of these funds is jointly programmed by USAID and the GOS. The credit unit will operate two distinct programs; the Small Loan Program and the Loan Assistance Program. A brief description of these programs follows:

a) The Small Loan Program

This program will provide small businesses with loans from E1,000 to E20,000.

To establish the Small Loan Program, SBTG will enter into an agreement with a commercial bank. Under the agreement, the Trust will provide a loan guarantee, as well as loan preparation, appraisal and monitoring, services. The bank will grant loans using its own funds and keep adequate accounting information to monitor loan performance. Over time, based on successful implementation of the programs, the bank will be expected to increase the level of lending of its own funds against the guarantee fund at an agreed upon ratio. Borrowers will not be expected to provide collateral. The bank will be the prime lender.

b) The Loan Assistance Program

This program will assist small businesses which require loans larger than E20,000. Initially, business planning and loan application preparation assistance will be provided by the Trust to these businesses to help them apply for credit through normal commercial bank channels particularly banks participating in the Central Bank's small business loan guarantee program.

Clients participating in this program will be drawn from those medium Swazi firms which have excellent potential but have been unable to obtain credit from commercial banks because of their inability to satisfactorily present their loan proposals to banks or because they are unable to meet commercial banks' collateral requirements. These clients, which may also have loan proposals which fall outside of the eligibility criteria of the Central Bank's credit guarantee program, may be considered for further SBTG assistance as follows: When a firm is one with which SBTG has been working in its linkage or business development programs and when the firm shows significant growth possibilities, SBTG may provide a full or partial guarantee of the credit package.

Initially, E200,000 of the E1,000,000 guarantee fund will be allocated to the Small Loan Program and E800,000 will be placed against the Loan Assistance Program. This split has been determined on the basis of estimated demand levels. It takes into account the fact that as the participating bank gains experience with the Small Loan Program, it is expected to be willing to leverage the fund at 4:1. Thus, funds available for:

the Small Loan Program will be expanded to approximately \$1,000,000 by the end of the project. Because the Loan Assistance Program will handle a very much smaller volume of loans, leveraging of the \$800,000 is unlikely. The bank agreement will contain flexibility in the split between these amounts so that any necessary adjustments between these programs may be made based on experience.

The General Manager will periodically review the split, reporting to the Board any need to make a change. Furthermore, one year following the initiation of the credit program, the total amount assigned to the guarantee fund will be reviewed by the GOS and AID to determine if sufficient funds have been allocated for credit. If it is determined that additional funds are needed, both parties will hold discussions to review alternatives for increasing the fund.

c) Staffing

The credit unit will be headed by the Business Loan Manager reporting to the Deputy General Manager of SBTG. Other staff will include three Small Business Advisors (two recruited initially and one a year later) and support staff. Credit decisions will be made by the Loan Committee. Each position is described briefly below.

The Loan Committee will be comprised of the Business Loan Manager (Chair), the General Manager, the Deputy General Manager, the Business Development Advisor, and the Deputy Business Development Advisor. It will approve or disapprove all loan applications. The General Manager may select alternate members when primary members are absent.

The Business Loan Manager will coordinate all credit unit activities. This will include recruiting and training Small Business Advisors, pre-appraising loans, developing procedures and ensuring compliance with procedures. S/he will work closely with the Business Development Advisor to coordinate direct management assistance.

The Small Business Advisors will be responsible for identifying potential loan recipients, assisting clients in the preparation of loan applications, monitoring loan use repayment and counseling clients.

d) Training and Technical Assistance

To establish the unit, the Trust will provide, from the technical assistance contract, six months of initial short-term technical assistance to assist the Business Loan Manager to develop credit procedures and manuals, review the Credit Program fee structure, and advise on Credit Program staff recruitment, training and assist in negotiations with the participating commercial bank on detailed terms for the guarantee fund. The Business Loan Manager will coordinate the training of Credit Program staff, both

initially when they are hired, and on a continuing basis over the life of the project. This includes two months of initial training in credit extension procedures; two months for an observational tour to the Get Ahead Foundation in South Africa; and four months of intermittent training to refine their credit extension skills.

e) Bank Agreement Establishing the Credit Program.

USAID has entered into a Memorandum of Understanding (MOU), Annex 1, with a local commercial bank which sets forth the parameters for the relationship between SBGT and the bank for the Credit Program. Subsequently, SBGT will enter into a detailed agreement, based upon the MOU and negotiated by the General Manager, the short term Credit Advisor and USAID's project manager. The main features of the MOU and the agreement are as follows:

(1) Small Loan Program

- The SBGT will deposit a guarantee fund with the bank, earning a high rate of interest. The SBGT will prepare, evaluate and monitor all loans. The bank will automatically grant loans of less than E20,000 to any applicant recommended by the SBGT. The bank will be the prime lender and will lend its own funds at an increasing rate relative to the guarantee fund, according to a negotiated scale and based on positive experience with the loan program.
- Interest on loans will be at normal commercial rates. The bank will also charge its usual fees.
- Once a loan has been disbursed, the bank shall use due diligence to collect repayments on the loan and utilize its usual procedures and notices to this end. The SBGT will monitor the loan repayments and provide borrowers with technical assistance and encourage repayment as necessary.
- In case of default (i.e., loans falling more than a negotiated number of days overdue), the bank shall have the option to automatically draw down on the guarantee fund for the outstanding balance, provided notice is given to the SBGT. Once a loan is in default, the bank shall turn over the collection of the loan balance to the SBGT.
- The bank will also have the option to withdraw from the program and terminate further loans if the default rate on all outstanding loans exceeds a negotiated percentage.
- The bank will provide the SBGT with monthly reports on loan performance which the SBGT will use to monitor the loan portfolio.
- SBGT will charge each applicant 10% of the loan amount in advance for its services.

(2) Loan Assistance Program

For the Loan Assistance Program, the Bank will fully participate with SBTG in the review of credit applications, genuinely seeking, whenever possible, to meet the clients' credit requirements within its normal credit procedures or against the Central Bank Small Business Credit Guarantee Program. When the Trust's funds are used for a guarantee for this Program, it should be as a last resort.

f) Sustainability

The participating commercial bank will be the prime lender and a continuous point of contact with the borrower, the objective being to bring the borrower onto the commercial banking ladder. Interest and other charges will be set at a level which prevents decapitalization of the guarantee fund.

Borrowers under the Small Loan Program will pay a fee, 10% of the loan amount for the assistance they receive. This fee may be adjusted based on experience in keeping with the sustainability requirements of the Trust and capacity of small businesses to cover such costs. The short term Credit Advisor will review the fee schedule, report on its appropriateness and recommend alternatives if a different schedule or mechanism is indicated. The General Manager will report to the Trust Board and the USAID Project Manager on findings and will recommend changes if any. Borrowers receiving Loan Assistance services will pay 2% of the loan amount plus 2% of any guarantee provided.

2. Business Linkages (Business Development Advisory Program)

Under this component, the Business Development Advisor will assist small businesses with growth potential to develop business relationships with large, local companies and the GOS. Linkages between the smaller Swazi enterprises and these larger entities will generally occur through subcontractual relationships between the two.

The Business Development Advisor will promote, establish and publicize successful linkages, primarily through direct management assistance to individual small firms. Other components will support linkage development, especially the training and the business association strengthening components. Training to improve technical, marketing, quality control and service capabilities is essential to linkage development.

a) Staffing

Under this component, the Trust will establish a Business Development Unit in SBTG. The unit will be headed by the Business Development Advisor, funded for 36 months, who will supervise the Deputy Business Development Advisor/Training Coordinator, funded for 48 months. Two Small Business Facilitators will be added to the Unit, one each in years 2 and 3, for a total of 60 months. 16 person months of short term technical assistance will also be provided to assist small business linkage clients who have specialized technical requirements to meet large business needs.

The Business Development Advisor will provide direct management assistance to a number of selected businesses with significant growth potential, coordinate specific technical assistance needed by the businesses, and promote business linkages both directly and through support of other project components. The Business Development Advisor will also be responsible for coordinating the construction management sub-component with the other project activities. S/he will promote a continuous dialogue between large and small business persons and the GOS throughout the life of project, arranging periodic fora for such contact. Examples of these activities include - advice on preparation of a small business directory and on policy matters affecting the creation of linkages, and liaison with the credit unit.

The Deputy Business Development Advisor/Training Coordinator will be responsible for coordinating all training provided under the project. This will include liaison with business associations, other training institutions, and other AID projects. S/he will be responsible for developing course curriculum, evaluating courses, and, where appropriate, acting as an instructor. Training will be provided to support all project components as follows:

- Short technical workshops and business management improvement workshops provided through the business association strengthening component;
- Institutional development training also provided through the business association strengthening component;
- Credit training provided to SBGT staff as part of the credit component.

Rather than providing the training directly, local and regional training facilities and institutions will be used to the greatest extent possible. Likewise, local business associations will be utilized, as feasible, to support, coordinate and implement the training. (The SBDA and the Training Coordinator will visit BOCCIM, an association of small and large businesses, in Botswana as part of their initial training. BOCCIM has been providing business training with USAID support for the past three years and is an integral part of the Botswana Private Enterprise Development Project there.)

Small Business Facilitators will be added as the unit's workload grows. They will be responsible for providing direct management assistance to small businesses at a lower level than provided by the BDA. During the first year of the project, while initial contact with the target group is made, these functions will be carried out by the Credit Program's Small Business Advisors. A total of 60 person months has been budgeted for the Facilitators.

b) Activities

The Business Development Unit will undertake the following activities:

(1) Survey of Large Businesses

The Business Development Advisor will conduct a survey of large businesses to identify potential linkage opportunities. It will be conducted using a structured survey questionnaire to ascertain inputs and services procured locally, inputs and services procured outside Swaziland, and inputs and services provided internally. The survey will also determine factors influencing sourcing decisions.

(2) Selection of Small Businesses for Intensive Direct Management Assistance

The Business Development Advisor will select small businesses to receive intensive direct management assistance (IDMA). The selection will take into account a number of factors:

- Potential market demand for the product or service.
- Evidence of the business's expansion potential.
- The value of the business, once expanded, as a role model.
- The likelihood that assistance will result in rapid expansion of the business.

Approximately thirty businesses will receive IDMA over the life of the project. In addition, a number of businesses will receive less intensive assistance through extension services.

(3) Intensive Direct Management Assistance (IDMA)

The aim of IDMA will be to facilitate the growth and viability of the participating businesses and add to the business knowledge and skill of the owners. For the recipients of IDMA, the Business Development Advisor will start by assisting the business owner to prepare a business plan. The plan will cover marketing (including target companies), finance and cash management, production and quality control, credit and sales policy, capital investment, purchasing, and personnel/training requirements.

The business owner will pay a nominal fee, perhaps E500, for preparation of the plan. Once the plan has been prepared, the Business Development Advisor will determine whether the owner requires implementation assistance. This will be provided by the BDA on an extension service basis over a one to six month period. The amount of assistance will depend on the complexity of the business and the managerial sophistication of the owner. The business will be required to pay for this assistance. The proposed charge will be E350 per month.

The Business Development Advisor will spend approximately 50 percent his/her time on the provision of direct management assistance. In addition, the BDA can draw on 16 person months of short term technical assistance available to supplement his/her activities. This TA will be provided where additional detailed or specialist technical assistance is required that the BDA is unable to provide due to time or skill constraints.

In a number of cases client businesses will need either standardized training (such as a marketing course) or specialist technical training. This training need will be referred to the Deputy Business Development Advisor/Training Coordinator.

(4) Small Business Counseling

The Small Business Facilitators will provide business advice to businesses not receiving specific direct management assistance. The services provided will be similar but less intensive, with the officer making typically one or two visits per month to the client businesses. Businesses will be identified for this support through the credit component or through the client selection process. Clients will be asked to pay a small monthly fee for extension services. This amount will be reviewed periodically.

(5) Construction Management

The Deputy Business Development Advisor/Training Coordinator will be responsible for coordinating the construction management training sub-component with the other project activities. This component will provide a three year program of on-the-job training in construction management skills to small and medium-scale Swazi owned contracting firms and assistance to the Ministry of Works and Communications (MOWC) to revise tendering procedures. This assistance will encourage linkages between small Swazi contractors and the large firms operating in the country. It will also help to increase the number of small contractors hired under government contracts. Under the agreement, funds will be provided to the Regional Housing and Urban Development Office (RHUDO) office in Nairobi to contract technical assistance in support of this activity.

3. Business Management Training

Impediments to small business growth include weak marketing, financial, technical and business planning skills. Training under the project will attempt to address these constraints in order to increase the size and stability of established Swazi business. The training component will not operate as an independent unit, but will be closely coordinated and integrated into other project elements, especially those of the business association strengthening component and the activities of the Business Development Advisor. Where feasible, training activities will be conducted with the support and sponsorship of the business associations. Furthermore, business associations will be provided with organizational development training to help them in their institutional development.

Business training will be funded under this agreement to upgrade small business management and technical skills and to encourage service delivery to small businesses by business associations. Through this process, business owners and employees will gain valuable skills and business associations will be strengthened as members perceive that they are receiving something useful from membership in these associations.

a) Staffing

Under the agreement, with the support of the Trust, business associations will develop detailed training plans. The Deputy Business Development Advisor/Training Coordinator, based in the SBT, reporting to the Business Development Advisor, will coordinate training activities of the project. S/he will assist in developing training plans for business associations as part of the action plan process, coordinate with other training institutions and AID projects, develop course curricula, identify resource firms, evaluate courses, and participate as an instructor. Data from the baseline survey conducted before the start of the project and furnished to the Trust by AID will be an important cornerstone of the training program.

b) Activities

Experience has shown that at the small business level, generic classroom training is much less effective than individualized, one-on-one counselling over an extended period of time. The SBD project's training component provides for both individual firm assistance and tailored, small group experiences which will fall into two categories: Small Business Improvement Workshops, and Direct Business Management Assistance.

An important consideration for Trust sponsored training is that, as much as possible, the costs of training should be covered by the participant businesses. While this may reduce the number who apply, the training is more likely to benefit those who value it enough to pay. The different types of training that the Trust will provide under the agreement are described below.

(1) Small Business Improvement Workshops

This project intervention directed at small businesses will be organized and conducted where possible through business associations. The assistance will consist of two types of training namely, short-term technical workshops and business management improvement workshops.

- The Deputy Business Development Advisor/Training Coordinator will organize Short-term technical workshops on a sectoral basis for groups of businesses. Specific technical assistance for various sectors will be provided in such areas as selection and use of equipment and materials, production techniques, and quality control. Examples of businesses that could benefit from this type of training are garment producers and woodworking shops.

The Deputy Business Development Advisor/Training Coordinator will organize Business management improvement workshops on a sectoral basis for groups of business owners. The workshops will focus on the four strategic business functions as follows:

- Marketing/Sales
- Production/Operations
- Finance/Accounting
- Personnel/Industrial Relations

Trust staff or short term technical assistance provided under the agreement for training will design and conduct all four modules annually during the life of the project. Each module will be tailored to meet the specific needs of the participating businesses. The workshops will be designed to enhance the learning of the participants and to facilitate the application of new knowledge and skills to their business environment. In short, the workshops will be aimed at changing the behavior of participants by providing them with confidence-building learning situations and basic management concepts.

The learning situations will, as much as practical, be drawn from the participating owners' businesses.

(2) Direct Business Management Assistance

This activity will be directed at small businesses with significant growth potential, and is designed to complement the group training courses. It will consist of individualized training/consultancy for approximately thirty small business owners. The objectives are to:

- Facilitate growth;
(measured by turnover, assets, labor force)
- Determine viability of participating business;
(measured by profitability and income)
- Add to the business knowledge and skills of owners;

The Business Development Advisor will manage and conduct this component. S/he will conduct an initial situation analysis of the targeted business. Next, a business plan will be prepared with the clients' participation. The Business Development Advisor, supplemented by additional short-term technical assistance, as required, will provide follow up advice during business plan implementation.

4. Strengthening Business Associations

The General Manager of SBTG will coordinate activities directed at strengthening business associations and organizations. Initially, the contractor will provide to organizations, selected by the SBTG Board of Directors, short term technical assistance to complete organizational assessments; develop statements of organizational vision; and develop strategic action plans to achieve their vision. The contractor will provide 6 person months of technical assistance for this purpose. Following the completion of the organizational analysis of each association, the SBTG General Manager will make recommendations to the Board of Directors of SBTG for a final decision on assistance to be provided to organizations to help them achieve their vision. This assistance will vary for each organization. Based on these plans; an assessment of the organization's needs and viability; and the SBTG Board approval, the GM will directly provide or act to procure, under the the contract, the types of inputs listed under (a) below. The General Manager will review the action plans annually to take into account any changes that have occurred within the organizations, as well as to monitor the success and progress of various initiatives.

(a) Organizational advisory services

- Strategic planning
- Developing an action plan
- Membership development
- Improving internal management efficiency/budgeting

(b) Administrative and management personnel support

- Executive Director funding
- Membership/Administrative Assistant funding

(c) Commodities support

- Modern office equipment (fax, photocopy, computers, typewriters, etc.)
- Office furnishings
- Office space

(d) Program strengthening support

- Reference materials including legislation, trade directories and publications
- Leadership training (in country)
- Newsletters/Publications/Directories
- Studies, seminars and conferences related to improving the business environment for small business growth
- Small innovative activity support.

Policy Environment for Small Business in Swaziland

The Trust will seek to encourage improvements in the overall environment for small business in Swaziland, primarily by facilitating dialogue about small business concerns within the public and the private sectors, and by improving the capacity of business organizations to analyze constraints to small business growth.

To facilitate this dialogue, the Trust will provide, from the institutional contract, 8 person months of short-term technical assistance to conduct analyses of both private sector and public sector constraints to small business growth. One of these studies will be to examine constraints and alternative solutions to full and equitable participation of women in economic activities in Swaziland. The General Manager will coordinate meetings at the Trust offices of both private and public sector persons to discuss findings of the analyses. It is anticipated that these meetings will be chaired by the National Business Council.

Under the agreement, the Trust, USAID, and the Ministry of Commerce will cooperate in sponsoring a small business conference to discuss small business growth constraints among small business persons, the GOS and other interested parties. This event will be directly contracted by AID on behalf of the Trust. It will be carried out before the long term contractor arrives and is expected to assist in maintaining small business interest in the project while awaiting actual project start-up.

Program Income:

During the project all earnings of the Trust generated by AID financed inputs, such as fees for services, will be deposited by the Trust into an interest bearing account to be used by the Trust after the end of the project to finance Trust activities which further small business growth in Swaziland. Exceptions to the use of such funds before the end of the project for the purpose described above may be approved by AID on a case-by-case basis.

IV. PROGRAM OUTPUTS

The following two indicators will mark the achievement of the project purpose by SBTG. A baseline study completed for AID during project design and a refinement of that baseline study contracted by AID under the agreement before the start-up of other project activities will provide the basis for measuring and quantifying these indicators.

1. Twenty five percent of the project serviced businesses will have increased in size as indicated by increases in one or more of the following; number of employees, sales turnover and/or assets.
2. Twenty five percent of the project serviced businesses will have demonstrated an improvement in financial health as evidenced by improvements in the following indicators: net equity position and current financial ratios.

It is anticipated that at least 30 percent of the beneficiaries of the project who achieve these targets will be women.

During the life of the project, SGBT will achieve the following outputs:

- Output 1 CREDIT. Swazi business persons will have increased access to commercial credit as indicated by 500 first time small business borrowers of which 25% will have received repeat loans.
- Output 2 STRENGTHENING BUSINESS ASSOCIATIONS. Business associations will be providing additional services to Swazi businesses and representing their interests in dialogue with responsible public and private sector entities. At least 7 business associations will have established and will be implementing action based plans to provide increased training and services to their members. For example, 140 small business improvement courses will have been provided to the business community in coordination with these associations. In addition, at least 4 policies constraining small business growth will have been analyzed and discussed in meetings with responsible parties who have the ability to influence or implement policy changes.
- Output 3 BUSINESS LINKAGES. Small Swazi businesses which have received project inputs are providing goods and services to either large businesses or the GOS. At least 15 small businesses will be providing for the first time goods and services to larger businesses or the GOS. 10 small Swazi construction firms will have an increased number of contracts with the GOS.
- Output 4 TRAINING. 1700 persons who are either owners and/or employees of small businesses will have improved business skills in one or more of the following areas: planning, management, finance, marketing or technical.
- Output 5 IMPLEMENTING ORGANIZATION. The Swazi Business Growth Trust will have been established and will be providing credit, training, and technical assistance to small Swazi businesses with growth potential.