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S.T.E.P.

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A special mention, should be made of Alex K. Brown, the first Director of STEP, who, unfortunately, left for personal reasons in April 1989. Alex's immense interest in Small Economic Activity Development and the inspiration and ideas which he was able to pass on to others were unique. Whilst most of the STEP activities described here were initiated, or at least heavily influenced by Alex, he has left behind in Swaziland a greatly enhanced understanding of the concepts of Small Economic Activity Development that goes way beyond anything that can be described in this report.

Thanks are due, too, to the staff of STEP for their invaluable assistance in producing this report, particularly Joseph Lattuada for his numerous helpful comments, and his work in designing the report.

Stuart Banks

Acting Director.

1. EXECUTIVE SUMMARY

STEP, the Swaziland Training for Entrepreneurs Project, was a three-year project, initiated and funded by USAID, intended to "identify potentially successful means of stimulating small business development to increase employment and productivity." The Project was originally implemented by Partnership for Productivity, International (PfP), but was subsequently taken over by CARE International.

STEP was largely geared towards **learning** about small enterprises in Swaziland, and ascertaining the most effective ways in which assistance could be provided in future. STEP comprised an **Experimental Projects Component**, in which projects were undertaken both directly by STEP and through other organisations, and a **Baseline Studies Component**. Although STEP was not primarily a direct assistance-oriented programme, a third component did consist of the provision of **technical assistance** - specifically to the Business Management Extension Programme (BMEP) situated at the Manzini Industrial Training Centre (MITC) although a number of additional miscellaneous technical consultancies were also undertaken. The fourth component of STEP consisted of developing the appropriate administrative and monitoring systems to manage the other components. "Small businesses" were generally defined as ones with twenty-five or fewer employees, and a maximum of E100,000 in assets.

Six experimental projects were undertaken:

a) A grant was given to **Sibakho Chamber of Commerce & Industry**, a (relatively) new organisation of indigenous entrepreneurs, to enable it to establish a revolving loan scheme for the benefit of its members. However, Sibakho's priority was to establish a wholesale warehouse; most of the grant was not used for the purpose intended, though there was no question of any personal misappropriation of the funds.

b) A loan was given to **Art Industries**, a handicrafts producing company owned by a German, to give loans to eight of its employees who became self-employed suppliers to Art Industries. Three of the "spin-offs" succeeded and significantly increased their income; others failed through a combination of behavioural problems on the part of the individuals concerned, and marketing problems concerning the products.

c) STEP established its own programme - **Credit Training: Operations Research** - which granted loans in the Manzini area. This was a successful attempt at using a methodology tried and tested elsewhere that combines access to credit with training in relevant skills. The project was inundated with applicants from all economic sectors, and a wealth of findings were obtained. One finding was that many business owners manage several activities, and transfer cash freely between them. Another was that although the interest **rate** (24%) was often **perceived** to be high, the interest **amount** was not a problem. Problems of business owners included an inability to distinguish between profits and wages, difficulty in separating business from personal affairs, and difficulty in managing customer credit.

d) **Rise Management Consultancy**, a private firm owned by a Swazi, was commissioned to undertake a study of the **Swazi Commercial Amadoda** (SCA), an organisation of Swazi business owners set up by His Majesty King Sobhuza II in 1947. The study found that the SCA leadership has no direct authority over its membership, and that the organisation lacks a hierarchy of accountability. Furthermore, most members feel the SCA does not serve their interests because of unskilled leadership, lack of financial resources and misappropriation of funds.

e) STEP established another programme similar to Credit Training Operations Research, and which produced many similar findings. However, this project - **Rural Small Economic Activity Development** (Rural SEAD) - was based in a rural area. Although financial assistance was found to be needed by rural entrepreneurs, it was of little help without management and technical assistance (both of which were provided under this project), and in very few cases was finance the major problem.

f) A grant was given to **Asikhutulisane Savings & Credit Cooperative**, an indigenous organisation that had traditionally operated on the "Christmas Club" principal whereby members deposit savings during the year, and withdraw them towards the end of the year. This meant that any loans given had to be short-term, and this was not conducive to the needs of people requiring loans for small business purposes. The grant enabled Asikhutulisane to give longer-term loans and clearly demonstrated the cooperative's ability to play a greater role in promoting small businesses.

The following **Baseline Studies** were undertaken:

a) **Policy Environment Study**, which concluded that the Government of Swaziland does not have a specific, articulated policy towards small enterprises, even though there are many specific incentives and policies aimed at attracting foreign investment and big business.

b) **Baseline Survey** - a three-phase study, the final part of which was a primary research survey aimed at describing the small enterprise population in quantitative and qualitative terms. The Survey estimated that there are approximately 24,500 small economic activities in Swaziland, of which approximately 22,250 are in rural areas, and approximately 2,250 are in urban areas. These figures include a large number (possibly ninety per cent of the rural activities) of income generating activities, which are often carried out on a part-time basis. Overall, the largest industrial sector is Manufacturing, which is particularly dominant in the rural areas, followed by Retail, Bars and Restaurants. The largest sector in the urban areas is Retail,Bars and Restaurants.

c) **State of the Industry Series.** This comprised reports on the **Woodworking, Sheet-metal. Welding, Sewing/Soft Goods, Food Processing,** and **Repair and Maintenance** industries which combined in-depth interviews with several business owners in each industry together with general observation and experience of the author as well as secondary material. A wealth of findings were obtained, many of them common to all manufacturing industries. The reports recommended policy reforms, the estab lishment of a highly capitalised materials depot selling in very small quantities, and the setting up of a technical extension service.

d) **Sources of Market Information.** This study basically found that in spite of the existence of a great deal of knowledge and expertise in Swaziland pertaining to markets and market potential, none of it is written down or accessible to the small businessperson.

e) **Consulting Firms for Small Businesses.** This survey revealed that there are many privately owned (often one-person) businesses offering accounting and consulting services; however, accounting for tax purposes appears to be practically the only service offered to (or, indeed, requested by) the clients.

f) **Swazi Culture and Small Business.** This was a three-part effort examining a subject that had ramifications for all aspects of STEP's work. Motivation for being in business, beliefs about male and female roles and young and older business owners, competition, attitudes towards work and self-employment, finance and planning, perceptions of success and failure, trust, risk, and respect and responsibility were all examined.

Many small businesses suffer from lack of planning, poor credit management and a failure to distinguish between business and personal affairs; many also lack information, and technological skills are often inadequate.

The education system is Swaziland encourages learning by rote, and the passing of examinations to obtain certificates. This does not encourage creative thought and originality - characteristics required both by entrepreneurs and staff of assistance agencies. Much of the vocational training that occurs in Swaziland imparts basic skills, and there is little training for skills upgrading at a more advanced level. Furthermore, much of the skills training does not address business issues of marketability, viability, etc., with the result that many people are being trained to produce similar low quality items for a market that is already saturated.

Although existing assistance agencies have a number of strengths and weaknesses, there is generally a lack of co-ordination between them. Staff of assistance agencies need a range of skills, including a knowledge of the industries they are serving, and foreigners coming to promote small enterprises in Swaziland need time and willingness to adapt to the country and to learn something about the culture. There is a strong need for training of staff of assistance agencies in Small Economic Activity Development.

Any assistance programme needs to demonstrate competence, commitment and responsibility. There is no single type of intervention that will address the needs of most small

enterprises. An integrated programme or "systems approach" that combines the granting of credit with management and technological services is more likely to be appropriate. However, any assistance programme has to effectively deal with the perceived problem (which is usually lack of finance) in order to deal with the real problem. Dealing with the environment surrounding small businesses, for example policy issues, may be as valid as direct interventions.

LIST OF ABBREVIATIONS

AMT	Achievement Motivation Training
BMEP	Business Management Extension Programme
GOS	Government of Swaziland
GST	Government Sales Tax
IVS	International Voluntary Service
MITC	Manzini Industrial Training Centre
OPG	Operational Program Grant
PfP	Partnership for Productivity
RDA	Rural Development Area
RFA	Request for Application
RSA	Republic of South Africa
SACU	Southern African Customs Union
SADCC	Southern African Development Coordination Conference
SCA	Swazi Commercial Amadoda
SEA	Small Economic Activity
SEAD	Small Economic Activity Development
SED	Small Enterprise Development
SEDCO	Small Enterprise Development Corporation
SESP	Small Enterprise Support Project
SNPF	Swaziland National Provident Fund
SSRU	Social Science Research Unit
STEP	Swaziland Training for Entrepreneurs Project
UNISWA	University of Swaziland
USAID	United States Agency for International Development

DEFINITIONS

Cooperative Agreement

Cooperative Agreement No. 645-0227-A-00-6002-00, originally between USAID and Partnership for Productivity (PfP); implementation of the project described in this report was subsequently taken over by CARE International from PfP, and the Cooperative Agreement was amended accordingly. Unless otherwise stated, any references to the Cooperative Agreement should be assumed to refer to the amended version of the Cooperative Agreement after CARE became the implementing agency.

Income Generating Activity

An activity in which all profits, if any, are withdrawn by the owner, and used for personal consumption.

Small Economic Activities

A phrase adopted by CARE to describe a spectrum of activities encompassing income generating activities and small enterprises.

Small Enterprise

An economic activity in which some portion of the profit is re-invested, resulting in growth of the activity.

2. INTRODUCTION

This is the final report of STEP - the Swaziland Training for Entrepreneurs Project, which was initiated and funded by the United States Agency for International Development (USAID) in order to "identify potentially successful means of stimulating small business development to increase employment and productivity".

Many reports have been written during the lifetime of this project, both on individual project activities, and in the form of project reports and workplans covering the project as a whole (see Bibliography). These reports cover a wealth of information. This document attempts to summarise and draw together all the strands of the activities carried out during STEP.

STEP has attempted to answer the following seven general questions:

1. Swazi small enterprises: who and where are they and in what numbers?
2. What is the economic, social and regulatory environment in which they operate?
3. What are the significant strengths and weaknesses exhibited by Swazi small enterprises within this environment?
4. What are the significant strengths and weaknesses of existing institutional vehicles for small enterprise assistance?
5. What qualities, qualifications and resources will be needed by staff of small enterprise assistance programmes?
6. What is the likely effect of alternative assistance interventions?
7. What approaches, programmes and/or projects can be recommended as potentially successful means of stimulating small enterprises?

3. BACKGROUND

During 1985, the United States Agency for International Development (USAID) was developing an interest in addressing problems of unemployment and under-employment in Swaziland, with a particular view to promoting small-scale enterprises. Around the same time, the Manzini Industrial Training Centre (MITC - a local NGO involved in vocational training) had commenced discussions with USAID over the possibility of funding for a project that would provide workshops and business management training to (as originally conceived) graduates of MITC's vocational training departments.

USAID circulated a Request for Application (RFA) to agencies that it thought may be interested in implementing its proposed Swaziland Small Enterprise Support Project. This project represented "USAID's attempt to fund different approaches to assist small-scale enterprises to find out which approaches are successful and replicable on a larger scale....USAID and the GOS feel it is important to identify potentially successful means of promoting employment through indigenous small-scale enterprises."

The RFA stressed that the proposed project would test innovations, with an emphasis on experimentation which would "provide USAID with a greater familiarity with the capabilities of local small business organisations". There were three components of the proposed Small Enterprise Support Project (SESP). The first component was the provision of technical assistance to MITC for its proposed business training project; such assistance was to comprise at least one person on a half-time basis over the first two years of MITC's project. Secondly, "the major component" was the undertaking of innovative experimental activities of less than two years duration with local organisations; the implementor of the SESP was to have "substantial discretion in developing proposals and administering subgrants". The third component was to comprise a number of research activities.

Partnership for Productivity (PfP) submitted a proposal to carry out the Swaziland Small Enterprise Support Project, which led, in August 1986, to PfP entering into a Co-operative Agreement with USAID to carry out S.T.E.P. - the Swaziland Training for Entrepreneurs Project, the purpose of which was to "identify potentially successful means of stimulating small business development to increase employment and productivity". The agreement was effective until September 30, 1989. In the months following the signing of the Agreement, PfP experienced major internal problems, with the result that much of its work worldwide, including STEP in Swaziland, was taken over by CARE International.

Appendix 1 lists the dates pertaining to the above events, and Appendix 2 summarises the amendments to the Cooperative Agreement.

The project was subsequently extended by two months to November 30, 1989.

STEP comprises the following four components:

1.Experimental Projects Component

Under this component, according to the Cooperative Agreement CARE was to "test different means of assisting and stimulating the small enterprise sector by supporting at least six experimental training and outreach activities". Local organizations were "to implement short range projects (two years duration maximum)", and the types of organizations could include private sector associations, governmental or parastatal entities. The local organisations would develop proposals in conjunction with CARE, USAID would decide whether to grant approval, and CARE would fund and monitor the activities.

The experimental projects were to provide institutional support to the small enterprise sector (defined as businesses owned and operated by indigenous Swazis with assets of less than E100,000 and less than 25 employees), they were to be of a maximum of two years duration, individual experimental projects would cost not more than twenty-five per cent of the total fund for experimental activities, they were to offer lessons for expansion or replication, and they were to be genuinely experimental. The full selection criteria for experimental projects are listed in appendix 3.

2. Baseline Studies Component

In the original Co-operative Agreement with PfP, this was described as a Research Component. In the amended Co-operative Agreement with CARE, it was described as a Baseline Studies Component (with a budget that was substantially reduced), and was "prioritised with an emphasis on practical usefulness and limited funding available." Activities were to "focus on small enterprise development opportunities and their constraints" with the studies "to provide information necessary to supplement other project activities" and to be "used as a starting point for measuring project effectiveness." CARE was also to "develop, funds permitting, other studies based on lessons learned in the experimental activities and other gaps of knowledge relating to small scale enterprise development."

The Cooperative Agreement envisioned that CARE would sub-contract with either the Social Science Research Unit of the University of Swaziland (UNISWA) or other researchers as necessary to conduct the baseline studies. The studies to be performed under this component were:

(a) Small Enterprise Development Policy Environment. This would help to indicate opportunities and constraints faced by the target population, which would help to guide other STEP activities.

(b) Small enterprise linkages to new investments.

(c) Swazi ownership issues.

In addition, the following were mentioned as possible studies:

(d) Vocational training center graduate survey to ascertain whether vocational training institutes are imparting marketable skills.

(e) Rural-urban linkages.

3. Advisory Assistance Component

Under the original Co-operative Agreement between USAID and PfP, STEP was to provide twelve months of consulting services to the Business Management Extension (BMEP) at the Manzini Industrial Training Centre (MITC) over a two-year period; this was envisaged to comprise approximately fifty per cent of the STEP Director's time. Under the amended Co-operative Agreement with CARE, the amount of time was reduced to 5 months, representing approximately twenty per cent of the STEP Director's time.

MITC is a vocational training centre which had obtained funding from USAID to establish BMEP. BMEP was set up to provide training to people with practical skills who wished to become self-employed, as well as extension services to existing businesses. The physical facilities were centred around eight workshops in which Participants would carry out their trade at the same time as undergoing business management training. Other features of BMEP, according to MITC's agreement with USAID, were to include a communications system, a marketing centre and a system for facilitating loans. BMEP was to be managed by the Director of MITC, with day-to-day implementation to be carried out by the Administrator of MITC on a half-time basis, with a full-time Extension Officer, full-time Financial Controller, and support staff to be recruited. No provision was made in the original management and staffing plan for in-house SEAD expertise and experience; this role was to be played by STEP, which would provide "assistance in the areas of outreach, extension, management assistance, marketing and relevant business curriculum development related to small enterprise development."

4. Administrative Component

Under this component, STEP was to "Develop the appropriate administrative and monitoring systems to manage the components of this program".

The Cooperative Agreement "anticipated that performance of the Program Description requires substantial involvement by USAID"; this was to include the reviewing and approval of each project funded grant and baseline study proposal.

4. STEP ACTIVITIES

4.1 EXPERIMENTAL PROJECTS COMPONENT

During the early months of the Project, numerous contacts occurred with many organisations, partly in response to requests from those organisations for technical assistance, and partly as exploratory work on the part of STEP in the search for possible experimental projects. At the same time, the possibility of STEP itself running one or more experimental projects was explored, and, whilst this did not strictly fall within the guidelines suggested in the Co-operative Agreement, informal discussions with officials of USAID led CARE to believe that such "direct" experiments would, nevertheless, be considered. Such projects were felt to be important partly because of the lack of suitable existing organisations through which STEP could experiment using methodology tried and tested in other countries, and partly because it was hoped that interesting comparisons would emerge between experimental activities run directly by STEP, and those run by other, local, organisations.

Table 1 lists the nine project proposals that were submitted to USAID for approval. This section describes all nine project proposals; it also describes subsequent implementation of the six accepted by USAID, though these are all the subject of more detailed reports (see Bibliography).

Table 1: Step Experimental Projects

No.	Name	Date Proposal Submitted to USAID	USAID Response	Date Of Signing Contract With Implementor
1	Sibakho: Revolving Loan Scheme	Oct. 30, 1987	Approved: Dec. 9th1988	Jan. 22, 1987
2	Art Industries	Nov. 15, 1987	Approved: Dec. 7, 1987	Dec. 24, 1987
3	Credit Training: Operations Research	May 17, 1988	Approved: Oct. 7, 1988	N/A
4	Rural / Urban Linkages	July 13, 1988	Requested Clarification of Objectives: Oct. 7, 1988 *	N/A
5	Swazi Commercial Amadoda / Rise Management	July 13, 1988	Approved: Oct. 7, 1988	Nov. 9,1988
6	Rural Small Economic Activity Development	July 14, 1988	Approved: Oct. 7, 1988	N/A
7	Welded Hoes	Nov. 3, 1988	Disapproved due to insufficient time to implement: May 2, 1989	N/A
8	Asikhutulisane	Nov. 24, 1988	Approved: May 2, 1989	June 8, 1989
9	Rotary Shopspace	Dec. 7, 1988	Disapproved due to insufficient time to implement: May 2, 1989	N/A

* This proposal was subsequently withdrawn by CARE due to changed circumstances since submission.

4.1.1 Experimental Project No. 1: Sibakho Revolving Loan Scheme

Sibakho Chamber of Commerce & Industry is an organisation of Swazi businesspeople formed in 1986 by people who felt that the Swaziland Chamber of Commerce & Industry was more concerned with the interests of larger, mainly ex-patriate owned businesses, and not with those of indigenous entrepreneurs running (mainly) smaller businesses.

STEP gave a grant of E115,000 to Sibakho to set up a revolving loan fund. The grant comprised E100,000 representing the initial capital for the loan fund, with the remaining E15,000 representing a contribution towards Sibakho's costs of administering the loan scheme, including the employment of a full-time, experienced Project Manager.

Sibakho was to give short-term (6 months to one year) loans to its members, interest of 24% p.a. on the declining balance was to be charged, and the Project Manager was to monitor the loans, using balance sheet methodology. Sibakho was required to submit monthly statistical data, and the Project Manager was required to write quarterly reports for STEP.

During the period of STEP's involvement, Sibakho was heavily involved in attempting to establish a wholesale warehouse - a task which His Majesty King Sobhuza II had wanted the Swazi Commercial Amadoda to undertake, but which the SCA has failed to do. Sibakho had approached STEP and USAID to request financing for the warehouse, but STEP felt unable to become involved in a relatively long-term project. In addition, STEP was not convinced of the viability of such a proposal, though it recognised Sibakho's right to proceed alone with a project about which it felt so strongly.

After receiving the loan, Sibakho processed a number of loan applications, but the organisation's major priority was to establish the warehouse. Apart from a small number of loans representing a fraction of the E100,000, it was decided by Sibakho to await the opening of the warehouse before disbursing loans to members, on the basis that loans could be given in the form of goods from the warehouse rather than cash, and this would ensure that the warehouse operation would benefit from the loan scheme.

At the same time, Sibakho entered into a series of negotiations with commercial banks, involving, firstly, requests for credit for Sibakho linked to the warehouse, and, secondly, use of the E100,000 grant received from STEP as a guarantee for loans that would be disbursed by the bank, with the recipients and the terms of the loans to be decided upon by Sibakho. The E100,000 was initially deposited at Barclays Bank, but later transferred to a Deposit Account at Union Bank. The terms and conditions of the agreement under which the money was deposited at Union Bank were unclear. According to Sibakho, it would be a guarantee for loans granted by the bank to Sibakho members at the request of Sibakho. However, Union Bank claimed that the E100,000 in the Deposit Account was security for other liabilities that Sibakho had to the bank. Three loans and two "fluctuating overdrafts" were granted by Union Bank to Sibakho members, with the bank claiming that the loans and overdrafts were given at the bank's discretion, but with an agreement with Sibakho that Sibakho would monitor (but not guarantee) the loans and overdrafts. Sibakho argued

that the loans were given as part of the experimental project, and that they were guaranteed by the E100,000 in the Deposit Account representing the STEP grant.

These differing versions of events resulted in a great deal of confusion. However, it appears that Union Bank eventually seized the E100,000 in the Deposit Account; Sibakho objected, claiming that the bank had no right to take this action, and at the time of writing, Sibakho was considering taking legal action against the bank.

Sibakho did not formally seek STEP's consent for a changed methodology that differed from what had originally been agreed. Nevertheless, STEP accepted that the three loans (but not the two overdrafts) given by the bank was an acceptable use of the grant according to Sibakho's version of events (i.e. that Sibakho decided on the loans, and guaranteed them). However, the three loans totalled only E17,400, and, to STEP's knowledge, the remaining E82,600 was not disbursed. Sibakho's reason for this was it was awaiting the opening of its wholesale warehouse, though the problem appears to have been compounded by the confusion surrounding the nature of the agreement between Sibakho and Union Bank.

The STEP Extension Officer involved made numerous visits to the Sibakho office but experienced many cancelled appointments, and was not provided with all the information necessary to effectively monitor this project.

However, in spite of this, the general experience of STEP has been that Sibakho is led by sincere people who are genuinely trying to serve the interests of their members. Any problems that have arisen are more the result of inexperience and lack of management ability on the part of Sibakho.

Sibakho is still a relatively new organisation, but many of the statements of its leaders (e.g. its advocacy that the Government adopt a clear policy of supporting Swazi-owned businesses) are widely supported by members and non-members. In addition, Sibakho has advanced considerably since its formation in terms of recognition by the GOS, etc. STEP feels that Sibakho has the potential to become an effective representative body of indigenous entrepreneurs, but that such a new organisation requires effective administration, organisation and management. Thus any involvement of donors should, at this stage, be geared towards institutional strengthening of Sibakho through the provision of skilled personnel together with the necessary funding for such personnel to carry out their tasks; the funding of more ambitious projects should await Sibakho developing the expertise to run them effectively.

4.1.2 Experimental Project No. 2: Art Industries

Art Industries is a handicrafts production and marketing company owned by a German who is resident in Swaziland. The company was unable to produce sufficient quantities to meet the sales demanded.

STEP gave a loan of E20,000 to Art Industries, which then, in turn gave loans to eight of its employees to enable them to become self-employed suppliers to Art Industries.

The incentive for Art Industries under this project was that it would increase the company's sales, without increasing the management complexity that would arise from its alternative course of employing more staff. At the same time, it would enable Art Industries' employees to become self-employed and to directly benefit financially from increased production. However, they would continue to operate within the relatively "safe" environment to which they were accustomed. Art Industries was required to establish a central book-keeping service which would assist in providing monitoring information to STEP, Art Industries, and the "spin-off" businesses themselves.

The loan from STEP to Art Industries, and the loans from Art Industries to the "spin-off" businesses were to bear interest charges of 24% on the declining balance, with loan repayments from the spin-offs to be linked to profit and cash flow, based on information provided by the central book-keeping service. Art Industries was required to repay STEP as the spin-offs repaid Art Industries.

Art Industries effectively gave loans to the eight spin-offs by transferring the ownership of raw materials held by each spin-off from Art Industries, with any further balances to take the form of credit for future purchases of stock from Art Industries. Thus the spin-offs did not receive loans in the form of cash.

STEP provided initial technical advice to Art Industries in the implementation of financial monitoring systems, and a STEP Extension Officer made weekly visits to undertake non-financial monitoring. Later, with additional staff, STEP was then also able to become much more involved in the financial aspects, which included taking over the financial monitoring, the sorting out of many problems that had arisen with the central book-keeping service, training a new book-keeper hired by Art Industries, and conducting a post-mortem on three businesses that had not been spun-off successfully.

The book-keeping service improved after the hiring of a new book-keeper. Each spin-off business paid a monthly fee to Art Industries for this service, fixed according to the demands and complexity of each business.

Art Industries provided technical and design assistance and marketing information to the spin-offs, and collected loan repayments for subsequent repayment to STEP as planned.

Nearly two years after the loans were initially granted, three former employees of Art Industries have been successfully spun-off, with the owners receiving monthly drawings of up to three times as much as they previously received in wages. The spin-offs that failed did so through a combination of behavioural problems on the part of the individuals concerned, and marketing problems concerning the products. Better pre-loan feasibility studies, and entrepreneurship motivation exercises to gauge whether the individuals had entrepreneurial characteristics would have resulted in better initial selection of the spin-offs.

4.1.3 Experimental Project No. 3: Credit Training: Operations Research

An early assumption of STEP was that there existed in Swaziland a number of organisations that were addressing the needs of Swaziland's small enterprises. However, by December 1987, only three such organisations of any significance had been identified - SEDCO, Sibakho, and the Swazi Commercial Amadoda (SCA). A decision was made not to become involved with SEDCO, as this organisation was under considerable scrutiny already, and the Policy Environment Study contains an overview of its shortcomings. Sibakho and the SCA were the objects of two other STEP experimental projects, but it was apparent that STEP needed the benefit of hands-on interaction with a range of small enterprises if comprehensive analysis and recommendations for assistance were to result. More importantly, the simple phrase "Small Enterprise Development" displayed on the window of the STEP office had produced an unexpectedly steady stream of requests for assistance. It had become virtually impossible to justify STEP's presence and credibility without some form of direct assistance.

At the same time, it had quickly become apparent that in Swaziland, as elsewhere, lack of finance is perceived by small business owners to be their major problem, and STEP itself had been inundated with requests for financial assistance. STEP had actually experimented with giving some loans in order to test the feasibility of directly undertaking a full experimental activity.

The purpose of this project was threefold:

(a) Test the PfP Credit Training model (which is being used successfully elsewhere in Africa) to stimulate and promote small enterprises in Swaziland.

(b) Define the specific human, social, and economic parameters of an effective engagement between Swazi small enterprises and their corresponding assistance efforts.

(c) Gain insight and experience with respect to the methodology and terms of engagement necessary for credit facilities to be implemented effectively in Swaziland at the small enterprise level.

Credit Training is more than just handing out money, or learning how to do so and get it back. It is a methodology, an approach which acknowledges that more than money is necessary in order to be responsible and purposeful in lending to those lacking experience in dealing with formal lending institutions. A good description of this approach is contained in a document written by Nick and Anne Ritchie, CARE Regional Technical Advisors in West Africa. An excerpt follows:

> Credit training is a developmental method of delivering credit to inexperienced and/or disadvantaged people who wish to expand or to start up an income generating activity/small enterprise but who lack not only access to investment capital but also many of the skills required to make a success of their venture. The objective of the method is to (a) enable the participant to

have access to the services, in addition to credit, which he needs to make a success of his economic activity in the African context, and (b) make the way in which credit is delivered a learning process for each participant, which will provide him with knowledge and skills to help him to sustain his activity after the project ends and increase his chances of obtaining financing from a mainstream financial institution.

Loans were to be given for activities around the Manzini area, interest of 24% was to be charged on the declining balance, loans would be unsecured, and attempts would be made to link loan repayments to cash flow. A number of variables were to be tested, and loans were to be given with a view to whether they provided opportunities to learn more about certain combinations of variables. Financial indicators of Assets, Working Capital, Owner Equity, Sales, Owner Wages and Profits were to be examined, with particular interest to be paid to changes to these indicators after receiving the loan. A revolving loan fund of E100,000 would be established, which would be maintained until the end of STEP, at which point CARE and USAID would decide how to dispose of the revolving fund and outstanding loans. The project was to employ two Extension Officers, supervised by a Credit Training Supervisor.

The project had 288 applicants representing all economic sectors: manufacturing, wholesaling, retailing, service, construction, barter, and, unavoidably, agriculture (though this sector was not included in the STEP mandate for assistance). Yet only a list of activities gives a feel for the diversity of the phrase "small enterprise in Swaziland": hawkers and peddlers of everything from clothing to toothpaste, sewing groups and individuals, general dealers, pre-schools, groceries, farms, transport, butcheries, construction, carpentry, property rental, poultry, leatherwork, restaurants, upholstery, graphic design, welding, catering, milling, cosmetics, business consultancy, radio repair, shoe repair, piggery, block-making, bottle stores, churches, battery repair, bakery, tractor hire, soap making, accounting, grain storage tank manufacturing, jewelry dealer, filling station, office cleaning, electrical contracting, hair salon, car dealership, refugee settlement, guard service, novel writing, pharmacy, house cleaning, door lens installation, picture framing, and laundry.

Thirty-four of the applicants were granted loans. The loan repayment rate was 80.2% (it should be remembered that this was an experimental project that included some loans that were given more because of the lessons that would be learned than because they were "good" loans from a business point of view; in a genuine service-delivery project, such loans would not be given, and the repayment rate would be higher).

The Project produced a wealth of interesting findings. It was found that a number of business owners manage several activities and transfer cash freely between them; in such circumstances, tracing the use of loan funds is extremely difficult and probably not very important as the project found it was not really working with one single business, but a group of businesses managed by one individual. Each of the businesses managed by a single owner employs from one to five assistants. A significant percentage of business owners have previous experience with NGO's. Both men and women manage small enterprises; however, gender roles may determine the type of business in which they are involved.

Common problems were: (a) an inability to distinguish between profits and wages, (b) difficulty in separating business from personal affairs, (c) difficulty in managing customer credit. The availability of labour and raw materials varies from industry to industry; however, many owners regularly travel to South Africa where prices of some raw and finished materials are lower. Although clients initially thought the interest rate of 24% was high, they did not object once the amount was explained to them, and the interest charged had no measurable effect on business performance; success or failure was in no case attributed to the interest rate by either STEP staff or loan recipients. More loans were granted to women than men as they seemed to have a better propensity for getting through the extensive STEP screening process. There has been some lack of honesty and willful deception on the part of certain applicants and clients. A 60-year old widow went to great lengths to falsify her ownership of a doll-making operation, and then had her lawyer threaten to file charges against CARE staff for harassment when they tried to get to the bottom of repayment and monitoring difficulties. While STEP has received favourable judgement from the legal system, the situation was a far cry from the kind of interaction one would expect or desire in a small enterprise programme dealing with elderly widows.

4.1.4 Experimental Project No. 4: Rural/Urban Linkages

This project was to involve giving a small loan to a businessman running a rural convenience store operating largely on a system of barter rather than cash. The project was intended to examine links between rural and urban economies (the urban economy being where most of the stock for the shop was purchased), as well as to learn about non-cash transactions in the business, and possible constraints to a rural trading/retailing shop operating in Swaziland given the small distances and easy access of consumers to the urban shops. After a request by USAID for clarification of objectives, STEP withdrew the proposal because by this time the entrepreneur had decided that he could not proceed with several steps that this loan would have examined.

4.1.5 Experimental Project No. 5: SCA/Rise Management

The Swazi Commercial Amadoda (SCA) was established in 1947 by His Majesty King Sobhuza II to organise and develop small businesses on Swazi Nation Land (SNL), to grant exclusive rights to trade on SNL, and to protect the rights and interests of businesspeople trading on SNL. The King suggested that the SCA should commence a wholesale warehouse operation, and should help to finance those members requiring initial or working capital. The SCA is headed by the King or his representative. There is a National Executive Committee based at the Head Office in Manzini, and eleven branch committees. The SCA is responsible for processing Trading Licence applications, and forwarding them to the King for approval. Whilst some of the branches operate loan funds, the SCA has not implemented King Sobhuza's suggestion of establishing a wholesale warehouse operation.

STEP held a number of discussions with SCA, which requested financial assistance of an amount which surpassed STEP's capacity. In addition, Rise Management Consultancy, a Swazi-owned management consultancy firm had requested a loan from STEP. STEP de-

cided to obtain more information about SCA, and find out what forms of assistance could be most cost-effectively used by the SCA by commissioning Rise Management to undertake a study. At the same time, this activity would enable STEP to experiment with using a Swazi-owned consulting firm to interact with a Swazi business organisation; it would also indicate the specific skills and capacities of Rise Management, and would demonstrate the willingness and capacity of the SCA to receive scrutiny and assistance.

The study comprised the compiling of a detailed register of all operating SCA members, and then using this register as a sampling frame from which a random sample was drawn.

It was found that the SCA's executive leaders lack administrative and managerial skills and that the organisation's accounts have not been audited in over forty years of existence. In addition, since SCA members are individually accountable to the King, the SCA leadership has no direct authority over its membership and the organisation lacks a hierarchy of accountability. The study also found that the majority of members feel the SCA does not serve their interests because of unskilled leadership, lack of financial resources and misappropriation of funds. Furthermore, membership of SCA is not really a choice for businesspeople operating on SNL, as joining the organisation is part of the process of obtaining a Trading Licence.

4.1.6 Experimental Project No. 6: Rural SEAD

This was STEP's only direct interaction with small enterprises in a rural environment, despite the fact that the majority of the Swazi population lives in such areas. This project was similar to Credit Training: Operations Research (Experimental Project No. 3) except for its scale and setting. However, in this project, more emphasis was placed on the overall needs and opportunities for assistance than on credit per se. The project had an initial loan fund of E15,000 (later decreased to E12,000 after a transfer of money that could not be disbursed within the life of this project to Credit Training: Operations Research), office space was provided by the Sibovu Rural Development Area (RDA), representing a contribution by the Government of Swaziland to STEP, and a local-hire ex-patriate who had spent several years in the area was appointed as Field Supervisor for this project, working largely on his own, and making monthly visits to the main STEP office in Manzini.

All participants were instructed in a basic record-keeping system, which was intended to assist STEP in gathering financial information, and to enable the participants to have a better understanding of their business operations, as well as to enable STEP to learn about training methodologies.

The project had 90 loan applicants, 28 of whom were granted loans, and there was one non-loan participant. Strict adherence to repayment schedules was a major problem, but this was partly due to poor communication and transport systems in the area. The only publicity was word-of-mouth, and it was found that after a slow start-up period, the flow of applicants could be drastically affected by saying "yes" or "no" to only one or two applicants. The major problem faced by applicants concerned credit sales; it was found that if entrepreneurs were to develop a firm credit policy, their working capital could be in-

creased without the necessity to borrow. Many applicants were involved in several different income generating activities. Financial assistance was found to be very much needed by rural entrepreneurs, but it was felt to be of little help without management and technical assistance; in very few cases was lack of finance the major problem.

41.7 Experimental Project No. 7: Welded Hoes

In this project, it was proposed that a loan of E30,000 be granted to New Dawn Engineering, a company owned by a Canadian engineer to develop and promote the use of labour-intensive appropriate technology. This loan would be used for bulk-purchasing material unavailable in small quantities that would be used for the manufacturing of welded hoes. Initially, the hoes were to be manufactured by New Dawn Engineering and distributed through local wholesale and retail outlets, with STEP taking a particular interest in the markets for this product. At a later stage, after having establishing market acceptance of the product, New Dawn would manufacture component parts for the hoes, which would then be sold as a kit to semi-skilled welders. At a third stage, the technology involved in the manufacture of the components would be transferred to certain entrepreneurs with the interest, skill and managerial ability.

This proposed project was an attempt to examine:

(a) The creation of linkages between small manufacturing businesses with a larger network of suppliers and markets;

(b) The transfer of technology from a foreign-owned manufacturing business to small-scale indigenous manufacturers;

(c) Consumer preferences for a locally produced hoe that is of higher quality and cheaper than the imported hoes generally used in Swaziland;

(d) The broadening range and markets both of local welding businesses and local wholesale and retail outlets;

(e) The response of South African manufacturers.

However, the proposal was not approved by USAID due to the short time remaining in which to implement the project.

41.8 Experimental Project No. 8: Asikhutulisane

Asikhutulisane is a well-managed established consumer credit and savings cooperative which receives savings from, and provides loans to, its' members. It has traditionally operated on the "Christmas Club" principal whereby its members deposit savings during the course of the year, and then withdraw them at the end of the year. This has resulted in the Cooperative only being able to give loans of short duration, normally a maximum of 10 months. STEP was keen to examine the effects of Asikhutulisane expanding its portfolio of loans for business purposes, by enabling it to give longer-term loans which would, gener-

ally, be more conducive to the needs of small businesses. This would enable STEP to examine the ability of Asikhutulisane to play a greater role in small enterprise development, but without involving the provision of major technical input on the part of STEP. STEP did this by giving Asikhutulisane a grant of E100,000 which was to be used to give business loans with repayment periods of longer than 10 months.

The late approval of this project left little time in which Asikhutulisane could disburse the grant in the form of loans, although a condition of the grant was that they did disburse all of the grant before the end of STEP. This may have put unfair pressure on the Cooperative to give loans quickly without necessarily assessing whether they would be of benefit to the businesses, and it was found that some loans were initially given that STEP did not consider to be good business loans. However, through a series of meetings between STEP and the Board of Asikhutulisane, it was found that the Board was very responsive to the criticisms expressed by STEP, resulting in considerable improvement in the quality of the loans granted. Asikhutulisane had traditionally given loans based on the members' savings record with the Cooperative, and the personal relationships established between the Board and the members. The grant from STEP introduced some refinements to the methodology, in that the Cooperative was now expected to undertake pre-loan financial assessments of businesses for which loans were requested, and subsequently to conduct post-loan monitoring. STEP's experience was that the Cooperative learned a considerable amount about the granting of business loans, and STEP feels that with some continued refinements to the methodology, Asikhutulisane has considerable potential to move more into the field of granting loans to small enterprises.

During early discussions between STEP and Asikhutulisane, the cooperative requested training for the management and members in SEAD. Contrary to other STEP findings, this seems to indicate a recognition on the part of Asikhutulisane's Board that credit alone is not a sufficient ingredient for the promotion of effective small businesses.

As an established, well-managed indigenous organisation, STEP feels that Asikhutulisane should play a significant role in future SEAD efforts in Swaziland even though it is not primarily a SEAD organisation. STEP's interactions with the organisation have shown that its' management is very responsive to learning more about SEAD techniques, and refining its own methodology accordingly.

4.1.9 Experimental Project No. 9: Rotary Shopspace

This was a project proposal initially developed by the Manzini Rotary Club to provide workshop space for small businesses, which would be charged commercial rents for using the workshops. For STEP, this was an opportunity to examine the provision of appropriate shopspace as a potentially successful means of stimulating small business activity, and would also test the use of a local service club as a vehicle for delivery of assistance to small enterprises. However, the proposal was not approved by USAID due to the short time remaining in which to implement the project.

4.2 BASELINE STUDIES COMPONENT

Table 2: Baseline Studies

Name Of Study	Implementor	Proposal Submitted to USAID	USAID Approval	Contract Signed with Implementor	Date of Accepting Final Report
Policy Environment	SSRU UNISWA	April '87		May '87	Sept. '88
Baseline Inventory:					
I. Feasibility of Collecting Baseline Data	Coopers & Lybrand	July '87	Aug, '87	Aug. '87	Sept. '87
II. SNPF Data Search and Analysis	Coopers & Lybrand	Dec. '87	Dec. '87	Dec. '87	May '88
III. Baseline Survey	Coopers & Lybrand	Aug. '88	Aug. '88	Sept. '88	Nov. '89
State of Industry:					
I. Woodworking	New Dawn Engineering	Nov. '87	Dec. '87	Dec. '87	March '88
II. Sheet-metal		Nov. '87	Dec. '87	Dec. '87	Sept. '88
III. Welding		Nov. '87	Dec. '87	Dec. '87	May '88,
IV. Sewing / Softgoods		Nov. '87	Dec. '87	Dec. '87	July '88,
V. Food Processing		Feb. '89	Feb. '89	March '89,	May '89
VI. Repair and Maintenance		Feb. '89	Feb. '89	May '89	July '89
Sources of Market Information	John Bento			Jan. '88	Feb. '88 (Draft Accepted)
Consulting Firms for Small Businesses	STEP			N/A	Dec. '87 (Draft Accepted)
Swazi Culture & Small Business:					
I. Motivation, Trust, Views of Business, Success and Failure	Margo Russell	April '89	May '89	June '89	Aug. '89
II. Money, Credit and Competition	Ms. K. Kamalkhani & Mrs. N. Gamedze	April '89	May '89	May '89	July '89
III. Traditional and Modern Beliefs and the Role of Assistance in Small Business Development	Dr. Thoko Glindza	May '89	May '89	June '89	Sept. '89

4.2.1 Policy Environment Study

This study is a broad look at the policy environment surrounding small enterprises, including an overview of the major enterprise promotion agencies such as the Small Enterprise Development Corporation (SEDCO), the Swaziland Commercial Board, the Swazi Commercial Amadoda (SCA) and Sibakho. It also looks at the current and previous national development plans, and examines attitudes of various ministries and financial institutions. It was performed by the Social Science Research Unit of the University of Swaziland using secondary materials and key interviews.

The basic conclusion of this report is that the Government of Swaziland does not have a specific, articulated policy towards small enterprises, even though there are many specific incentives and policies aimed at attracting foreign investment and big business. At best this translates into a policy of benign neglect, though room for improvement in government tendering practices, pricing policies, company legislation, tax and other incentives favouring the small businessperson is stressed. The general failure of most small enterprise promotion efforts and agencies is discussed, with a hopeful vote of confidence for the potential of Sibakho as an advocacy body.

Many of the findings of this study are given in section 5.3.

4.2.2 Baseline Survey

It was felt by STEP at an early stage that an important output of the project should be a study that describes the small enterprise population in Swaziland in quantitative and qualitative terms. In spite of the existence of various sectoral studies, registers and lists of small enterprises, there was no complete and accurate synthesis of such information; furthermore, due to the nature of small enterprise activity, existing government and administrative registers and lists were thought highly unlikely to be accurate or complete with respect to all small enterprise activity. Hence, a Baseline Survey was commissioned, which evolved into a three-phase effort, carried out by Coopers & Lybrand Associates.

The STEP working definition of small enterprise was used - 25 or fewer employees and a maximum of E100,000 in assets, though towards the end of the Survey, the description "small economic activity" was adopted as there had been no distinction made between small enterprises and income generating activities. The first phase of the survey was a comparative analysis of 19 major sources of data for accuracy, currency and representativeness. It was concluded that no combination of secondary data sources would be practical or accurate in describing the population, though one, the Swaziland National Provident Fund (SNPF), was computerised and relatively current.

Phase two was therefore an in-depth analysis of the SNPF data. While this information was easily obtained and quite interesting, it was found to be deficient in several key respects. No financial figures are listed in this data base and only Swazi employees are registered with the Fund, tending to skew the distribution of small enterprises according to the de-

finition. More importantly, the listing showed a few anomalies such as the existence of only one carpenter and one sewing business in the entire country.

Phase three was a comprehensive primary research survey employing stratified sampling techniques and three questionnaires using different levels of detail. Findings of this phase appear in section 5.1 of this report.

4.2.3 State of the Industry Series

This series of studies was an innovative approach to acquiring a cost-effective overview of selected industries, and was performed by New Dawn Engineering, a private company owned by a Canadian engineer, resident in Swaziland and specialising in labour-intensive technology. The industries studied were ones that are, or have the potential to be, operated by Swazi-owned small enterprises; the methodology consisted of in-depth interviews with five or six enterprises in each industry, located throughout the country, combined with general observation and experience as well as secondary material where appropriate. Obvious subjectivity notwithstanding, these reports offer a well-presented analysis of how and why the selected industries operate as they do. Products and markets, supply channels, financing, technical and technological aspects, and the regulatory environment are all assessed, with suggestions offered for improvements or assistance strategies. Six industries were examined - woodworking, welding, sewing, sheet metal, food processing, and repair and maintenance.

New Dawn Engineering approached this task as much more than a series of discrete reports. Intuitively, there are constraints and opportunities common to all industries as well as unique to each. Just as intuitively, there may be common solutions and specific solutions. For example, and at the extreme risk of oversimplifying, there is a general need for both authorities and entrepreneurs to understand the laws which apply to cottage industries so that unnecessary harassment and uninformed decisions do not hinder the economy. Small improvements in the technical skills of most operators in all industries would probably improve business performance much more than management training.

Raw materials procurement practices, credit availability and product design are chronic problems almost everywhere. Yet welders seem to have no problem getting steel, woodworkers are almost forced to offer hire-purchase arrangements in order to compete, sewing by hand is simply not profitable, and sheet metal activities involve extremely low entry costs. Policy reforms, a highly capitalised materials depot selling in very small quantities, and a technical extension service are suggested as effective assistance strategies and desirable activities common to the industries studied.

The STEP Technology Advisor has written a review and summary of the first four reports in an effort to highlight the common themes as well as the aspects unique to each industry. This review also offers counter-analysis to some of the subjectivity necessarily forwarded by New Dawn Engineering. The result is a useful, balanced, innovative and cost-effective series of documents.

4.2.4 Sources of Market Information

This was an effort by a short-term consultant to "develop a greater understanding of the location and nature of market information in Swaziland". This effort was quite revealing, although rather frustrating for the consultant. Interviews were conducted with a wide range of people in key businesses and institutions, and documentation systems were examined whenever possible. These people and information centres were rated according to approachability and usefulness. The report was never finalised, but the draft served its purpose well.

Basically there is a great deal of knowledge and expertise in Swaziland pertaining to markets and market potential. The problem is that virtually none of it is written down or accessible to the small businessperson. Large companies know their own markets and keep this information to themselves, either passing it informally through successive management teams or recording it in closely guarded feasibility studies. An "old boy" network determines accessibility to juicy bits of market news, and sales projections are based most often on last year's figures (also closely guarded). Government figures on domestic consumption of finished goods are not accurate due to time lags, reporting inefficiencies, and Swaziland's participation in the Southern African Customs Union. The ramifications of this for the small businessperson - and for the agents of small enterprise assistance - must not be underestimated.

4.2.5 Consulting Firms for Small Business

The purpose of this in-house effort was to determine if there was a private sector solution to delivering appropriate assistance to small enterprises. There are a remarkable number of accounting and consulting firms in Swaziland for such a small country. A STEP staff member attempted to contact some of these to determine what services are offered and what potential may exist for expansion. The report was never finalised, though the results were quite revealing.

The vast majority of these consulting firms are themselves small businesses, with all the corresponding problems of scale, aptitude, and image. Many consist of only one person with a business diploma doing work for a few retail stores around his or her home. Large or small, accounting services for tax purposes appear to be practically the only service offered as well as the only service requested by clients. Virtually no market research or advertising services are available, though the bigger firms can do feasibility studies for other big firms if the price is right. According to surveyed consulting firms, the small business community either does not appreciate or cannot afford services other than accounting for taxes. We note that these consulting firms make little effort to create demand for their other skills, perhaps leading to a self-fulfilled prophecy.

4.2.6 Swazi Culture and Small Business

Over time, it became apparent that issues of Swazi culture were affecting all the activities in which STEP was involved, and that a clear understanding of cultural attitudes and values is critical to any meaningful small enterprise assistance effort. Hence it was decided to commission a study that would specifically address many of the questions that were arising repeatedly.

Because of the number and the breadth of the topics encompassed under the subject of Swazi Culture and Small Business, and also because, with such a complex and controversial subject, of the desirability of obtaining views from different standpoints, it was decided to commission three different consultants to write separate parts of this study. The topics covered in each part were:

Part I Motivation, Trust, Views of Business, Success and Failure.

Part II Money, Wealth, Credit and Competition.

Part III Traditional and Modern Beliefs, and The Role of Assistance in Small Business Development.

Part I was carried out by Margo Russell, an experienced sociologist with some knowledge and experience of Swazi culture; Part II was undertaken jointly by Ms. K. Kamalkhani, a lecturer in Accounting and Business Studies at UNISWA, with considerable experience of research, particularly related to small business, and Mrs. N. Gamedze, a Swazi working (then) as Assistant Programme Manager (since promoted to Programme Manager) at BMEP, and Part III by Dr. Thoko Ginindza, an experienced Swazi research anthropologist and academic who has published previous work related to Swazi culture.

All three parts reviewed and summarised relevant literature, and gave the author's synthesis of information and conclusions based on personal knowledge and experience of Swazi culture as well as on the research undertaken specifically for the study. Part I included the selection of four panels of informants and the convening of group interviews and discussions. Part II included interviews with representatives of institutions associated with small business development in Swaziland, with financial institutions that have granted loans to small businesses, and with Swazi entrepreneurs. Part III included interviews with traditional leaders, and with rural and urban Swazi business people and professionals.

Many of the findings of this study are discussed in section 5.2.

4.3 ADVISORY ASSISTANCE COMPONENT

4.3.1 Miscellaneous Technical Consultancies

Although not part of the original project design, a number of projects, groups and individual operators of small economic activities approached STEP for assistance. It was decided to respond to such requests for the following reasons:

(a) It would be a useful learning experience for STEP, and relevant to the objectives of the project, especially during the first few months of the project's life.

(b) It may help to identify opportunities for possible experimental projects.

(c) It would help a new project run by a foreign organisation (as was the case with both PfP and CARE) to establish some credibility and to become known in the community.

These technical consultancies ranged from "quick fixes" (e.g. advising a handyman who lacked customers to use a local secretarial agency as an answering service and producing a leaflet giving the agency's telephone number, which resulted in a quadrupling of business) to a series of sessions for three months to help a Community Centre run a shop. Most such technical consultancies took place during the first year of STEP, and are documented in detail in the second Project Activities Report.

4.3.2 BMEP

Some developments at BMEP have been documented elsewhere ("Commonwealth Secretariat - Curriculum Guidelines for Entrepreneurial Skills Development Programmes - Case Study: Business Management Extension Programme", Stuart Banks - Financial Controller, BMEP, June 1988; "Evaluation of the Business Management Extension Programme", John Else and Jennefer Sebstad, June 1989). This section deals mainly with the involvement of the STEP Director, in his capacity as technical advisor to BMEP

Most of the STEP Director's efforts at BMEP were geared towards training the staff. This included advising on a Participant recruitment and selection process, clarifying the difference between income generation and small enterprises, working with staff on drawing up a series of documents that helped to clarify the Participant's relationship to the Programme, and introducing a system of monitoring using balance sheets, which was later adapted for use in some of STEP's experimental projects. The STEP Director also conducted some formal training sessions for Participants and was involved in a number of informal interactions with Participants, all of which were intended to provide training for the staff.

In April 1987, BMEP took over from MITC a shop in the centre of Manzini; the STEP Director provided some guidance, and assisted with profitability and cash-flow forecasting,

and marketing issues (including the design of a customer survey), and stressed the importance of making a viable plan for the shop.

A major issue of concern to the STEP Director was that of decision-making within BMEP, and who has what authority. He attended the monthly meetings between BMEP staff and MITC management, and frequently argued for clarification of what powers the staff had. In April 1988, a full-time BMEP Programme Manager was appointed, which was intended, as far as USAID, the funding body, was concerned, to help bring about greater clarity, as well as to provide the full-time SEAD expertise which, the STEP Director had argued, had been lacking since BMEP's inception, and which could not be fully made up by the STEP Director spending twenty per cent (or even fifty per cent - as per the original Cooperative Agreement with PfP) of his time at BMEP. Once the Programme Manager had started, the STEP Director withdrew from his advisory role at BMEP, with the agreement of all parties concerned. However, good informal relations continued with the staff of BMEP, and, until the end of 1988, the STEP Director continued to attend the monthly management meetings.

Although BMEP is legally part of MITC, steps are now under way to register BMEP as an independent organisation. STEP has always taken the view that the design of BMEP with its incubator nature was flawed; however, there is considerable potential for the development of an effective extension service, and BMEP also has the resources and expertise to undertake training.

4.4 STEP ADMINISTRATION

4.4.1 Early Stages/PfP

The first STEP Director arrived in Swaziland in August 1986, and proceeded with a number of initial setting-up tasks. This included locating suitable housing and office space, and procuring furniture, equipment and a vehicle. During the period August to December 1986, a Basic Agreement between PfP and the GOS was signed, there was substantial contact with USAID, and a number of other contacts were made including with organisations such as BMEP (where the STEP Director gave a substantial time input even at this early stage).

4.4.2 Takeover of STEP by CARE

In December, 1986, PfP International ceased operations due to financial problems. CARE International took over STEP, and this involved negotiating a revised Cooperative Agreement with USAID (with a reduced operating budget for STEP). The change of implementing agency also involved negotiating a new agreement with the GOS.

4.4.3 CARE Standard Administrative Systems

CARE had not previously worked in Swaziland, and the takeover of STEP by CARE meant that a range of systems and procedures with which the STEP Director was not familiar had

to be learned and implemented. This included standard financial reporting procedures, standard communication systems, and a standard filing system.

4.4.4 Liaison with USAID

The requirement in the Cooperative Agreement of "substantial involvement" by USAID, resulted in a considerable amount of time spent in liaising with USAID. At a conservative estimate, this entailed an average of two trips to Mbabane each week throughout the project, and much time spent in meetings, on correspondence, producing other documentation, and establishing a process for project approvals. Staff changes at USAID resulted in a lack of continuity, and extra time spent by CARE staff in familiarising USAID personnel with previous events - a problem compounded by changes in STEP personnel during the last year of STEP.

4.4.5 Staffing

The original Cooperative Agreement with PfP envisaged that the Project would be run by a Director, assisted by a Secretary and an Accounts Clerk. It quickly became apparent that staffing needs had been severely underestimated, and subsequently the Cooperative Agreement was amended to allow for more staff. SEAD was (and still is, to a large extent) a relatively new field in Swaziland; this meant that there was not a readily-available pool of expertise, and a considerable amount of in-house training was needed for newly-recruited staff. CARE is fortunate to still have on staff, at the end of STEP, the first two locally-hired staff who started in early 1987, and five other staff who have been employed for over a year. A full list of staff employed during STEP appears as Appendix 4.

It quickly became apparent to the Director that not only had staffing needs in general been underestimated, but that management of the project in particularly could not effectively be carried out by one person. After a further amendment to the Co-operative Agreement, in September 1988, CARE hired an Assistant Director.

4.4.6 Production of Reports

A number of reports, notably on the experimental activities, were produced by STEP. For experimental projects 1, 2, 3 and 6 mid-term reports were produced, followed by final reports. For experimental project number 8, only a final report was produced, the duration of this project being too short to merit a mid-term report. A standard format was designed for these reports, which was generally followed, except where it was inappropriate. The production of reports during the last year of STEP entailed considerable development of skills on the part of the staff.

4.4.7 Monitoring Systems

A number of STEP activities, notably experimental projects 2, 3, 6 and 8, and BMEP, involved the compiling of detailed financial data and analysis. This included the production

of Balance Sheets, Income/Expenditure Statements, Receipts/Payments Statements, and Inventory Control. Once these systems had been set up, it was possible to easily replicate them in other situations.

5. FINDINGS

5.1 SWAZI SMALL ENTERPRISES

5.1.1 Ownership/Gender and Sector Concentration

The Baseline Survey estimated that there are approximately 24,500 SEA's, of which approximately 22,250 are in rural areas, and approximately 2,250 are in urban areas. It should be stressed that these figures include income generating activities such as handicrafts, hawking, traditional healing and home brewing, which are often carried out on a part-time basis. The Survey did not distinguish between income generating activities and small businesses; STEP estimates that possibly ninety per cent of rural SEA's are involved in Income Generating activities.

The number of SEA's, broken down by industrial sector and urban/rural location is shown in Table 3.

Table 3: Small Economic Activities By Industrial Sector And Urban/rural Location

Industrial Sector	Urban	Rural	Total
Manufacturing	240	12,745	12,985
Construction	166	256	422
Wholesale	17	10	27
Transport & Travel	284	15	299
Retail, Bars & Restaurants	1,279	7,542	8,821
Services	277	1,699	1,976
Totals	2,263	22,267	24,530

(Source: Table T1, Baseline Survey, Page 22)

From the Baseline Survey, it appears that ownership is almost evenly divided between men and women in the urban areas, but that there are almost three times as many female-owned SEA's as male-owned activities in the rural areas. SEA's in the Retail sector (which includes hawkers and vegetable sellers) are mainly female-owned, particularly in the rural areas; the Service sector is predominantly male-owned in both urban and rural areas; the Manufacturing sector has approximately the same number of male and female owners in the urban areas, but is overwhelmingly dominated by female owners in the rural areas, where many women are involved in income generating handicraft production, and the Transport/Travel and Construction sectors are male dominated.

The vast majority of SEA's are sole proprietorships, as opposed to being partnerships or companies, and approximately half of SEA's have been in operation for four years or less.

5.1.2 Employment

The Baseline Survey estimated that there are approximately 13,850 employees of SEA's (excluding the owner). SEA's are very skewed towards the bottom end of the employee scale, in terms of numbers, especially in the rural areas, where over 80% of the SEA's have no employees. However, the definition of "SEA" - one with less than E100,000 in assets, and less than 25 employees - excludes activities that may have larger numbers of employees as they are likely to have over E100,000 in assets.

The majority of employees in the Manufacturing and Retail sectors are female, whereas the majority of employees in Transport/Travel, Construction and Service sectors are male.

The percentage breakdown of employees by gender and industrial sector in the urban areas are shown in Table 4.

Table 4 : Employees Of Small Economic Activities In Urban Areas By Gender And Industrial Sector

Industrial Sector	Male	Female	Total
Manufacturing	45%	55%	100%
Construction	90%	10%	100%
Wholesale	63%	37%	100%
Transport & Travel		No reliable figures	
Retail, Bars & Restaurants	39%	61%	100%
Services	75%	25%	100%
Totals	53%	47%	100%

(Source: T13, Baseline Survey, Page 93)

The percentage breakdown of employees by gender and industrial sector in the rural areas are shown in Table 5.

Table 5: Employees Of Small Economic Activities In Rural Areas By Gender And Industrial Sector

Industrial Sector	Male	Female	Total
Manufacturing	42%	58%	100%
Construction	100%	0	100%
Wholesale	25%	75%	100%
Transport & Travel		No figures available	
Retail, Bars & Restaurants	31%	69%	100%
Services	83%	17%	100%
Totals	39%	61%	100%

(Source: T13, Baseline Survey, Page 93)

The State of the Industry Reports stated that far more people are employed in informal sector manufacturing businesses than in the few large scale operations in Swaziland.

5.1.3 Location of Small Economic Activities

The overwhelming majority of small businesses (in which some portion of profit is reinvested in the activity to enable it to grow) are located in urban and peri-urban areas. The great majority of small economic activities located in rural areas are income generating activities (in which all profit is utilized for personal consumption and none is reinvested in the activity to enable it to grow or in which profit is withdrawn and used to capitalise another economic activity).

According to the Baseline Survey's estimates, the majority of urban SEA's are in the Hhohho and Manzini Regions, whereas the majority of rural SEA's are in the Shiselweni Region.

5.1.4 Sources of Finance

5.1.4.1 Start-up capital

The overwhelming majority of urban and rural small economic activity owners use personal funding sources to acquire the start-up capital necessary to commence their business. These sources include personal savings (in the form of cash or cattle), money provided by relatives, loans received from friends, money raised by the decapitalisation of another business, inheritance, etc. Relatively few SEA owners are able to capitalise their new business via a bank loan for various reasons, including:

a) lack of a well thought-out and documented business plan;

b) lack of a banking relationship;

c) lack of collateral acceptable to a commercial bank (e.g. freehold land, buildings, machinery, or legally frozen fixed-term deposit on which the bank holds a lien);

d) cultural determinants, such as the fear of indebtedness, lack of understanding of interest rate vs. interest amount, etc.;

e) the perception that commercial banks are reluctant to make small business loans to Swazis.

5.1.4.2 Existing Small Economic Activities

A limited number of small businesses, primarily urban, are able to successfully negotiate loans from commercial banks. Loans for small-scale income generating activities are not granted by commercial banks. Informal money lenders (known colloquially as "Shylocks" in Swaziland) are a common source of very short-term (approximately one month) loans for both income generating and small business activities. No collateral is required, but the

interest rate can be as high as thirty per cent per month. Raising funds from the extended family, from savings, and from profits of other businesses are also commonly used sources of finance. The Rural SEAD project found that several rural loan applicants involved in income generating activities, who did not have their requests for small loans approved, received the money they needed from their extended families within several weeks.

Experience with Asikhutulisane has shown that there may be considerable potential for mobilising savings and lending for business purposes, and other savings and credit cooperatives are known to exist in Swaziland.

Rapid diversification among urban entrepreneurs, whereby a small business owner (which in this case may be an individual or an extended family unit) begins one or more small economic activities after commencing their initial business, as a means of spreading risk, appears to be common in Swaziland. Start-up and continuing capitalisation for one business owned by an urban entrepreneur is frequently provided by moving assets from or decapitalising another business owned by the same individual or family. Rural entrepreneurs frequently become involved in disparate economic activities (often for short periods of time) in order to take advantage of immediate income generating opportunities. The sum total of these income generating activities may be considered the rural person's "business".

The State of the Industry Reports stated that it is difficult for small manufacturing businesses to obtain credit for expansion or working capital. However, many businesses have low entry costs, and therefore financing is primarily for working capital. This is backed up by the findings of STEP's own experimental projects (Credit Training Operations Research and Rural SEAD) where loan requests were mainly for working capital, not for equipment.

5.1.5 Business Management

5.1.5.1 Record Keeping

In general, owners of small businesses in urban areas are more apt to keep records than owners of rural small businesses; however, the majority of small entrepreneurs keep no records at all. The most common sort of record that is kept is a receipt book recording sales.

5.1.5.2 Cash Flow and Credit Management

Very few small economic activity owners, urban or rural, understand their business cash flow requirements in gross terms or its cyclical nature. Cash flow is frequently a problem for small economic activities because owners often fail to differentiate between business and personal funds and use the business working capital for personal consumption or other non-business purposes. The difference between cash and profit is frequently misunderstood. This, in turn, leads to the use of informal money lenders to bail the business out of a cash flow crunch. This vicious cycle of decapitalisation, cash flow emergencies, expensive short-term loans and continued decapitalisation has been cited as one of the common

causes for small economic activity bankruptcy. Another common cause of cash flow difficulties in many small economic activities is the failure to control credit and to collect from debtors.

Training in credit management for small businesses would have a beneficial effect, particularly with regard to developing a clear credit policy. The State of the Industry Reports suggested that quoting high and discounting for cash would encourage more cash sales, and stated that the lay-bye method of sales is used effectively by small businesses to encourage sales.

The Reports recommended that with regard to financing of materials, entrepreneurs should establish credit terms with local suppliers; 30 days credit would be sufficient for most small businesses. Some SEA's have successfully established credit terms with local suppliers; this usually only happens after several months of being a regular customer and developing a good relationship with the supplier. A better understanding of credit management is needed in order that small business owners have a better appreciation of the responsibilities involved in operating credit accounts.

5.1.5.3 Marketing and Competition

The Swazi Commercial Amadoda was established in 1947 by His Majesty King Sobhuza II to encourage indigenous Swazi economic activities on Swazi Nation Land. It provides a monopoly to businesses registered with and licenced by the SCA within a particular area. The effect of this has been to suppress competition in rural areas.

In urban areas there is a higher concentration of small businesses than in rural areas. It is possible to claim that there is more competition in urban areas than rural areas, if competition is taken to mean more small economic activities offering the same goods or services in the same way at the same or similar prices.

Large manufacturing businesses operate on a much smaller profit margin than small businesses; this can give small producers a marketing edge particularly if they are able to retail direct to the customers (there was some evidence for this from Art Industries). The State of the Industry Reports urged standardisation of production (producing only goods that other customers may want), which would reduce the risks that arise from doing custom orders, and pointed out that the public is interested in two things "how much it costs" and "how it looks".

There is often poor understanding on the part of business owners in calculating costing of goods, selling price and break-even price, with a lack of quoting skills, and unrealistic discounts that eliminate profits. Prices are sometimes based on an estimate of what the individual customer is able and willing to pay, with insufficient attention to other factors such as costs and market prices. (On the other hand, some misguided attempts at business management training over-emphasise the basing of prices solely on costs, and ignore the need to consider market factors.)

SEA owners generally do not advertise. If they do advertise, it is usually by word of mouth, and occasionally by displaying signs or playing music. The State of the Industry Reports recommended the use of letterheads, stamps, printed invoice books, etc. to improve business image, and also with regard to products, the use of labels/trademarks to help identify a product (consumers will pay more for a known name and this would also create greater market acceptance), and a better quality of finish to more effectively compete with large manufacturers. With regard to design, there is an identified need to improve design quality, and producers do not keep abreast of current fashions.

Small manufacturers have to compete with larger businesses, which in the case of certain goods, e.g. furniture and household goods, sell on hire purchase terms. This results in high prices, but also in a situation where customers expect to be able to purchase on credit. Where small businesses do sell goods on credit, they often experience cash-flow problems, and also have difficulty collecting the money owed to them.

5.1.5.4 General

All businesses are mis-managed to some extent, but the successful ones make enough money to subsidise the mis-management. However, all small manufacturers would benefit from better training in cash management, managing credit sales and costing and pricing of their products.

Self-identified problems of entrepreneurs are: lack of customers; the cost of materials and tools; and the size, availability, location and cost of suitable premises. The self-identified solutions to these problems are: finance to obtain a larger stock of materials which would result in more sales to customers; finance to buy more tools and equipment; and finance for bigger and better premises at a better location. However, real problems are likely to be an inadequate skill level resulting in poor production techniques and low quality work, or "marketing mix" problems (i.e. not getting the right combination of the four "P"s: Product, Price, Place and Promotion). Although training in the issues causing the real problems may be needed, the challenge for the SEAD profession is how to do this training in such a way that the business owners are receptive.

5.1.6 Training in Technical Skills

According to the Baseline Survey, most SEA owners were either self-trained, or were trained by family or friends. Whilst some owners (approximately twenty per cent in the urban areas) received training as an employee in a firm, very few have taken formal training courses or received instruction from a development programme.

5.1.7 Technical Needs

5.1.7.1 Tools

Well made tools can partly compensate for lower levels of skill. However, tools are usually purchased on a lowest cost basis, and entrepreneurs will continue to use inferior tools until they are no longer usable.

Entrepreneurs often over-estimate their need for tools. They often feel that if they only had this or that tool they would be successful, and this often leads to loan applications for inappropriate items. It is in the interest of the good use of capital that entrepreneurs keep machines working as much time as possible. STEP has experienced a number of carpenters wanting to buy a thicknesser/planer; annual gross sales of such carpenters may not even equal the cost of such a machine, which can be approximately E10,000, and which would probably not be used by one carpenter working alone for more than fifteen per cent of the time. It would be more cost effective to buy ready-planed timber, but this is resisted by many carpenters as the cost of materials is then greater.

The State of the Industry Reports recommended that only high-quality, low-maintenance machines should be considered for financing. Such items would not depreciate quickly, thus providing some security to the lender. Hire purchase schemes for financing equipment might be a possible solution for assisting small manufacturers; maintenance would have to be part of the loan contract. With seldom-used equipment it may be better to rent than purchase equipment, although there is little availability of rented equipment in Swaziland at present.

Most entrepreneurs lack the knowledge and training to efficiently use their tools; this is usually a greater problem than the perceived problem of lack of "better" tools. Most small scale manufacturers have had limited training of proper use of tools and ways in which they can be used more productively. The Rural SEAD Project had a group of five clients who had been trained in woodworking, but could not name the basic tools of their trade, much less use them in a safe, efficient manner. Problems arise from not knowing the "tricks" of the trade. Many simple tools are available to enhance the production of high quality products; if entrepreneurs were aware of these tools they could use them to their advantage. Common tools already in use by most small manufacturers can be modified to be made multi-purpose. Small producers are often not familiar with labour-saving appropriate tools. The State of the Industry Reports recommended that this would best be addressed through an extension service.

Owners of SEA's often lack knowledge of where to have equipment repaired. However, there are few places that will repair equipment, and retailers will often only service the brands they sell. Many informal repair shops complain about the difficulty of finding spare parts for machines. This is mostly due to lack of information about suppliers and dealers located outside Swaziland. The State of the Industry Report on the Repair and Maintenance industry divided the sector into 3 levels;

(a) Level 1 - Very highly skilled - predominately expatriate owned.

(b) Level 2 - Competent formal sector repair businesses, predominately expatriate owned.

(c) Level 3 - Unqualified Informal sector predominately Swazi owned.

5.1.7.2 Materials

Many SEA owners have poor buying skills, and do not compare suppliers' prices. There are misconceptions about the advantages of buying in South Africa. Although materials are often cheaper, when all of the other costs are considered, the saving is often insignificant, especially given the relatively small quantities in which the people concerned buy. This is especially true if the entrepreneur is away from the business for a few days.

Many owners of SEA's do not own vehicles, and, instead rely on "For-hire" vehicles and bus services; buses are an economical (if inconvenient) way to transport materials, and are much cheaper than "For-hire" or personal vehicles. Entrepreneurs generally view not having personal transport as a problem; this is based on not understanding the full cost of running a vehicle. The State of the Industry Reports suggested that if orders could be "piggy backed" then costs of transport could be shared between several businesses.

5.1.7.3 Skills

Retail businesses object to buying from small manufacturers on the grounds that quality is inconsistent and delivery is unreliable. It is difficult to address these issues without some mechanization of the manufacturing process. However, if these problems were solved the possibility of sub-contracting from larger firms would exist.

The State of the Industry Reports made a number of recommendations:

(a) The establishment of a Technical Extension Service for small manufacturers. The staff of such a service would have to be highly skilled and have diverse technical backgrounds.

(b). The greater use of jigs, which would speed up production, improve quality, give better consistency of production, and lower the costs of production.

(c) The establishment of a Material Supply Depot or bulk buying warehouse that "sells to anyone who wants to buy regardless of licenses, permits, screening or other obstructions" and which could be privately or publicly owned. It would operate on the basis of large working capital, low mark-ups, good buying practices, a broad technical knowledge base, and an interest in the development of new small businesses. However, it may face the following constraints: firstly, minimum quantity purchases - the cost of sales involved in custom cutting of many materials could make the warehouse non-viable; secondly, some types of materials would lend themselves to a bulk buying warehouse better than others - this is particularly true of the sewing and softgoods trade.

(d) The production of a monthly or quarterly newsletter that would include up-to-date information on pricing, costs of materials, advertisements by suppliers (to subsidise the costs of production), maintenance information, product designs, and general market information.

A major issue requiring attention concerns vocational training, which is presently largely geared towards low-level basic skills. There is very little availability of training for skills upgrading at a more advanced level. A further issue is that of safety in the workshop - this is often cited as a serious issue, which should be given more attention in vocational training centres.

5.1.7.4 Workshop Space

The State of the Industry Reports considered problems of access to land in peri-urban areas, where the better locations are taken by traders. A poor business location often means poor access to raw materials, little access to customers, and poor transport accessibility. The small size of some available workshops does not provide adequate space for production, and gives little opportunity for expansion and growth. Rentals for workshops vary considerably, and there is a serious shortage of suitable premises for small manufacturers.

On SEDCO sites (of which there is one in each of the main towns in Swaziland), it is difficult for a business to grow larger, there is a lack of movement into the "real world", and the sites are poorly located; BMEP also suffers from similar problems in its design, though it is still too early to see whether BMEP can overcome these problems in practice.

The Reports recommended that suitable workshop space be built in cooperation with the municipal authorities and donor agencies. The Rotary shopspace project (see section 4.1.9) might form a suitable model for future experimentation, and may provide some potential for donors to work with local service clubs, church organisations, etc.

5.2 SWAZI CULTURE AND SMALL BUSINESS

5.2.1 Motivation for Being in Business

Swazi culture stresses individual effort, self-reliance and the freedom to disburse property as one sees fit; these traits lend themselves to the role of SEA owner. There are limited opportunities for waged employment in the Kingdom. Such opportunities become more limited as people become older if they have not established a work record while young. An alternative to waged employment is to start a small economic activity. Although owning a SEA is considered more risky than being a waged employee, it is felt that the potential financial gain is greater, and there is a general belief that SEA's offer one of the few forms of economically sustainable retirement for older people (particularly civil servants, academics, teachers, etc.) who leave wage-employment. Many civil servants, and others working in the public sector, operate a SEA by "remote control" whilst still working in paid employment.

According to the Baseline Survey, most SEA owners claim to be in business to earn a living.

5.2.2 Beliefs About Male and Female Roles

Traditionally small businesses have been owned and managed by men. It is generally believed that male business owners are more likely to squander money drinking and chasing women. Conversely it is felt that male business owners are attractive targets for unmarried women, as their "businesses" generate wealth (income) and provide security.

Women are generally responsible for raising, feeding and clothing their children and paying school fees, and out of economic necessity, many women start their own SEA's. This causes women to be characterised in the following ways:

a) They are hard workers, reliable, dependable and trustworthy;

b) They are thrifty, good managers and decision makers;

c) They generally do not make gifts out of a store's stock to relatives, as men are believed to do in keeping with the expectation of generosity towards extended family.

It is generally more difficult for women to have access to credit compared to men, which may contribute to women being more careful with any money they have.

This also causes a dichotomous situation (more in rural than urban areas) whereby women are expected to provide the money needed to raise their children, but conservative husbands do not want them to be economically independent.

In general, men believe that women "manufacturers" should limit themselves to the accepted (and stereotypic) women's activities, i.e. sewing, knitting, basket weaving and other handicrafts, although this belief is breaking down. Whilst women provide the bulk of agricultural labour, small economic activities run by women that produce agricultural products are generally not considered to be "businesses", whereas selling agricultural produce is.

It is easier for women, especially single women, to own businesses in urban areas than rural areas.

5.2.3 Beliefs About Young and Older Business Owners

It is commonly believed that young people are better educated and more familiar with modern technology than older people, and are more receptive to training; therefore, they are better equipped to deal with the complexity of the present business market. They share modern consumer tastes and know how to satisfy them, and they feel that small economic activities have an important role to play by contributing to the development of the community and country. Some of them want to earn a profit and reinvest it to enable small

businesses to expand. Young people are healthy, strong, active and enthusiastic about their businesses, and because young SEA owners generally have not established families yet, they have fewer responsibilities and can work harder at their businesses.

However, some young people may be interested in superficial things, such as parties, fashionable clothing, buying cars and impressing each other; they may misuse business funds to finance their expensive life styles. In addition, they may be dependent on their parents, who may interfere in the management of their activity. Young people are not trained to run businesses, lack capital to start them, and many may prefer the security of waged employment.

It is commonly believed that older people are settled, reliable and mature, and, therefore, make good managers. Older people have saved money from their wage-employment jobs to be able to start their own business, and if their employment careers have been illustrious, they want to maintain their success and lifestyle. If they have been poor, they see starting a business as an opportunity to change their fortunes.

Some older people view small economic activity as a means of generating income at a subsistence level in their retirement, and they may have family obligations which detract from concentrating on their activity. As a result they are less concerned about building the business and reinvesting profit.

Older people are conservative, resistant to change, and may not be as well educated or as knowledgeable about business practices as young people are, and may not easily deal with the physical and mental demands of a business.

5.2.4 Competition

Traditionally, production was for subsistence, not for sale or exchange, and competition was unnecessary. In addition, personality traits which promote competitiveness (aggressiveness, etc.) are discouraged and those traits which tend to curtail competition are promoted as "Swazi" (positive) virtues. Examples of these are generosity, sharing, reciprocity, helpfulness and modesty. However, definitions of what is "Swazi" and "UnSwazi" are fluid and are often manipulated by those that stand to benefit.

Competitive business behaviour in Swaziland sometimes means copying existing businesses. "Common" businesses are those that other Swazis have already started and have made a success at, such as bottle stores, butcheries, groceries, general dealerships and transport in the urban areas, and general dealerships in the rural areas. Conversely, uncommon businesses are those that other Swazis have not engaged in or have not succeeded at, although obviously there are exceptions to this. However, it could be that there are constraints other than cultural ones that affect choice of business. Copying of other businesses could be the first stage in adopting competitive behaviour, and, in general, the distinction between "common" and "uncommon" businesses for Swazi to own may break down as the economy broadens and people acquire more business-related experience.

As a corollary of this discussion it should be noted that copying other businesses is reinforced by lack of business creativity and limited role models. The Swazi educational system teaches by rote, as in the majority of countries in the world. Rote learning does not encourage and reward creativity. Unfortunately, this sort of learning, starting at an early age and thereafter reinforced through life, does not prepare a potential Swazi business owner to innovate or visualise him or herself as the owner of a business different from those around them. Likewise, because the gamut of economic activities that established Swazi entrepreneurs, who serve as role models for other potential business owners, have been successful at is limited, this in turn reinforces the perception that to be successful you must run a "common" business.

There are some part-time or "informal" Swazi SEA's that are run by employees that compete clandestinely with their employers in the service sector. It is a common practice for employees who moonlight in their own SEA in "competition" with their employer to undercut the large company's price by ten per cent and to do the work in the evening or weekends. Some employees may be prompted to do this by the perception that their wages are unduly low compared with the company's profits, but it does constitute competition based on the employer's investment in their training, the advertising and promotion of the service offered, which identifies a prospective pool of customers, and trade discounts based on their position as an employee of the large firm. The SEA owner is often able to procure work in competition with their employer based on greatly reduced administrative costs of their scale of activity.

5.2.5 Work and Self-employment

In general, a paid job is seen to provide safety, security and predictability. Many waged employees, particularly young people, see paid employment as the first step towards ownership of a business. They believe that this is achieved through savings, which eventually will be used to capitalise the business. Professionals and managers are sceptical about this view, expressing difficulty in accumulating money.

Older, more experienced waged employees, particularly those at mid to high level, are more apt to want to hold on to their paid jobs and not jeopardise the security and comfortable life style they represent for the uncertainty and insecurity of self-employment, than younger employees. However, this appears to be a cross-cultural phenomenon in that increased age is associated with mo · conservative economic behaviour because of greater responsibilities and having more to lose than at a younger age. In general, it is possible to state that leaving paid employment for self-employment at an older age is perceived as more of a risk than at a younger age, unless the paid job is very insecure, at a subsistence level or the employee is dissatisfied with it.

Mid to upper level professionals may face great peer scrutiny when they leave waged employment for self-employment, and may be criticised if they fail and envied if they succeed. The main criterion for judging success or failure appears to be financial.

For some people it is only upon retirement that they realise the ambition or need to become independent. A general goal of waged employment is to retire with a large enough severance pay or pension to be able to use that money to capitalise a small economic activity and thereby ensure a sustainable retirement.

A husband may not allow the wife to own the money she earns and to spend it as she sees it. Because a paid job brings a constant (and known) income, married woman are less able to "hide" income from their husbands for the family's personal consumption needs than if they are self-employed.

Self-employment is admired because it is believed to represent independence and the route to financial success. It is generally believed that the self-employed business owner earns more income than a waged employee. A motivating factor for self-employment is the admiration derived from ownership of a business and the satisfaction of independence.

People feel that starting their own business releases them from dependent and subordinate relationship - "being your own boss", and therefore not being answerable to others, is viewed very positively.

5.2.6 Finance and Planning

Most Swazi Entrepreneurs do not have long-term plans for their businesses. They operate on a day-to-day basis, and financial management tools, such as cash flow projections, are not generally used, often concentrating only on the buying and selling of stock. Some entrepreneurs spend money as they receive it and do not keep track of their income and expenditure.

Due to unfamiliarity, proper feasibility studies are not conducted before the entrepreneurs approach the banks for loans. Commercial banks have experienced difficulties in obtaining vital information from Swazi entrepreneurs about their businesses when requesting loans. This is partly a reflection of cultural attitudes concerning the privacy of financial matters. STEP itself has experienced loan applicants who falsify information in such a way as to make the business appear to be performing better than it really is.

Swazi entrepreneurs feel they have a right to loans for establishing businesses since they are also contributing towards the development of the country. They expect government to do something for them to help in the collateral issue by urging development agencies and banks to give them financial assistance. When Swazi entrepreneurs hear that the government gives expatriate companies benefits such as depreciation allowance and tax holidays, they obviously expect some government assistance too.

There is a high default rate among Swazi entrepreneurs, who have a poor record of repaying their debts to the formal commercial sector. This could be partly due to poor business planning, and partly a result of Swazi culture, as traditionally Swazis do not recognise a fixed timeframe for repayment of a debt. In addition, it could result from speeches made by influential people in the years preceeding independence, to the effect that loan

repayments should not be obligatory; thus bank loans were deemed to be development funds/handouts and need not be repaid.

Many Swazi men cannot afford to buy land in urban areas, but can acquire land from their Chief on Swazi Nation Land. This puts them at a disadvantage when seeking bank loans, since commercial banks usually require immovable property and title deed land for collateral.

Traditionally, Swazis measure a "man's" wealth by the number of cattle he has. Although cattle are the most common asset owned by Swazis, small Swazi entrepreneurs find it difficult to obtain loans from commercial banks since cattle are not considered as collateral because of the problem in controlling the asset. (In Swazi custom and law, married women do not own property).

Some Swazis prefer to borrow money from informal money lenders rather than from the bank as the process is quicker and no collateral is required. Banks have a bad reputation with Swazi entrepreneurs for having repossessed property from people who failed to repay loans. However, informal money lenders have a low default rate, and it could be that they are better at selecting loan recipients than the banks.

Interest is a new concept in Swazi culture, e.g. a family can borrow a sack of maize from their neighbours, and pay back the same amount of maize without any addition the next season.

With the learning process that they are undergoing, more entrepreneurs are beginning to see the convenience of cheques as opposed to cash payments.

5.2.7 Success and Failure

In the traditional setting, symbols of economic success were limited to cattle. With the modern Swazi entrepreneurs, small business ventures are an index of wealth and achievement.

A common perception is that some Swazi business men and women are used as fronts for businesses that are heavily financed by South African "Indians". Another possible source of finance for some businesses is illicit trade in mandrax, dagga and stolen cars.

Ancestors are seen as having an influence in the business performance and outcomes. Some Swazis consult them for success of their activities. Some Christians solicit the assistance of God in the service of their businesses. They believe his intervention yields success to the business. Like that of ancestors, the role of christianity in one's business is passive.

Bewitchment is a popular explanation of business failure, and the only counter to bewitchment is to consult with an inyanga. "Witchcraft is like cosmetics. It boosts your self-confidence."

Whilst some people ascribe success in business to the "luck" (positive influence) of ancestral guidance or to God, others credit success to hard work and perseverance. Swazis are seen as people who are more likely to throw themselves at the tasks at hand when short-term rewards are clear. They are also more likely to work harder when the results of their labour is in the workers' own immediate interests - e.g. in their own business.

It is perceived that a certain level of literacy is necessary for effective business management. However, formal school education is a preparation for employment rather than self-employment; this is a weakness of the education system.

An entrepreneur needs experience and exposure to the world of commerce. Natural ability (entrepreneurship) is also highly rated for effective business management.

5.2.8 Trust

Most Swazis are not trustful and are suspicious of outsiders. They think outsiders have ulterior motives for getting involved with them. Employees are not trusted with cash or material. A businessman may not even trust his wife, but he would prefer to employ his wife or another close relative to outsiders, on the grounds that at least anything misappropriated from the business will be circulated within his own family.

Management problems become acute because of mistrust problems whenever the entrepreneur is forced to delegate responsibility. This affects part-time businesses and also limits the size and scope of the enterprise to that which can be controlled by one person.

Most joint ventures are looked at with suspicion by all parties involved as financial management has always been a problem and monies have been misused by those in control; in a community project, the initiator is always scrutinised by the other community members on his or her past activities and future intentions. Most Swazi entrepreneurs would like to be by themselves in business because they usually think that the money they share with others could all be theirs if they were not in partnership; they fear that partners may not work as hard as they are willing to but will get the same benefit. Unwillingness to enter into partnerships, together with lack of capital, deflects entrepreneurs from small manufacturing options, which require more labour than one person can provide.

5.2.9 Risk

Entrepreneurship involves risk-taking. Swazi businesses can be said to face greater risks than most entrepreneurs: in addition to all the "uncontrollable" economic factors, there are also the "uncontrollable" religious and supernatural factors at play.

5.2.10 Respect and Responsibilities

Traditionally, Swazis are expected to respect older people and not question their wisdom. All Swazis are expected to be responsible for the upkeep and general well-being of all

members of his/her extended family; extended family life is still very strong in Swaziland. Responsibility can be discharged by means of wives, cattle, etc. However, money has become a more easily obtainable means of effectively discharging responsibility.

5.3 ECONOMIC AND REGULATORY ENVIRONMENT

There are numerous laws and regulations affecting the operations of SEA's. Many of them are widely ignored and/or not understood, and for many SEA owners, especially those at the lower end of the scale, it is virtually impossible to operate completely within the law. Even people in positions of authority often give misleading and conflicting guidance, e.g. over Trading Licence procedures.

Many types of businesses require licences in order to operate legally. A common complaint of potential business people in Swaziland concerns the long and bureaucratic delays in obtaining licences, particularly in the rural areas. The problem is compounded by the inter-linked web of regulations (e.g. covering health and taxation) with which people must comply before they can be granted a licence. Applicants (and even organisations assisting them) quickly become confused particularly by the lack of clear guidance and information on the part of officials, who are themselves often confused and give contradictory information. However, although it is virtually impossible to operate completely within the law, particularly at the lower end of the SEA spectrum, the laws are not always strictly enforced.

There is a lack of a clear government policy which deliberately promotes small enterprise. Foreign investors enjoy generous incentives and benefits which are not available to indigenous small businesses.

Furthermore, the government's buying policies through the Tender Boards favour the larger companies which are usually foreign-owned, and are often based outside Swaziland (notably in South Africa).

Although organisations working in SEAD are aware of these problems, there has been little formulated in terms of a specific alternative policy and regulatory environment that would benefit small businesses.

5.3.1 Tender Boards

The Policy Environment Study stated that with respect to the GOS Tender Boards, a ten per cent price preference can be given to services tendered by Swazi registered and Swazi owned companies and goods where the last process is in Swaziland. Technical tenders require the expert advice/recommendation of the relevant ministry. The Study found that the "Proven track record" requirement of the Tender Boards discriminates against local tenderers, and that local contractors claim there is corruption although this is not substantiated. According to the Study, Sibakho urges that government should award tenders to indigenous Swazi businesspeople; SEDCO says that government's specifications are too rigid, for example by stipulating the use of materials in contracts that are unavailable locally, and the Ministry of Commerce says protection is "a non-starter mainly because of

the peculiar conditions of the SACU" and also that further measures (in addition to the ten per cent price preference) would need amendment of the Stores Regulations, which requires the initiative of the Ministry of Finance.

5.3.2 Companies

The Policy Environment Study found that foreigners can easily register a company, then obtain work permits, then compete with Swazi-owned businesses, sometimes including some token Swazis as Directors. In practice, this seems to apply more to the larger companies; it is known that foreigners setting up smaller companies experience difficulty in obtaining work permits.

5.3.3 Price Control

The Policy Environment Study found that price controls exist on basic consumer goods, including milk, bread, petroleum products, soft drinks and mealie-meal. However, Inspectors have difficulty enforcing the prices of certain items, notably paraffin and dairy products.

5.3.4 Trading Licences

There are different types of Trading Licences for different businesses, with some types of business activity not requiring licences; however, obtaining clear guidance on whether a licence is needed, and, if so, what type, is not easy. Furthermore, there are often bureaucratic delays and inefficiency in the licencing application procedure. At the same time, however, the Ministry of Commerce, Industry and Tourism operates a pragmatic policy, whereby a business found operating without a licence is reminded of the need for compliance, and given a certain amount of time to comply.

According to the Policy Environment Study, in rural areas, for SEA owners operating on Swazi Nation Land, the applicant requires the approval of the Chief, the Regional Branch of the SCA, and the National Executive of the SCA. If the latter approves the application, it is forwarded to His Majesty the King for final approval. However, it has become the practice for the Regional Licencing Officer to grant Trading Licences subject to the King's consent. The Licencing Officer, in deciding whether to grant an application, considers, inter alia, suitability of the premises (which may depend on comments of the Regional Health Inspector), the amount of capital to be invested and whether this is suitable for the proposed business, and the applicant's financial standing. The Licencing Officer would need to see a letter from the SCA approving the grant of a licence and stating that the applicant is a member of that organisation.

The Policy Environment Study states that the applicant could be frustrated in the approval process by being refused consent by the Chief or the SCA, being unable to obtain the King's consent due to a backlog of applications, or being unable to produce financial statements required by the Licencing Officer.

In urban areas, the Licencing Officer considers a Trading Licence application on the basis of compliance with local authority health regulations, availability of initial capital and possession of the necessary experience/acumen to run the business.

Annual renewal of a Trading Licence requires the production of a Tax Clearance Certificate which proves that the applicant has fulfilled his/her obligations, if any, to pay income tax and graded tax.

The Policy Environment Study states that present licencing procedures are to be superceded by new ones specified in the Trade Control Act, 1986, which gives powers to a committee, rather than the individual Licencing Officer, to decide on Trading Licence application.

5.3.5 Income Tax

All persons in receipt of income earned in Swaziland are required by law to be registered with the Income Tax authorities. A Tax Clearance Certificate is issued by the Commissioner of Taxes annually to people who have discharged their tax liabilities; such a certificate is needed in order to renew a Trading Licence, buy or sell property, and buy or sell a motor vehicle.

According to the Policy Environment Study, the Commissioner of Taxes assesses tax based on businesses of a similar nature in the vicinity; if the business owner considers the tax to be too high, s/he is required to prove it by producing audited accounts, which often do not exist, with the result that some SEA owners pay too much tax. However, the cost of hiring someone to produce audited accounts may often be greater than any potential savings in tax liability that may arise.

BMEP's experience with the Tax Department has shown that although the Tax Department does not necessarily require accounts audited by a qualified accountant, it does require a Statement of Income and Expenditure, and a Balance Sheet. However, BMEP has found that this does not always result in accurate tax assessments.

Most SEA owners do not understand how Income Tax is calculated. The STEP Survey of Consulting Firms for Small Businesses showed the existence of a number of firms doing accounting or auditing work for small businesses, primarily for Income Tax purposes. Although this results in compliance with Income Tax laws, particularly by the larger SEA's that tend to use such firms, it does not lead to a better understanding of Income Tax. The Ministry of Commerce and the Department of Taxes conduct seminars for small business owners, though it is not clear how effective these are. BMEP has conducted well-designed seminars with realistic examples and has also worked with individuals in completing Tax Returns and in explaining Tax Assessments; this has resulted in a better understanding, although such interactions have been with relatively well-educated SEA owners.

At the lower end of the SEA spectrum, although many of the owners are registered for tax (primarily in order to obtain the Tax Clearance Certificate required for Trading

Licence renewal), income from such activities is so low that very little Income Tax is payable. The State of the Industry Reports stated that the informal sector remits virtually no Income Tax, and that this is not a major source of revenue to the GOS.

5.3.6 Sales Tax and Customs Duties

The State of the Industry Reports pointed out that the main way the GOS receives income from the informal sector is when the business income and profits are spent on goods on which sales tax has been paid. When goods purchased in South Africa are brought into Swaziland Sales Tax is paid at the border at a rate of ten per cent of the purchase price. Often a second invoice is produced as "proof" of the purchase price, with the value understated by as much as half. A great deal of under-reporting of goods imported occurs; based on some reports approximately sixty per cent of the goods enter Swaziland untaxed. For larger, businesses, goods are exempt from Sales Tax if they are to be used in manufacturing. Interpretation and implementation varies between different border posts. It is commonly believed that Sales Tax is payable on all materials brought into the country, and also that charging Sales Tax is unfair as it reduces already low profits.

Goods bought in South Africa are normally subject to payment of South African Government Sales Tax (GST), unless the goods are for export. However, proof of intent to export is required, and there is no universally accepted form of proof, although a passport and trading licence are often accepted. In recent years many South African shops have been prosecuted and held liable for uncollected GST, and therefore many are unwilling to grant exemption from GST; consequently some people have to pay GST and are then also liable for Swaziland Sales Tax.

Customs Duty is only payable in respect of goods imported from outside the Southern African Customs Union (SACU - which comprises South Africa, Swaziland, Botswana and Lesotho).

5.3.7 Economic Climate

Swaziland has a capitalist economy, dominated by large foreign-owned firms (largely South African and British), which is closely tied to that of South Africa both through its close physical proximity and membership of the Southern African Customs Union. Foreign investors are attracted to Swaziland by government policy that is conducive to foreign investment, low labour costs and little history of "labour unrest", and ready access to supplies and markets in South Africa, but without the problems associated with being located in South Africa, as well as benefitting from Swaziland's membership of the Preferential Trade Area. In addition, many large South African firms, particularly those running retail chain stores, have branches in Swaziland.

This situation results in considerable competition for many small economic activities. For example, items such as clothing and furniture are mass-produced in South Africa and are readily available in Swaziland at prices that reflect the economies of scale at which the

South African firms are able to operate, and with which small-scale producers are unable to effectively compete.

The Policy Environment Study stated that "... no clear policy exists for the promotion of small businessmen/entrepreneurs. The focus presently is towards large scale foreign enterprises which it is assumed generate employment opportunities and much needed foreign exchange." Sibakho, in particular, has expressed concern at the emphasis the GOS places on foreign investment, and the relatively little interest in, and support for, small-scale indigenous entrepreneurs.

5.3.8 Banking Policies and Practices

The Policy Environment Study stated that the banks' claim to give credit on the basis of merit. The applicant should be known to the bank, have a proven track record, have proof of viability of the enterprise, and have collateral. The banks view Swazi businesspeople as lacking in: planning, financial records, understanding of markets, dealing with competition and giving service to customers.

There is a widespread perception voiced by Sibakho and individual entrepreneurs that the banks are prejudiced against Swazi businesspeople and do not want to give loans to them, or if they are willing to give loans, impose collateral requirements that many are unable to meet. Whilst STEP has no clearcut evidence to support or refute this perception, it seems likely that banks do not know how to deal with small-scale entrepreneurs; at the same time it is not always clearly understood that banks, themselves, are businesses that are meant to make a profit for their shareholders, and that the interest and other charges are simply not enough to cover the banks' costs of dealing with small loans, especially when the applications may be poorly presented and lack security.

5.4. SMALL ENTERPRISE ASSISTANCE METHODOLOGY

5.4.1 Revolving Loan Credit Programmes

STEP's direct experience of running loan credit programmes in experimental project numbers 3 and 6 (Credit Training: Operations Research and Rural SEAD respectively) have shown that credit training is an effective methodology that makes credit available, develops relationships between assistance agencies and recipients, and results in loans being repaid. Both of these projects adapted the methodology described in section 5.4.1.3.

As described in section 4.1.1, Sibakho only partially implemented the loan scheme for which a STEP grant was given. Although STEP gained only limited information on the three loans that were granted via Union Bank, it is known that performance of these loans was not good and that there were repayment problems. Whilst Sibakho's preoccupation with other matters has prevented it from fully implementing this scheme, this may also have been the reason for the poor results of the loans that were actually given.

STEP's experience with Asikhutulisane through experimental project number 8, as described in section 4.1.8, has generally been positive, although it was felt that some of the early loans given from the STEP grant were not good from a SEAD point of view. However, Asikhutulisane's established methodology of granting loans on the basis of members' past savings record and relationship with the Cooperative forms a good basis for the granting of effective small business loans. In any case, the repayment rate has continued to be high for loans given from the STEP grant regardless of whether STEP initially judged them to be good loans.

BMEP granted seventeen loans to in-house Participants primarily for raw materials and equipment, mainly during the first year. Several of these loans were granted after BMEP had extended credit with rather unclear terms, and the loans effectively replaced the credit. The loans were not given based on a careful analysis of each business situation or its future projections. Although STEP does not have up-to-date statistics on these loans, it is known that BMEP had considerable difficulty in collecting repayments. The evaluators report on BMEP stated that forty-one per cent of the loans were in arrears, although this is not necessarily the same as being in default. STEP feels that BMEP's lack of initial SEAD expertise and unclear methodology and high expectations on the part of the Participants, that were raised before BMEP even started, contributed to poor results with loans granted. Many of the problems have since been addressed, and BMEP may be the most appropriate organisation in Swaziland to implement a credit training programme in future.

Unfortunately, the duration of STEP has been too short for any of the loan funds to revolve; however, STEP feels that a loan programme with an appropriate methodology, such as credit training, or one that relies on an indigenous organisation's personal knowledge of, and relationship with, loan recipients, would effectively revolve.

STEP's experience has been that the effectiveness of a credit programme depends largely on how credit is given. The systems approach of credit training that combines the granting of credit with training in business skills, where loans are granted only after developing relationships with clients, and are based on a clear legal relationship, has been shown to be an effective methodology.

However, the experimental nature of STEP, with its emphasis on information gathering, did not allow for an in-depth examination of the cost-effectiveness of loan programmes. A loan programme that is concerned mainly with ensuring a high repayment rate and not with monitoring improvements in business performance (or even with monitoring whether the loans are used for business purposes) would be relatively cheap to run. Apart from the loans given from the STEP grant, Asikhutulisane has granted loans based on the applicants' past record and relationship with the organisation, and has not concerned itself with how the loans were used; the monitoring of loans given from the STEP grant entailed a considerable amount of additional staff time and transport costs. A loan programme that did not involve extensive monitoring would certainly be cheaper, but experience of the Rural SEAD project has shown that many of the loans given would be used for personal consumption and not for SEA purposes.

An issue that has arisen repeatedly during STEP has been that of interest rates and interest amounts. Interest rates are often perceived to be unjustifiably high; this perception occurred with the 24% interest charged by STEP in the Credit Training Operations Research and Rural SEAD projects, and even with the 12% charged by BMEP. However, when the interest **amount**, as opposed to the **rate**, is explained to recipients it quickly becomes apparent that the amount is usually insignificant, especially when compared with other business expenses and when compared to the additional returns on capital that the loan may bring to the business. STEP has argued that high interest rates are justifiable if it enables a loan scheme to cover its costs and if it results in loans being available to people who would not otherwise qualify. Indeed, one of the problems that commercial banks have in dealing with small businesspeople is that the interest amount and other charges on small loans are insufficient to cover their costs.

STEP has found that confusion and misunderstanding about interest rates and interest amounts not only among SEA owners, but also within assistance agencies, whose well-meaning, but sometimes misguided approach of instigating heavily subsidised loan schemes with low interest rates was described in the STEP Project Activities Report January to June 1987 as a "Prevailing Conceptual Confusion".

5.4.2 Extension

At Art Industries, STEP provided extension services of a relatively long-term nature (as opposed to "quick fixes" that were more common in the Credit Training Operations Research Project). STEP gave effective technical advice and did extensive work on product costings and detailed market analyses. STEP also did some extension work with a group of weavers who left Art Industries prior to the implementation of the STEP experimental project; this group acted as a control group for the Art Industries spin-offs. The weavers have learnt something about costing and record-keeping, and their business acumen has increased partly because of the training given through extension work. STEP's involvement with Art Industries itself has led to some price adjustments on the part of the company and decisions to stop production of certain items; this was a result of a better understanding of the costs of producing each item. Although extension services of the type provided to Art Industries can be effective, they need suitable staff with relevant knowledge and experience, which could be expensive.

The Credit Training and Rural SEAD Projects and the miscellaneous technical consultancies demonstrated a clear need for extension services covering both business management and technological needs. The miscellaneous technical consultancies and the work with BMEP also demonstrated a strong need for the provision of extension and training services to organisations involved in income generating activities and with small businesses.

BMEP's experience with extension work was very limited, partly due to the time taken to recruit and train staff and design a suitable methodology. However, it quickly became apparent that there was little interest on the part of entrepreneurs in being clients of an extension service, unless there was a possibility of them receiving loans. This led to BMEP seeking funding for a loan scheme that would be administered as part of the extension

service. BMEP's experience seems to confirm that lack of finance is perceived by many entrepreneurs as being their main problem, and that the only way to deal with the real problems (which may or may not be lack of finance) is to use a methodology such as credit training that includes the availability of credit as an inducement.

In recruiting extension staff, BMEP faced the same problem as STEP in that SEAD is a relatively new profession in Swaziland, and hence there is not a ready pool of experienced personnel. This has implications for training where there may be need to be substantial attention given by implementing agencies in order to ensure that appropriate advice is given to clients.

Extension services can be focussed on business management and financial issues, or on technological issues, or a combination. However, any type of extension service needs to quickly show that it is of benefit to the clients if it is to have credibility.

5.4.3 Training

At Art Industries, the STEP Technology Advisor, who had a background in arts and handicrafts, was able to combine and integrate technical and business advice to the spin-off businesses and to Art Industries itself. This included training in business monitoring methodology. Art Industries continues to monitor the spin-off businesses, as well as each production sub-unit within the company. The three successful spin-offs continue to maintain their own stock control systems, and to use the production methods learnt as a result of STEP's involvement.

As a resource for the Credit Training: Operations Research experimental activity, the STEP Technology Advisor was able to advise one client on more efficient use of materials, which cut his wastage by 20% and was probably of much more benefit to that business than any management training.

BMEP has conducted formal training sessions on a part-time basis for full-time Participants, on a full-time basis as Introductory courses for new Participants prior to joining the full-time programme and others, and to existing businesspeople in the form of one day sessions. The training has covered a wide range of topics, with the full-time Introductory Courses geared towards production of Business Plans by the trainees. In addition, a considerable amount of informal training has occurred in individual interactions.

It is very difficult to evaluate training, particularly in the absence of a control group, and in the case of a relatively new project where there has not been sufficient time to assess how the Participants are going to perform in future. In addition, it should be stressed that most of BMEP's Participants were relatively well-educated (most of them having a minimum of Form III education); the sessions have usually been conducted in English, and those Participants with a low level of education have had difficulty in coping.

Although BMEP's training appears to have been generally well-received in classroom situations, it is very difficult to gauge whether the training has resulted (or is likely to result)

in any improvements in business performance. One of the problems encountered when doing the twice-weekly sessions for the Participants was that the Participants were often reluctant to spend time away from their business - it was more important to them to spend the time allocated for training to attending to customers, producing goods, or purchasing supplies.

An interesting innovation at BMEP has been the conducting of sessions in Entrepreneurship, or "Achievement Motivation Training" (AMT). Such training is based on the assumption that not everyone has the personal characteristics that make a good business-person, and may be motivated by power or the need for social affiliations, which may involve different (and sometimes contradictory) characteristics to those required to succeed in business. AMT is aimed at helping people to identify whether they have entrepreneurial characteristics, and how they can become more entrepreneurial.

Although not the subjects of any STEP activities, it is known that both SEDCO and the Ministry of Commerce conduct formal training sessions for entrepreneurs. However, STEP's knowledge of such training is that it is over-academic, lacks practical orientation, and does not appear to result in any improvement in business performance.

Some assistance was given to the Sibakho Project Manager in drawing up criteria and methodology for their proposed revolving loan scheme. The Manager of Asikhutulisane spent a week at CARE as part of his orientation, learning about loan scheme methodology, including use of balance sheets for monitoring purposes. BMEP staff received ongoing training over the first two years of STEP in SEAD techniques, particularly business monitoring systems. BMEP itself has been used as an informal training environment for staff of other organisations, and BMEP has started to provide formal training for other organisations.

Although STEP did not promote itself as a SEAD training institution, it received numerous requests for training and assistance from other organisations, and has played a major role in enhancing awareness about SEAD issues in Swaziland. There appears to be considerable potential for a project or organisation that can provide such training to other organisations; in the longer-term BMEP may be able to develop such a capacity, but in the meantime a support unit that can build on the expertise developed by STEP may be the most appropriate way of providing training to organisations.

5.4.4 Incubator Schemes

An incubator scheme is one where help is given to new businesses to start, lots of support is given, and then at a certain stage the business is expected to graduate and move elsewhere. STEP's main involvement with such a scheme has been at BMEP. However, for a number of years, SEDCO has operated incubators on a much larger scale. SEDCO's approach of constructing estates from which entrepreneurs were expected to graduate after a certain time was criticised as creating too much dependence; such criticisms are difficult to assess objectively in the light of many other factors affecting success or failure of businesses that may have commenced in an incubator. Certainly BMEP is still too new to state

definitively whether its incubator nature is an appropriate form of assistance methodology. However, one factor that may affect the operations of an incubator scheme is the location of the incubator. BMEP is situated on the outskirts of Manzini in a location that makes it difficult for both BMEP Participants and their customers unless they have transport. One effect has been that BMEP workshops are often closed whilst the Participants are buying supplies, selling products, doing work for customers elsewhere, or looking for customers.

A further problem with BMEP has been the relatively luxurious nature of the workshops provided, which have not been in line with what the Participants would be able to rent on the open market.

BMEP has, however, provided an opportunity for the staff to develop a close relationship with the Participants, and to closely monitor the businesses. As such, it has provided valuable training opportunities for BMEP's staff (and, indeed, for the staff of STEP). Whether any long-term viable businesses have been created is still a matter of speculation as several of the original participants are still operating from BMEP premises, and few of those who have left are known to be running successful businesses.

5.4.5 Technology Assistance

STEP has had little experience of Technology Assistance as a Small Enterprise Assistance Methodology, although the Welded Hoes experimental activity might have provided some insights had there been sufficient time in which to implement it. However, some relevant findings from the State of the Industry Reports have been described in section 5.1.7 and some training aspects in section 5.4.3.

One observation, however, which may have implications for Technology Assistance, has been the inappropriateness of much of the vocational training that occurs in Swaziland. Most of the training is at a basic level (Government Trade Test Grade III or equivalent), there is a lack of business orientation on the part of training institutes or instructors, and, perhaps most disturbingly, there is little consideration of marketing and business viability issues in the training, with trainees often encouraged to believe that they can run businesses producing goods for which the market is already saturated. In addition, there is little availability of skills upgrading for those who already have a basic level of skill. There are over fifty training programmes in sewing in Swaziland; however, with the exception of a few commercial sewing schools in the urban areas, none of the programmes offer advanced training in sewing.

6. CONCLUSIONS AND RECOMMENDATIONS

6.1 SWAZI SMALL ENTERPRISES

There is a large diversity of Swazi-owned SEA's, but the vast majority are income-generating activities, often carried out on a part-time basis. There are few larger Swazi-owned businesses. There is a tendency for Swazi SEA owners to diversify into a variety of activities, and to move cash and other assets around between the different activities; this can inhibit development of larger businesses, as it appears that if one activity is successful and reaches a certain size, the profits are then diverted to other activities. This tendency, sometimes referred to as the "Family Firm" syndrome, has to be recognised by the SEA profession, along with the acceptance of the difficulty of dealing with (e.g. in terms of monitoring) one component of the Family Firm in isolation from the others.

6.2 ECONOMIC, SOCIAL AND REGULATORY ENVIRONMENT

Swazi small enterprises are operating in an environment where the economy is closely linked to and dependent on that of South Africa, where large foreign-owned firms dominate the market, where government policy and practice does not favour small businesses, and where there are, historically, limited opportunities for Swazis to enter business.

The government seems much more committed to the promotion of foreign investment in Swaziland, and does not have a clear policy favouring small businesses. Partly as a consequence of this, there is a confusing array of legislation and regulations, which most SEA owners do not understand and do not comply with, especially given the lack of understanding that also exists on the part of officials. There also appears to be a lack of coordination between government departments. However, some officials are willing to listen, and there may be some potential for policy dialogue.

Information about markets, technology, competition, etc. is scarce and not easily accessible by the small business owner, and there are few attempts to address this problem.

Raw materials are generally available, but often not at favourable prices or in quantities and locations suitable for small businesses.

There may some inherent limits to the growth of Swazi small enterprises. These include:

(a) Cultural traits (e.g. non-economic motivation, class fatalism which makes "planning" irrelevant, and jealousy/witchcraft associated with conspicuous success which encourages inefficient diversification);

(b) Small domestic market;

(c) High population mobility (which causes direct competition with urban enterprises since rural consumers will not pay the cost of getting goods/services to their doorsteps - they would rather wait and go to town;

(d) Expectations of quality (which are perceived to not exist in local products resulting in strong consumer preferences for imports);

(e) Skewed income distribution (the majority who would be served by small business have extremely low purchasing power);

(f) Regulatory enforcement practices which discourage growth (since the larger a business becomes, the more attention it attracts - there are great advantages to remaining informal and conspicuous).

6.3 STRENGTHS AND WEAKNESSES OF SWAZI SMALL ENTERPRISES

6.3.1 Resources

Swazi SEA's generally suffer from low levels of capital employed, particularly working capital, use of existing machinery and equipment is often inefficient, and they have difficulty in accessing formal credit or obtaining useful information. However, they have the potential to obtain higher returns than larger businesses (in general, they can do more with less), they have access to informal credit, and they have "moveable" or non-traditional collateral such as machinery, inventories and receivables.

6.3.2 Skills and Knowledge

Swazi SEA owners often have low levels of general education; this can affect literacy, numeracy, technical and trade skills, money matters and creativity; they often have poor basic management skills in all areas (not just in accounting), and there is no significant trade, craft or manufacturing heritage or experience. However, women are just as skilled as men and can demonstrate the ability to manage; people have been exposed to modern banking and business practices through their environment, and many have bank accounts, and there are indications of some advanced "soft" skills such as conflict resolution, peaceful coexistence, life wisdom, etc.

Some people regard lack of proper record-keeping by small business owners to be the main problem, and, as a result, some assistance efforts are focussed on teaching book-keeping and record-keeping. However, it is unrealistic to expect that entrepreneurs will devote the time and trouble to keeping records, regardless of how much they are trained to do so, unless there is some obvious tangible benefit.

6.3.3 Traits and Motives

Some SEA owners have a "fast money" mentality which conflicts with planning for longer-term results. In addition, information and knowledge is not always highly valued since there are "cosmic", fatalistic explanations for life's happenings, and a desire for security can result in unsuccessful diversification resulting in too many small activities which are already done by too many others. However, there is a desire for culturally acceptable financial success; there are the beginnings of awareness among small enterprises for the need to

work together towards common interests, and women may pursue certain business activities and will often have a longer-term outlook.

It is often alleged that "Swazis do not repay loans". Indeed, some loan programmes may not have had a high repayment rate; however, STEP's experience has been that Swazis will repay loans if given in the right way with a clear understanding on the part of the borrower of the need to repay.

6.3.4 Rural/Urban differences

Urban small enterprises are generally larger with better educated owners and more sophisticated technology, and they serve larger markets. Rural small enterprises are more uniform in nature and scale, and are more focussed on income generation and group activities.

6.4 STRENGTHS AND WEAKNESSES OF ASSISTANCE AGENCIES

There have been two striking features of Assistance Agencies. The first is that there is much confusion about business, and issues of marketability, viability, etc., which often leads to inappropriate skills training, and encouragement of people to start SEA's that are not viable. The second is that there is little co-ordination between organisations involved in SEAD in Swaziland. Perhaps by addressing the second issue, the first may help to be resolved.

There is a need for much greater co-ordination between organisations, government departments, etc. This would help to share information, and may help to prevent duplication. At the same time, it may help to encourage areas of specialisation within different organisations, and greater use of each others' services in relevant areas of expertise. For example, BMEP could be the "natural" agency to use for extension work and training, Sibakho the best-placed to advocate policy reform, and Asikhutulisane the most appropriate agency through which to channel savings.

Simple understandable information is needed by SEAD organisations and vocational training projects, and their clients. The establishment of a Resource Centre is recommended, where there can be ready access to information by all organisations involved in SEAD. Such a Resource Centre would need to be staffed by SEAD specialists.

Both Sibakho and Asikhutulisane were established by local people, and are led by people who are committed to the goals of the organisation. They also have the benefit of not being heavily dependent on donor support. Asikhutulisane is a savings co-operative rather than a SEAD institution, though has the potential to play a greater role in SEAD, and is a well-managed organisation. Sibakho faces serious management problems which must be addressed if it is to succeed.

The structure of BMEP, with its emphasis on the workshops has always been controversial. It is also still part of a vocational training centre and is highly dependent on the talents of one person - the present Programme Manager. However, it has achieved many things,

particularly in the fields of training and business monitoring systems, is now being set up as an independent organisation, and has the potential to become an indigenous organisation that is central to SEAD in Swaziland.

Swazi Commercial Amadoda has serious management problems, does not have the confidence of its members, and does not appear to be an effective agency for the promotion of SEAD in Swaziland.

Generally, there is little knowledge or understanding of SEAD in Swaziland. STEP has helped bring about better knowledge and understanding, but there is still a considerable need for further training for local organisations involved in SEAD.

International PVO's are not prevalent in Swaziland, but may have the technical competence to implement well-designed projects that can work with existing local institutions. Any commitment to strengthen existing institutions, either individually or through some sort of umbrella programme, would have a high impact on the nation's ability to deliver assistance to the small enterprise population.

6.5 STAFF REQUIREMENTS OF ASSISTANCE AGENCIES

Lack of SEAD projects in Swaziland has resulted in few people with a background in SEAD, and some reliance on foreigners to work in the field. However, SEAD is also a relatively new field worldwide and there is not a large pool of experienced SEAD technicians.

There is a need for SEAD programmes to be run by people with a good understanding and experience of SEAD; management experience of other development projects or ability to teach book-keeping are not in themselves sufficient requirements.

Staff of a SEAD programme need to have a range of skills, and an ability to learn. Since few people are experts at everything, a SEAD programme with several staff may wish to ensure that the full staff team encompasses the range of skills required. The type of skills, background and experience that may need to be included in a SEAD programme are: some experience or at least understanding of business, technical knowledge, an ability to understand figures, training skills and social skills. Given the lack of people with a SEAD background in Swaziland, SEAD programmes must be prepared to devote the time and resources necessary to training and developing staff. Given the growing interest in promoting SEAD in Swaziland, there is a need for training people in SEAD techniques.

The Swazi education system involves a great deal of learning by rote and the passing of examinations to obtain certificates; deductive reasoning and creativity are not encouraged. Small enterprise consultancy, loan appraisal, etc. cannot be done without these thought processes. The implications for staff training are obvious.

Cultural biases against females and youth will adversely affect even the most competent staffs, perhaps beyond repair.

People with business qualifications are not necessarily prepared with the consultancy and situation analysis skills necessary to walk into a business operated by a person of culturally senior stature and accurately determine what the problem is, formulate a plan of action and then secure the complete cooperation and understanding of the owner - yet this is often the scenario. Add to this the "carrot and stick" games that must be played with credit in order to get people to address the real issues, and most staff are simply overwhelmed. And this still does not address the technical and technology choices and skills which probably represent the key to unlocking the true potential of the situation.

At a minimum, staff need basic guides to what should be expected as "normal operations" in the different industries they are serving. This could range from brief descriptions of the sources of supply, techniques used and marketing concerns, to more comprehensive breakdowns of financial ratios and other industry standards for different scales of operations. e.g. it would be prudent for staff of a credit programme to be aware of the general inventory and working capital needs of welders or carpenters of different sizes. They could also use awareness of just when the volume of chairs produced justifies purchase of a planing machine as opposed to buying pre-planed wood. Obviously a serious commitment to the establishment of a cadre of skilled staff are a prerequisite for any effective enterprise assistance, and this will be neither quick nor inexpensive.

Any foreigners coming to work in SEAD in Swaziland need to have time to adapt to and learn something about the country and the culture. Preconceived ideas developed in other countries may not always be appropriate for Swaziland, and may inhibit willingness to be open to new ideas and approaches.

STEP itself has provided invaluable experience for all the staff that have been employed in the project, which will be of immense benefit in future SEAD programmes in Swaziland. It is recommended that former STEP staff be used in future SEAD programming.

6.6. EFFECT OF ASSISTANCE INTERVENTIONS

Credit is still needed by a large portion of the small enterprise population despite high liquidity in the country, but the terms of its delivery should vary according to the type of target group. More importantly, however, credit is almost never the sole ingredient lacking for an enterprise to become more successful. Various kinds of improved management skills are nearly always needed by different small enterprises, but the most useful combination of recordkeeping, marketing, personnel management or other skills can only be determined by focussed assessment of a specific situation and set of people in the activity. This is usually the root cause of the general failure of formal training to respond to the needs of the recipients, since most do not have the time or patience to learn about things not specifically related to their perceived problems. Without addressing those specific, perceived problems directly and immediately, it is unlikely that people will respond to any effort to address what may be the real problem. Small entrepreneurs also tend to learn much more from experience than from abstraction, further underscoring the need for practical, on-site, personalised consultancy as opposed to a more formal approach. This applies to technology use and trade skill as well as management practice, though widespread de-

livery of management concepts is probably much easier than widespread delivery of technical or technology assistance, since management is more generic by nature. This is perhaps more true in Swaziland than elsewhere due to the availability of raw materials and technologies to choose from.

What all this implies is that there are no universally applicable methodologies which constitute a recipe for successful assistance. There is no magic missing ingredient such as "loans between E50 and E500" which will have positive results by themselves. A combination of the right interventions at the right time based on assessment of a specific situation is what must be applied. Some have called this a "systems approach", and the Credit Training experimental project was based on this type of methodology.

6.6.1 Management Services:

Classroom instruction and short workshops will generally be popular, although it is unclear how effective classroom-type training is and whether the lessons are applied to operations afterward. However, recent initiatives involving Achievement Motivation Training are worth experimenting with. Furthermore, there is too much emphasis placed on record-keeping - it is unrealistic to expect many small businesspeople to devote time and effort to the keeping of detailed records.

Patient, individually-tailored, on-site instruction is effective for people with entrepreneurial traits, willingness to cooperate and viable business situations, although the "School of hard knocks" is perhaps the most effective and least efficient assistance alternatives (this usually involves three or four failures before success)

An indirect result of the delivery of management services will be a cadre of trained, effective small enterprise extension workers as well as stronger institutions and more useful information about enterprises.

6.6.2 Financial Services:

Contrary to what is frequently stated, Swazis do repay loans, given the correct approach; high repayment rates are likely to be achieved if intensive pre-loan screening and follow-up are provided, as well as competent loan appraisal resulting in the proper amount lent with proper terms. Although interest rates may be perceived to be a problem, they will actually have very little effect on business; however, a considerable amount of education is needed for both entrepreneurs and assistance agencies to counter misconceptions that exist over interest rates. Credit is likely to not be used entirely for the intended purpose, although it may have a high impact on the economic well-being of the recipient anyway due to the critical role of cash in widely-diversified, cash-starved SEA's. There is widespread availability of collateral such as equipment, stock, etc. which is not accepted by banks but which can be used by assistance programmes. Balance sheet methodology has proved to be a useful way of monitoring businesses, and the concepts can be understood by some businesspeople.

Where shortage of finance is a problem for SEA's, alternatives to loans need to be examined. One possible alternative is for SEA owners to use their own savings, and it is recommended that assistance agencies explore the possibility of further promoting savings in future.

6.6.3 Technology Services:

Qualified technical services, even "quick fixes", are likely to have a great impact on the productivity of capital (machinery, equipment, etc.). In addition, low-cost, labour-intensive alternatives to production technologies can result in jobs and income with little investment of time and money, and raw materials availability in appropriate quantities and locations will improve small enterprises by increasing business opportunities.

6.6.4 Other Services

There is a general lack of information on the part of SEA's and assistance agencies. This could be addressed in two ways. Firstly by directing assistance efforts to the production of clear concise information, the distribution of which may be facilitated by the establishment of a Resource Centre. Secondly, by considering policy and enforcement reforms, for example in the areas of licensing and sales tax; there is a strong need for further work to establish precisely what policy and enforcement reforms are needed, and how they should be implemented.

Incubator schemes are useful for training SEAD staff, but their effectiveness for businesspeople is unclear; in any case, incubators should be appropriately located and workshops should be of an appropriate standard. However, there is a need for basic low-cost workshops that are available on a long-term basis.

6.7 POTENTIALLY SUCCESSFUL MEANS OF STIMULATING SMALL ENTERPRISES

Most of the findings and conclusions of STEP point to an integrated mass of influences and deficiencies among small enterprises in almost every situation studied. Since no single intervention applies by itself to any of the possible beneficiaries, a systems approach is often needed in order to really be effective. Addressing just one problem in an integrated mass of problems will not result in effective use of development funds.

All programmes and projects must be accessible, quick to respond to small enterprise needs, and quick to show tangible benefits or they will be ignored and abandoned by beneficiaries. How assistance is provided is more important than what kind of assistance is provided.

There is a general need for high levels of business **competence**, deep **commitment** to results, and clear understanding of the various levels of **responsibility** if assistance efforts are to be effective. Any effort to promote small enterprises should involve a clear statement

of the nature of these three elements available to the situation. If sufficient presence of these elements cannot be identified, no effort should be undertaken at all, since the small enterprises in question will do better by themselves.

Service industries are facing growth opportunities as the young, growing population matures and the economy improves. The manufacturing sector is dominated by foreign expertise and capital, and Swazis are not yet prepared to compete in this export-oriented sector. Cottage industries producing for local consumption face consumer preference hurdles as well as a series of technical and management problems. No recommendation can be made to focus on a particular industry or sector at the expense of the rest, since growth is apparently not constrained by sectoral imbalances nearly as much as human capacity to manage. However, projects which target preschools, welders, or other specific industries may be most practical to implement.

Effective projects must have both business expertise and the authority to make rapid decisions built into their operating design. Dependence on external bodies for these elements will make implementation entirely inappropriate for interaction with private enterprises.

Proper beneficiary selection is the most important element in determining effective use of the assistance effort. Adequate time and effort must be given to this task.

Enterprise assistance programmes need a long timeframe in order to properly select beneficiaries, build staff, establish image and reputation, etc. Short-term projects ignore the ubiquitous effects of agricultural cycles and other economic trends, as well as the practical realities of social change.

The issue of cost-effectiveness is related to two factors: scale and objective. A programme that creates sustainable small enterprises may not be sustainable itself unless it is large enough to benefit from economies of scale - if it is sustainable at all. The objective should first be the creation of viable small businesses.

Evaluation systems and indicators of success are a reflection of the project's bias toward preconceived solutions. Enterprise failure can be as much a success as loan refusal can be useful to the applicant. The learning process is what counts, and the results may not be seen for decades.

An integrated programme combining credit with management and technical extension and provision of raw materials through a well-run materials depot is likely to produce many viable businesses if implemented "unbureaucratically". This would require a high level of resources, a long timeframe and extensive pre-service staff training. Although it would generate revenues it probably could not operate commercially.

Private sector linkages (such as Art Industries) should be further promoted by highly qualified personnel in a flexible programme with enough resources to establish credibility and interest among the foreign-owned business community. The Art Industries experience points to linkages with foreign-owned businesses as possible vehicles for delivery of inte-

grated assistance. Such development projects require high levels of competence, commitment and responsibility on the part of both the donor and the project staff.

A credit programme which provides **short-term working capital** for a wide range of activities would be well-received and would have positive impact. Selection methods and efficient administration would be critical, as well as appropriate staff training. A possible exception to the integrated approach would be short-term working capital loans to small building contractors or others, based on solidarity groups or other methods of "social" collateral. While the need for short-term funds is understood, these sorts of loan windows and social collateral mechanisms are relatively untested in Swaziland. Study of indigenous money lenders and Asikhutulisane methods may provide clues.

Passive form of empowerment interventions offer an exciting realm of possible activities since they deal with the environment and attitudes **surrounding** small enterprises, rather than direct interaction with them. These empowerment activities range from the more abstract to the more concrete, and include such diversity as basic improvements in the educational system and relaxation of the business regulatory environment. It is not possible to catalogue all the possible passive activities which could have a positive effect on small enterprise performance. The Policy Environment Study mentioned government tendering practices, pricing policies, tax incentives and policies, etc. as things which could be addressed. New Dawn Engineering, in the State of the Industry Series, reported on a number of avenues for policy reform and change of enforcement habits. Simple awareness of the law, such as the automatic licensing exemption for small enterprises which only produce on order would greatly reduce harassment and wasted time and money if such awareness was shared by entrepreneurs and enforcement officers.

Sectoral guides and **industry standards** would be well-received and used by staffs of many different assistance organisations, and are likely to result in more focussed and appropriate assistance. Other activities may include provision of appropriate premises and shopspace, information services for small enterprises, training of small enterprise extension staff, provision of raw materials in appropriate quantities and locations, etc. These activities would not require less competence, commitment or responsibility on the part of the assistance agent, but the effects may be greater than directly intervening in the internal affairs of lots of individual small enterprises. However, assistance programmes which are perceived to be accessible by a majority of small enterprises, may be politically and morally prudent.

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8. APPENDICES

APPENDIX 1: Background To Signing Of Cooperative Agreement

November 25, 1985: USAID circulated Request for Application (RFA) for Small Enterprise Support Project.

January 27, 1986: Partnership for Productivity, International (PfP) submitted proposal to carry out SESP.

August 1986: PfP entered into Cooperative Agreement with USAID to carry out the Swaziland Training for Entrepreneurs Project (STEP).

May 1987: Cooperative Agreement amended with the effect that CARE International took over from PfP as implementing agency.

APPENDIX 2: Cooperative Agreement - Summary Of Amendments

Amendment Number	Date of Signing	Major Effect(s)
1	May 19, 1987	1. Deleted PfP as recipient; substituted CARE and assigned title to CARE of property purchased by PfP for use in STEP. 2. Reduced effective STEP budget by a provisional amount of approximately $125,000 to cover PfP obligations. 3. Changed requirement for STEP to complete at least four "research activities" to at least three "baseline studies", with a much-reduced budget. 4. Technical assistance to BMEP reduced from 12 months to "up to" 5 months - effectively a reduction from 50% to 20% of the STEP Director's time.
2	Sept. 30, 1987	Increased budget, with a substantially greater amount allocated for Baseline Studies.
3	May 20, 1989	1. Changed budget breakdown, whilst leaving total budget unchanged. 2. Approved recruitment of an Assistant STEP Director.
4	March 1, 1989	Approved appointment of Jaime Reibel as Director, and Stuart Banks as Assistant Director.
5	Oct. 11, 1989	1. Extended estimated completion date of STEP to November 30, 1989. 2. Changed budget breakdown, with a decrease in the total STEP budget. 3. Approved Stuart Banks as Acting STEP Director.
6	Nov. 1, 1989	Corrected an inadvertent deletion made in amendment number 5.

APPENDIX 3: Selection Criteria For Experimental Projects (from Cooperative Agreement)

- Institutional support to the small enterprise sector: The experimental activity must clearly demonstrate that it provides assistance to the small enterprise sector. The small enterprise sector being considered consists of those firms owned and operated by indigenous Swazis with assets under Emalangeni 100,000 and less than 25 employees. The activity must be undertaken with the full support of the participating organisation, as verified by CARE, and the funds must be used for the intended purpose.

- Well conceived and of short duration: Projects must be soundly conceived with a realistic time schedule, which must be less than two years. Projects will be assessed for their effective cost/benefit ratios. Applications require that organizations define the benefits to be derived through the project and the number of enterprises to be assisted. Baseline data for this purpose must be provided.

- Funding parameters: Individual fund requests cannot be for more than 25 percent of the total fund for experimental activities. Projects must clearly stipulate where the total funding for the project is to come from, and also delineate the cost sharing arrangement for the project. Waivers, exempting institutions from the cost sharing requirements will be considered only on an exceptional basis.

- Expansion/replication: Projects must offer a clear set of lessons learned, establishing the capacity for future expansion or replication. Activities must have a clearly defined plan to monitor performance and evaluate activity success.

- Must be experimental, an approach not tried successfully, but having potential in Swaziland: Projects have to demonstrate their unique contribution to the Swazi context. Similar projects may be introduced in different regions or targeted to different client groups."

APPENDIX 4: Step Staffing

NAME	JOB TITLE	FROM	TO
Alex K. Brown	Director	Aug. 86	March 89
Busi Matsebula	Secretary	Feb. 87	Nov. 89*
Sifiso Ndwandwe	Extension Officer	May 87	Jan. 89
	Credit Training Supervisor	Jan. 89	Nov. 89*
Edmund Mabuza	Project Specialist	Sept. 87	March 88
Bongani Nxumalo	Business Consultant	Feb. 88	Feb. 88
Danisile Lavisa	Marketing Consultant	Feb. 88	March 88
Mike Moe	Field Supervisor	Feb. 88	Jan. 89
	Documentation Supervisor	Jan. 89	March 89
Max Clayton	Field Supervisor	May 88	Sept. 89*
Joseph Lattuada	Technology Advisor	July 88	Nov. 89*
Patrick Dlamini	Extension Officer	July 88	Sept. 88
Salebona Khumalo	Extension Officer	July 88	Sept. 89*
Mmaphefo Aphane	Extension Officer	Aug. 88	Sept. 89*
Jaime Reitzel	Assistant Director	Sept. 88	March 89
	Director	April 89	Sept. 89
Jacob Yende	Accountant	Oct. 88	Nov. 89*
Ncamsile Dlamini	Appointments		
	Secretary	Jan. 89	Sept. 89
Stuart Banks	Assistant Director	March 89	Sept. 89
	Acting Director	Sept. 89	Nov. 89*

* These staff continued to be employed by CARE International in Swaziland, though not funded under STEP after the dates shown.

APPENDIX 5: Financial Reconciliation

Expenditure incurred by CARE on STEP was as follows:

Personnel	252,758
Transport and Travel	30,437
Other Direct Costs	108,405
Baseline Information	125,582
Evaluation	920
Grant/Loan Fund	153,076
Overhead	60,166
TOTAL	731,345

Notes:

1. The above figures include estimates for some items for which the amounts were not finalised at the time of writing.

2. In addition to the above items which constitute direct expenditure by CARE on STEP, the Cooperative Agreement (as amended) allowed for two items in the total obligated amount, relating to PfP, that were not payable to CARE. The first was for $59,145 representing estimated PfP expenditure through December 28, 1986 (i.e. for the period for which STEP was implemented by PfP). The second was for $125,806 representing the "estimated pro rata share of the PfP Letter of Credit advance". Both of these items were estimates which were subject to adjustment upon completion of a USAID audit of PfP accounts. At the time of writing, the final figures were not known; however, amendment number 69 to CARE's current Letter of Credit increased the amount available to CARE for expenditure on STEP by $11,017, which CARE assumed to be a result of a downward adjustment to one or both of the PfP items.