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EVALUATION OF THE  
BUSINESS MANAGEMENT  
EXTENSION PROGRAM (BMEP)  
(Project 645-0234)

Submitted to: Project Officer  
PD/PE  
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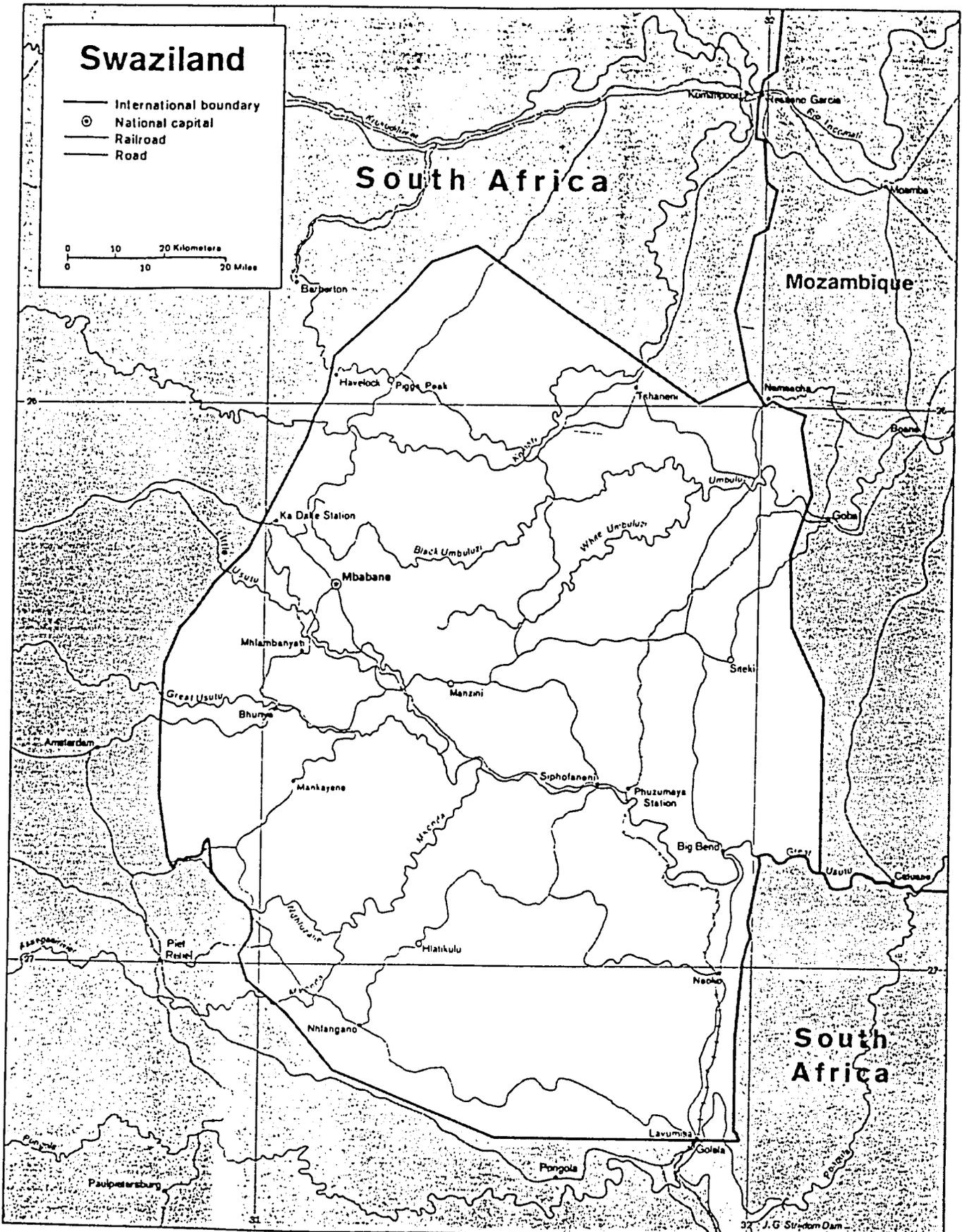
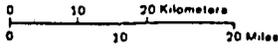
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# Swaziland

- International boundary
- ⊙ National capital
- Railroad
- Road



J.G. Strickland Dam

### Note of Acknowledgement

Devres' consultant, Mr. Jerome Glenn, extends his appreciation to the staff of BMEP, USAID, and CARE and others who cooperated fully with him in undertaking this evaluation. The evaluation occurred during a period of intense activity for the project and the efforts of everyone involved were gratifying given the demands on time available. The evaluator considers himself on call to USAID/Swaziland via Devres, Inc. to clarify any points in this evaluation.

## LIST OF ACRONYMS AND ABBREVIATIONS

BMEP	Business Management Extension Program
GOS	Government of Swaziland
USAID	United States Aid in International Development
MITC	Manzini Industrial Training Center
EO	Extension Officer

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## EXECUTIVE SUMMARY

Status of project goals and outputs as indicated in the cooperative agreement:

- o Expand the number and improve the quality of the local private business enterprises via full-time training courses for 30 individuals per year over two years. This was achieved: five courses were conducted for a total of 62 were trainees.
- o Increase business skills of existing entrepreneurs via part-time courses to 40 individuals with existing businesses. This was achieved: ten part-time courses were held for a total of 87 individuals.
- o Impart basic business management training to 40 rural community groups. This was achieved: representatives of 61 rural groups have participated.
- o Provide business advisory services over a two year period to 60 small businesses via extension officers. This was achieved: contact was made with approximately 175 potential clients. Currently BMEP is managing a portfolio of 59 active clients among three Extension Officers.
- o Provide credit training via a loan program. This was partly achieved with irregular performance: 85 loans were disbursed since February 1989 averaging two loans initiated per month, the majority did not pay on schedule, and the loan committee has no members independent of BMEP management.
- o Demonstration of a successful retail outlet for client products - Eswatini. This was not achieved: The majority of products are not from Swaziland and the shop has lost approximately E.25,000 over the past two years.
- o Warehouse to provide goods to 80 to 100 businesses in bulk that are difficult for small businesses to obtain in Swaziland. This was not achieved. The warehouse was run separately from the main program's accounts, and was discontinued, since the materials could be found through other means.
- o Provide management and technical information to the small business community via an Information Resource Center to be visited by 8 entrepreneurs per day for a total of 3,200 visits. This was not achieved: No use of the center was observed during this evaluation, even though it has an impressive quantity and diversity of information complete with audio-visual equipment.

- o Develop a forum on small business issues and provide GOS with information on its impact on the informal and small business sectors of the Swazi economy. This has not formally been achieved, but BMEP was instrumental in a conference on such issues and is recognized as the point of contact for such information.

BMEP's value to its clients is sufficient enough that 11 of 11 clients interviewed said that they would pay a fee for BMEP's consulting and training services.

Classroom training and administrative responsibilities take precedence over field consulting with business clients.

Rotation of membership of the Board of Directors has not occurred in accordance with BMEP's Articles of Association. The current Chairwoman of BMEP's Board of Directors believes it is now time to add new skills to the board and hold a planning retreat after the next chairman takes office.

The management and staff have considerable demands on their time due to a broad range of expectations from donors, advisors, NGOs, clients, and themselves as development professionals.

One of His Majesty King Mswati's wives is a client of BMEP.

## I. INTRODUCTION

The Business Management Extension Program (BMEP) provides training, technical assistance, and credit to increase employment in the informal and small business sectors of the Swazi economy.

BMEP was created by the Manzini Industrial Training Center (MITC) with USAID funding of US \$250,000 in February 1986. This was increased in April 1989 to US \$350,000 and the project was extended through 30 June 1989. The historical development of BMEP is documented by John Else and Jennefer Sebstad of Arthur Young in the June 1989 evaluation of BMEP for USAID/Swaziland.

This evaluation focuses on USAID Cooperative Agreement 645-00234-A-0012-00 of US \$251,000 signed 29 May 1990 and ending 30 November 1992, including a contract modification of E.101,000 which was in USAID processing at the time of this evaluation.

There was no USAID financial support of BMEP between 1 July 1989 and 28 June 1990, a gap of nearly one year. It is the evaluator's understanding that this evaluation is occurring earlier than specified in the Cooperative Agreement so that these findings and recommendations together with the Five Year Strategy Paper can be used to prepare and submit a proposal for USAID's support in time so that a similar gap in financial support is prevented.

The Director was on educational leave in the United States during the majority of this contract period. The Assistant Program Manager had been with BMEP for two months prior to assuming daily operations. Although a founding director of BMEP was made acting program manager, he had additional responsibilities; and hence, could devote full attention to the daily management of BMEP. This left some ambiguity between responsibilities and authority for the Assistant Program Manager.

Since BMEP's birth from a vocational training center, it has grown into the principal business advisory service for the Swazi informal economic sector primarily through financial support of USAID, technical assistance from CARE, and a loan program from Barclays Development Fund.

It is now struggling to grow from a reactive teaching system with a social welfare-orientation to an anticipatory business consulting organization with a private sector-orientation.

BMEP is not a nation-wide program, but concentrates within a radius of 30 kilometers of Manzini, the metropolitan area of Mbabane, plus the smaller towns of Dvokolwako and Siteki. Hence, the more effective BMEP is, the more it will become a factor in urbanization.

## II. EVALUATION METHODOLOGY

This evaluation was conducted in Swaziland during twenty working days between June 29, 1992 and July 22, 1992 with three days for report preparation after the consultant's departure from Swaziland. An organizational outline for the report was presented to and approved by USAID/Swaziland after five days of evaluator's arrival in Swaziland. A draft of this report was presented to USAID/Swaziland prior to the departure of the evaluator. USAID/Swaziland's feedback on that draft is incorporated into this report. The evaluator considers himself on call to USAID/Swaziland via Devres, Inc. to clarify any points in this evaluation.

Approximately 900 pages of documents were reviewed (see inventory of documents, Annex 2), 30 people were interviewed (see list of people interviewed in Annex 3), and observations were made during the normal course of work between 29 June to 22 July of BMEP and its personnel (see overview of activities in Annex 4).

Understandably, clients were unsure about talking about BMEP with the evaluator. Each interview was different in response to the mood and business situation. The following are the kinds of questions asked and used as a guide for the evaluator:

- o What do you like about BMEP?
- o What do you dislike?
- o How do you separate your business money from your family money?
- o What records do you keep? May I see them?
- o What impact has BMEP had on your life?
- o What did you learn in the training course that makes you believe you will succeed in business?
- o What did you not understand in the training?
- o How would you change the training?
- o What have you learned from BMEP's training and/or consultancy that increased your profit?
- o Please give some examples of what results have come from BMEP training and/or consultancy?

- o Would you pay for BMEP services? and if so how much seems right to you?

The BMEP, USAID, and CARE staff cooperated fully with this evaluation. The CARE Training Consultant was in the process of preparing reports on the long term training, short term training, and rural training courses during this evaluation which were not in complete enough form for this evaluation, but these reports should be sought and read in conjunction with this evaluation. Similarly, Price Waterhouse was conducting a financial and management audit of BMEP's 1991 activities. That report was also to be completed after the evaluator left Swaziland; and hence, it is not part of this report, but it too should be sought and read in conjunction with this evaluation. Hence, an audit, training review, and evaluation were occurring at the same time making the demands on BMEP management considerable.

### III. PROGRAM ELEMENTS OF BMEP

#### A. Classroom Training

BMEP conducts three kinds of classroom training: 1) Full-Time training from three to six months for entrepreneurs to learn all the basics of business prior to initiating their enterprise; 2) Part-Time Training from one to three days for specific topics or common problems of those already in business; and 3) Rural Training over several days for representatives of rural groups to improve their ability to generate income.

##### 1. Full-time training

To expand the number and improve the quality of the local private business enterprises, BMEP conducts full-time training program (K) courses. These courses are designed for the beginner and cover the major elements of business: market survey, research, and strategy; product quality and production management; personnel and customer relations; business records; and credit and banking. These courses last from three to six weeks and are held Monday through Friday from 8:00 AM to 1:00 PM. The USAID Cooperative Agreement calls for 30 individuals to graduate from such training per year over two years for a total of 60 graduates.

Between November 1990 and July 1992, BMEP completed five courses graduating a total of at least 72 trainees. More were graduated during this cooperative agreement period, but statistics on the first course in June 1990 were not located during the evaluation. Nevertheless, the chart below is sufficient to conclude that BMEP is indeed helping to create new businesses that can last.

Since there were no full-time training programs conducted during this evaluation, assessments of effectiveness are inferred from client interviews, examining curricula, and noting the ratio of those trained to those who went into business and stayed in business up to the time of this evaluation.

The initial cost of these courses was E.70; today its E.150.

## SUMMARY OF FULL-TIME TRAINING COURSES AND GRADUATES

	Nov/Dec 90	March 91	Nov 91	June 92	Totals
Graduated	21	19	21	11	72
Male	13	9	10	7	39
Female	8	10	11	4	33
		totals			
Started Business and still in business	13	16	8	37	too early to say
		totals			
Male	4	8	3	15	"
Female	9	8	5	22	"
Not in Business	5	1	3	9	"
Male	4	0	1	5	"
Female	1	1	2	4	"
No information	4	2	10	16	"

Of a known total of 72 trainees, 37 or 51% initiated businesses and are still in business. Yet a more appropriate ratio is based on the number trained in the second, third, and fourth courses, since it is too early to know which businesses created by graduates of the fifth training will be viable. Of this sample, 61 were trained with 37 remaining in business. This yields a 61% ratio.

Granted, some have been in the informal productive sector prior to these trainings; and hence, it could be argued that not all of those listed "initiating" businesses were true beginners, yet, in the sense of starting a business, with some plan - based on collecting and analyzing information - these are new businesses.

The next full-time training was held with the technical assistance of the CARE trainer in June 1992 for 11 individuals (4 women; 7 men).

MITC graduates are a decreasing percentage of trainees. Although this training is intended for those wanting to start a business, some already in business have been allowed to attend and one trainee was an employee of the owner of the business. This mix can make

training more difficult, but such admissions flexibility seems reasonable under the general mandate of BMEP.

Senior management and EOs estimate that 25% of BMEP's time is spent on Full-Time Training activity. Since E.210,288.71 was expended during calendar year 1991, during which 40 individuals were trained; then it could be calculated that it costs E.1,314 (approximately US \$500) to train an individual (210,288.71 x 25% divided by 40).

Since 60% of those trained in 1991 are still in business today (24 of the 40 trained), then the training cost per business "success" is E.2,190.51 (approximately US \$840). This is just training start-up costs and does not take into account any part-time courses, credit, and field consultancy that lead to business success.

These costs should come down as non-reoccurring costs were included in 1991, and with improved efficiencies a smaller percentage of total BMEP time is likely to be expended in the future, while the numbers of trainees are likely to increase.

## 2. Part-time training

To increase business skills of existing entrepreneurs BMEP conducts part-time courses. The USAID Cooperative Agreement calls for 40 individuals with existing businesses to receive such training. BMEP held ten part-time courses for a total of 87 individuals. Each participant is charged a fee of E.8 per day.

One such part-time training was conducted during this evaluation. Eleven entrepreneurs were anticipated, but three attended. This part-time course could be thought of as a business clinic where BMEP clients come together to discuss common problems and receive tutorials in some specific business skills.

Between June 1990 and March 1992 eight part-time courses (business clinics) were held for a total of 73 people. Data on gender is not yet available. In collaboration with the CARE training consultant another two were held, one in May for 11 people (7 women 4 men) and the other in July referred to above for 3 (1 woman; 2 men), making a total of 87 individuals.

During the last part-time course, one of the entrepreneurs said that: "...business is running me rather than me running the business," giving rise to the need to teach delegation of authority, and how to develop their own staff to handle some responsibility in their absence.

According to clients interviewed (see 4.B. Field Consultancy) the elements of these courses that were most effective were: sharing problems with other businesses, how to approach potential customers, recordkeeping, advertising, why and how to get a bank account, how to take deposits to prevent cash flow crises, and how to separate business money from family money.

### 3. Rural training for representatives of rural groups

To share basic business management skills with rural citizens who wish to improve their ability to earn money, BMEP conducts workshops in the rural areas for income generating groups. Each workshop is based upon a needs assessment conducted during several meetings prior to the actual training. Needs are assessed again at the beginning of the training. Typical topics include: group formation, leadership, how to conduct a market survey, production management, cost and pricing, customer relations, and business records.

The USAID Cooperative Agreement calls for training of 40 such rural community groups. Representatives of 61 groups were trained.

Between September 1991 and March 1992 seven rural trainings were held for a total of 32 groups. Although gender data was not available for these, the trainers recollect that nearly all were women. Since April 1992, 83 individuals representing 29 rural groups participated in BMEP trainings for rural income generation. Of these 70 were woman; 13 men were men.

One rural training was held during this evaluation on July 8th at the Tiphiliseni Women's Shelter within the Kangcamphalala Community in St. Phillips. Five groups were represented with a total of 32 people (5 were men). All three EOs participated as well as the Project Manager, the CARE trainer, and this evaluator.

Why so many from BMEP? Because this is a part of CARE's training of EOs and because there was to be five simultaneous discussion groups with someone from BMEP in each group to simultaneously review each individual groups' situation. Community Development personnel could also do this work, but their transportation is limited to only one vehicle for this area.

The larger group first came together to solve the problem of walking a long distance to get water by getting a new well constructed. Next they solved the problem of walking far to school by getting a school built in the community. Next was a health clinic. And now these plus two other groups are working on income generation projects; hence, the five groups today.

Training began by arranging the 32 participants in a circle and having each introduce themselves followed by the key community leaders sharing their history (abbreviated above) and by BMEP staff sharing their institutional history. After listing all participants' expectations, BMEP staff explained how they could help and broke them into the five groups to review the current situation and plan next steps. The organization and content of the training appeared quite logical and appropriate to the situation, although visual aids could help.

Throughout the five and one half hours of this first of two days workshop (with only 1/2 hour break), the audience was positive, attentive, and interactive. Lecturing was the primary method of instruction. Small group discussions with reports to the whole group, and brainstorming were also used. The Program Manager, was clearly the most at home in this kind

of training environment. Flip charts were used with some effectiveness to support the five discussion groups' reports of their needs assessment.

During this training, a rural development administrator from another program came by to ask if BMEP could give her groups a training session. This kind of training is in demand, but the cost per client seems high (two days salary of half of BMEP's staff + several days preparation + petrol + materials + BMEP overhead per 32 individuals). This should also take into consideration that it is difficult to determine the economic impact and how many are really future entrepreneurs.

The concept of bringing together group representatives to improve the cost/benefit is good, but should not be thought of as a "training of trainers." At the end of the two days, these participants were not ready to design nor conduct a training program in business management. The rural training can be thought of as advertising BMEP services, as a screening process to find the real entrepreneurs and future BMEP clients, and as an introduction to basic business management skills to improve rural peoples' ability to earn money.

This session clearly demonstrated a demand for this kind of workshop, but it remains to be seen how it can be financially sustained. To create a culturally supportive environment for small business development requires values and attitude changes beyond the scope of this program. Music, television, and radio might be more effective tools for such cultural change. Much basic education on business development needs to be done requiring considerable development resources. But should this be done by BMEP/EOs or should others be trained by EOs to do it, or, should BMEP work with entertainers, the school curriculum, Swazi TV, and radio shows like "Temabhizisi" (in English: "Of The Businesses") which airs twice a week?

To improve the cost/effect of this program element, the Director felt that such groups could be brought to BMEP by their parent organization. This would use personnel more efficiently, since the Program Manager and all three EOs would not have to be tied up all day on one activity. Such trainees could then be thought of as BMEP business liaisons or scouts for business potential in the rural areas.

#### B. Field Consultancy by Extension Officers

BMEP provides business advisory services to the small business population via Extension Officers (EOs). There has been contact with approximately 175 potential clients and the three EOs are currently managing a portfolio of 59 active clients.

The 1989 evaluation noted that the EOs spent too much time in the office and not enough in the field. This evaluation has the same observation. In addition, classroom training took priority over field consultancy, as was also noted in the previous evaluation. The incentive for field work is not currently strong enough to make this a significant part of the program. Hence, it is reasonable to assume that no fundamental change will occur until new incentives are institutionalized.

EOs estimate visiting clients on an average of once per month. Interviews with clients in their place of business indicated some visits were less frequent. Transportation is not a problem. Sufficient vehicles and access were acknowledged by the EOs. There is one vehicle for EOs, one for the Finance Manager, which EOs say they use about 50% of the time, and they use the Director's vehicle about 25%. No buses or taxis are need.

As a generalization, the EOs said they used to spend the first week collecting payments from clients, the second and third weeks in the field with clients, and the fourth week they were with those clients renting workshop space at BMEP. EOs are no longer asked to collect loan payments. The separation of the loan collection role from the EO was just made over the last several months; hence, its impact cannot yet be judged. It is generally acknowledged that keeping consultancy separate from collection helps to build client trust, so important to effective business consultancy.

The primary problem identified by the EOs was that, "Too many clients don't keep records, because they don't want us to know how much money they have, because they don't want to repay their loan, while they say that there is not enough time to keep records." EOs expressed an interest in in-service training in how to get the trust of clients. This also indicates that their full-time class-room training may not have convinced clients that basing decisions on proper records increases profits.

Another problem identified by the EOs was that there is no reliable way to get to know the client well enough in advance of making a loan.

Since most clients come to office first, go through training next, and then are assigned to the EOs for field consultancy, there is little selectivity via the EOs. They can only stop seeing those who don't progress. If the EOs are ever to be paid per performance of their portfolio of clients, then it is reasonable to consider how they can have more say in the selection of their clients.

Comparative client statistics over time are problematic, since the definition of a client has changed several times in the past and changed once during this evaluation: "Active Clients" and those being assessed for a loan, got lumped together as "clients." There was a total of 94 clients as of 2/92 (47 with loans, 16 without loans, 31 being assessed (of which 7 were in the workshops). Many of these were said to be inactive; hence, the current number is lower due to elimination of the less active ones. The turnover of EOs may also have played a part. The most recently hired EO has less than half the average client load the other two EOs.

	Magagula	Motsa	Dlamini	Totals as of 7/92	2/92*
Clients Being Assessed	9	8	3	20	31
Clients with Loans	6	8	5	19	47
Clients without Loans	6	11	3	20	16
Total female clients	11	12	4	27	
Total male clients	10	15	7	32	
Total Active Clients	21	27	11	59	94

\* Total Clients drawn from the 2/92 Strategy document.

Technical assistance for product quality was provided by a part-time Technical Advisor who conducted two workshops for total of 58 people and contacted 177 individuals.

There are more record forms in the EOs' offices than are regularly used. The primary ones include: Initial Contact Form, Assessment Form (which is to include the Business Plan with Cash Book, Income and Expenses, Balance Sheet, and initial Cash Flow), and the Loan Application Form (which is to include a corrected Cash Flow, Business Plan, Balance Sheet, Letter of Assurance, and cross-referencing of client data such as the price of items).

The quality of EOs' on-location consultancy as observed was irregular, and could be improved by serious and experienced field consultancy training. None of the EOs have had such an intense training and the most recent EO is learning on the job.

Differing views between CARE and BMEP over technical assistance and training slowed the development of the extension work during this period of USAID funding. BMEP, USAID, and CARE participated in "round table" discussions in 1990 and 1991 to resolve differences. BMEP points to the arrival of a new manager of CARE's programs in Manzini and a training consultant to work in the offices of BMEP as the beginning of improved support by CARE.

There was an in-service training for EOs during this evaluation on July 14th and 15th, conducted by the extension consultant of CARE. The workshop was held due to the suggestion of one of the EOs who asked that instead of meeting for an hour every week or so, two full days be blocked out to really go thoroughly into the work of EOs.

The purpose of the workshop was "to improve BMEP's effectiveness in using extension services to help small scale entrepreneurs make their businesses grow, with attention to the greatest impact for the most efficient use of resources."

The goals were to: articulate BMEP's basic assumptions and values towards small business development; explain and document important characteristics of the people who will be assisted (client selection criteria); identify high priority constraints to growth of these clients' business; and develop an organizational approach to deliver services that help client businesses grow and meet BMEP values.

No objectives were listed. Participants listed the following expectations for this training:

- o Identify specific categories of business clients
- o Discuss routine used to select client
- o How to identify clients' problems/assumptions
- o Define ways of creating plans for [with] each client
- o How long to keep a client
- o How best to deliver services
- o Best way of monthly report writing
- o Get a clear guideline (skills and knowledge) for making client visits
- o How much time per each activity will be used for each month, week, day, etc.
- o What is the most effective use of my time as EO
- o Agreement on how staff will be paid monthly bonus based on client fees (for both consultancy and training)
- o Problem solving techniques
- o Diagram of the process used in BMEP extension.
- o Define BMEP's desired level of impact (just raise awareness of client, expand employment, etc.)

Training resources in CARE's room were considerable for such a setting: a large green board on the wall, medium sized black board on an easel, flip chart with paper, and a plastic board for erasable magic marker on an easel.

The EOs identified business growth as the primary goal of their work: growth to improve the standard of living (of both employer and employee), growth for self-sufficiency, and growth to increase clients' exports.

The CARE extension consultant presented the follow matrix to help identify preferred clients:

	Little entrepreneurial talent	Much entrepreneurial talent
Much opportunity and wealth		
Little opportunity and wealth		BMEP's primary client focus

The EOs discussed whether BMEP should focus on the delivery of basic business skills to all clients, or work with certain businesses (sub-sectors) with special skills. In the early stages of an organization, everyone does everything. As the organization matures, specialization will increase. Similarly, in the early stages of a consulting organization, anyone who comes in is attended. As the organization matures, clientele are more clearly defined. The Director expects BMEP to expend approximately 50% of its efforts on the general approach and 50% on the sub-sector focus.

Consensus was reached on the following client selection criteria:

- o Over legal age
- o Relevant experience or skills
- o Desire for growth
- o Entrepreneurial personality
- o Less advantaged
- o Willingness to learn

The workshop concluded with the following recommendations:

- o Focus on entrepreneurs who are over 25 years old, have at least a basic education, with several years of experience, are willing to grow, own and directly manage their business, and pay a fee to BMEP. Although, BMEP might want to work with others that don't fit all these criteria, its preference is the above.
- o Drop client if assignment during assessment is not done, if there is no learning or growth, or if consultancy objectives are completed, and review clients at 3, 6, 12, and 18 month intervals for this purpose.
- o Look at fee/month, or per visit, or per assignment, or per size of business.
- o Evening and weekend work should be voluntary and compensated by time off during the normal week or by bonuses.
- o Staff Development in: 1) analysis of and consultancy to subsectors; 2) problem-solving techniques (which was conducted by the CARE manager in Manzini several days later); and 3) activities from the assessment through monitoring and assessment.

The following is a brief summary of interviews with a sample of BMEP clients. Most of the following did not base decisions on their financial records, and had difficulty keeping their business money separate from the family money, yet acknowledged that they had been taught differently by the EOs.

Client 1 is planning to start a print shop. He took part in a Full-Time Training program of three weeks that had both potential and existent business owners. He appreciates BMEP's assistance in helping businesses to become legal and advice to improve their plans, but thinks the loan application process is too long. He paid the deposit for the purchase of a printing press from his own funds and hopes to get a loan for the remaining cost of the press. He was confused about whether the "letter of assurance" meant that the signer was responsible for repaying the loan if he was in arrears, or if it simply was a recommendation. The EO said since his collateral would be the printing press then he didn't need a letter of assurance guaranteeing the loan. There was some lingering confusion about this point.

Client 2 has an upholstery and general curtaining business of which 50% is with the government. He employs three people. He said that the most useful contributions of BMEP to his business was instruction in record keeping and assistance in securing a loan. The training that most helped his profits was how to advertise in the newspaper. He would like BMEP to increase its loan ceiling to E.10,000. The consultancy that was the most useful was putting money aside to cover costs when the government paid later than planned. He said he would pay E.100 to E.200 per month consulting fee to BMEP for EO's visits twice per month.

Client 3 is a partnership. They opened an auto repair and servicing company nine months ago and are planning their first expansion to new location. Along with the two partners, there are an additional two employees. The partners cited BMEP's training in customer relations, records, and starting a bank account as the most effective contribution of BMEP to their sales and managing of their business. They would like BMEP to raise the level of lending to E.10,000 or even E.15,000 and prefer that BMEP holds half-day training sessions rather than full-day. When asked if they would pay a consulting fee to BMEP for future advice, they responded, "With pleasure, for a visit on the 15th and first of each month. E.100 per month, gladly, no problem." They would consider E.200 per month but that "would depend" on what work was done.

Client 4 makes clothing and takes them to South Africa for sale. BMEP's advice made her more money because she learned she was underpricing her clothing. She also says she liked the BMEP training in records and their advice to get her own bank account. She was asked to get receipts for purchases after receiving a loan. This seemed irrelevant, since there is nothing BMEP can or will do if she does not produce the receipts - which is what occurred. This client cannot read or write. There are accounting methods for illiterates. She said she would be willing to pay E.10 per visit and would like to be visited twice per week.

Client 5 was trained in carpentry at MITC, then attended BMEP business Full-time Training program, got a loan from BMEP, and now employs three people. He believes the training in how to approach people to get orders was the most useful part of the training for the growth of his business. He still has problems understanding how to do a balance sheet, cash flow projections, the value of a business plan, and the use of records to make decisions to avoid the current financial problem he has. There has been a one and a half year misunderstanding regarding his E.500 loan with BMEP. A triangle of credit among this client, BMEP, and a third party has not been solved by field consultancy. As a result, this client cannot get another loan from BMEP and has gone to Standard Bank for a loan to be guaranteed by the Central Bank's guarantee fund. It was not clear who will get the BMEP loan misunderstanding solved, but it is in the EO's area of responsibility to assertively pursue the other parties until it is resolved. The client's original business plan is in BMEP's offices and not with his own records. He said he would pay E.50 per each three month visit to help him do his balance sheet and stocktaking.

Client 6 has had an upholstery business for the past three years and employs two people. She moved to BMEP's workshop in December 1991 to get a larger place to work and cut rental costs. Her previous workshop at the Trade Fair area was E.250/month, while rent at BMEP is E.175/month. She learned of this opportunity through another BMEP client, and she says the most important things she learned from BMEP was: how to separate business money from family money; to take a deposit at the time of customer's order to solve her previous cash flow crisis; and to seek advice from other experienced business owners when having problems. Her cash book was one month out of date, which she says she will fill in later. Since the cash book is the most basic of records to be used at the moment of sale or purchase, this element of training has not taken root. Next she would like to learn how to get a better price for materials, how to sell upholstery that was not retrieved up by the customer who gave a deposit, and how to expand her

business to include furniture frame making. She would like EO to come twice per month and would pay at least E.50 per month.

Client 7 is a husband and wife team who jointly own a driving school in Manzini with one additional employee. Their first car needed E.700+ in repairs. They got a BMEP loan for a second car, which according to their records is in constant use from 7:00 AM to 6:00 PM with 21 clients/day each for 30 minute lessons. The normal driving course lasts 30 minutes per day over three months for E.600. The business cannot grow until they get the first car out of the shop, possibly by getting the mechanic to accept installment payments. The wife liked the fact that BMEP helped show her how to keep track of the money well enough that she left her salaried job to work on the business full-time. She also said that BMEP showed her how to write a simple agreement so that customers who pay in installments would be more likely to complete their payments. Additionally, she also found the suggestion of talking about problems with other businesses to be very useful. She agreed to pay a fee for consulting at E.20 per visit.

Client 8 owns a mobile eye clinic and employs one assistant manager who has taken a six week Full-Time Training course from BMEP. The assistant manager learned how to do a business plan two years ago, but confuses the cash book and the monthly income and expenses reports. The business paid back the BMEP loan and is now interested in learning how to do a cash flow analysis so that they can apply for a E.30,000 loan for new equipment. This client illustrates the problem of working with an employee rather than the business owner. Even though the assistant manager was trained by BMEP, she could not answer some of the questions such as: would the business pay BMEP a consulting fee? if so, how much? and for what services? and how often?.

Client 9 has been with BMEP for two years. She runs both a sewing export business to South Africa and a sewing training program. The most valuable BMEP benefit to her business was a re-analysis of her pricing strategy. She had been under costing her operations and now is getting a higher price for her exports. Although she says that she appreciated learning record keeping, she keeps no records. She said that she would pay a consulting fee to BMEP and suggested that it be 5% of her monthly income. When it was pointed out that she keeps no records upon which such a decision could be made, she suggested a flat fee of E.100 per month.

Client 10 is a teacher who runs a sewing business to produce school uniforms. Seven months ago, she received an E.3,500 loan for a sewing machine and materials. Money from one of the sales in one of the four schools she supplied was taken by the headmaster. She reported this to BMEP to say she would be behind in her payments, but that the school will repay her for the amount taken by the headmaster. She plans to take a 50% deposit on future orders, which would cover the cost of materials and reduce the need for the next loan. She now has an additional three schools. In addition to the loan, this client said the value of BMEP to her business is the encouragement given her by the EO and instructions on record keeping. Her records were in good condition, up-to-date, and she understood them. The distinctions between cash book and monthly income and expense records are blurred. She has not been able to take any of the short-term courses at BMEP, but wants to attend the next one offered. She would also

like consultation visits from the EO about once/month and says she would be happy to pay E.50/visit, and would like to be able to come in to BMEP during busier periods when unexpected problems arise.

Client 11 has owned a dressmaking and training enterprise for 2 years. She charges E.300 for the three month sewing course that meets five days/week. Currently, she can handle six students in the morning and six in the afternoon. She wants a E.2000 loan for an additional sewing machine. On her initial visit, she was given a "loan application assignment form," which she filled out. The responses in this form were effectively used by the EO to begin the analysis of the business. Next, the client was given a "personal assessment form" to return prior to the next visit. The EO was not familiar with the concept of calculating how long it would take for the additional income she would need to pay for the machine. Pay-back periods and breakeven points are concepts not yet included in this consultancy. Along with the loan, the client wanted to learn how to manage her business and do her accounts. She would like to come for the short-term courses and thinks E.150 is reasonable payment for this training. She is also interested in one-on-one consulting and is willing to pay a fee based on distance, per hour, or per month. Her estimates on what should be a proper fee ranged broadly from E.5/hour to E.200/month.

### C. Loan Program

Barclays Development Fund has made E.215,000 available for BMEP to lend to clients. The 1989 evaluation noted that 41% of the loans were in arrears, the May 1991 review found 64% were in arrears. This evaluation found that the rate changes too radically from month to month to give an adequate picture by listing one rate average rate - be it either a rate of the number of loans or the value of loans in arrears. Since such averages can be misleading, the following is offered of recent monthly reviews:

Month and year	% money due collected	Net interest income to BMEP	% of paying clients
June 1992	20%	-278.58	26%
May	74%	27.43	55%
April	49%	- 49.05	51%
March	51%	518.17	56%
February	67%	142.06	64%
January	55%	379.85	56%
December 1991	38%	-146.89	29%
November	72%	- 84.91	49%
Averages	53%	63.51	48%

Since the first loan was made in February 1989, 85 loans have been disbursed for a total of E.183,215.62. As of June 1992 127,071.65 has been repaid with E.21,029.56 in interest.

Upon further examination of the May 1991 CARE Study of the Small Business Loan Scheme of BMEP that lists all loans as of January 1992, it was discovered that in the Appendix B, when a loan is written off, it is sometimes listed under the default category and sometimes listed under the fully paid category; hence, at the time of this report an accurate determination of the percent of default and write-off cannot be made.

According to the same CARE Study of the Small Business Loan Scheme of MBEP, "In the recollection of the staff members interviewed, no loan application has ever been rejected by the loan committee. According to the 24 February 1991 Management Letter from Dlamini, Ndallahwa and Company regarding the 1990 audit, 18 loan applications were identified that were turned down during the same period reviewed by the CARE study.

The loan program has not been managed with the same thoroughness as the training program. BMEP thought that Barclays Bank was charging BMEP 3% over prime, when in fact Barclays was charging 3% under prime. Secondly, the May 1991 loan scheme study found that E.4,731.84 in principal were over 90 days in arrears had not been written off. This evaluation also found that loans in arrears of more than 90 days were not being written off and should have been written off so that: 1) BMEP would stop paying Barclays for the interest on those loans; and 2) Barclays would replenish their account with the amount of principal written off.

During a meeting July 7, 1992 it was observed that both Barclays and BMEP staff were unaware of this latter term of their Agreement (see Annex 5 for text of Agreement). The point about Barclays crediting BMEP's account for the amount written off was fully discussed with Mrs. Sipiwe, who handles the BMEP loan account at the bank. This was confirmed by Mr. John M. Nkumane, Assistant Manager of the bank.

Subsequently, BMEP confirmed the following with Barclays Bank:

- o Any loan 90 days late is considered in default. (Subsequently, BMEP did send a list of clients who were 90 days in arrears, asked Barclays to write them off and to credit the BMEP loan account with the principal of the default.)
- o Send statement each month to all loan clients on the 15th of the month as a bill for next month's payment looking something like the following:

-----  
Name: \_\_\_\_\_ Address \_\_\_\_\_

Principal paid \_\_\_\_\_ Principal remaining \_\_\_\_\_ Payment due \_\_\_\_\_

BMEP Monthly consultancy fee \_\_\_\_\_

Total due 1st (relevant month) \_\_\_\_\_

If there are any questions please call BMEP at:  
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- o Give some warning to any client that is 60 days late.
- o Reports to Barclays can come in by the 10th of the month, but interest would still be calculated on the first of the month.

Applicants are asked to produce a "Letter of Assurity" from a relative or friend. For those who have no collateral, the letter guarantees payment by the signer if the applicant's payments are in arrears. If there is machinery or something to be bought with the loan that can act as collateral, then the letter need only recommend the applicant as a hard working responsible person. There is confusion about this rule.

The BMEP loan fee of E.20 plus two points seems reasonable, but if the loan is not approved, then the client is not charged the E.20.

Loan Committee should have non-BMEP members. The Cooperative Agreement between USAID and BMEP states that the loan committee will have bank, legal, and business representatives as well as BMEP personnel. The 1990 audit showed the committee were all senior BMEP personnel, which is still the case today.

BMEP's Small Business Loan Scheme Report, April 3, 1992 lists seven reasonable ways to reduce poor loan performance. Those suggestions that require field presence are not being enforced regularly. BMEP intends to change this when a new financial manager is hired who will have loan supervision as a responsibility.

The following is a typical overview of the loan procedures from initial encounter with the EO through to receipt and re-payment of the loan:

- o Initial contact form completed by EO
- o Assignment given to client by EO for initial assessment Client Possibly assigned to training
- o EO visits business
- o Loan Assessment by EO
- o Class flow projection
- o Other business analysis as necessary
- o Letter of Assurity
- o Loan Application checked by Project Manager
- o Loan Committee
- o BMEP check to client
- o Monthly report to Barclays
- o Monthly report from Barclays (would confirm if sum of loans requested to be written off were credited to the BMEP loan account)
- o Field Consultancy

Until recently, EOs would collect loan payments. It is generally acknowledged that client relations suffer in such a situation. Collection is now the responsibility of the Project Manager.

John M. Nkumane, Asst. Manager of Barclays suggested that BMEP might send a monthly statement to each client showing what has been paid back, what is still owed, and total interest & principal payment due this month. This procedure would give a more business-like relationship with BMEP clients and might even help repayment rates. The same monthly notice could also add the changes for any consulting fee that BMEP might eventually charge their clients.

As a result of this meeting with Barclays Bank, BMEP did send a request to have 7 loans over 90 days late to be written off for a total of E.4,763.55. Six of the seven loans were disbursed in 1989. Only one loan is over 90 days late from 1990. None were selected among those loans in arrears in excess of 90 days that were dispersed 1991 and 1992, because management thought they might still repay. This reluctance misses the point of credit management. Experience shows that strict enforcement of credit terms including the retrieval of

security on defaulted loans improves the loan collection process and earns the respect of the more serious business clients. It is clear from the following that no operating business in arrears over 90 days was considered in default:

Loan No.	Disbursed	Amount	Reason
B 007	10/06/89	793.64	Disappeared
B 011	22/10/89	128.61	Insolvent
B 014	25/11/89	106.39	Insolvent
B 015	25/11/89	970.33	Insolvent
B 017	12/12/89	680.43	Insolvent
B 018	12/12/89	275.90	Insolvent
B 034	24/04/90	1,808.25	Deceased

Among clients who have repaid their first loan, there is a demand to have a larger loan from BMEP up to E.15,000.

The primary value of the credit program to the overall program includes:

- o the attraction of clients to BMEP;
- o makes consultancy seem more "real;"
- o is part of the "real world" of the business environment, and hence an element of training;
- o pay back rates give feedback on the effectiveness on BMEP training and consultancy; and
- o is a potential source of financial sustainability.

It is interesting to note that the loan program only received 18 lines of text in the Cooperative Agreement, while the resource center received 64 lines.

According to the Memorandum of Understanding between BMEP and CARE, CARE was to, "...assist BMEP in developing and refining policies, procedures and methodologies for running its revolving loan fund [the fund from Barclays is not a revolving loan fund; it is a guaranteed line of credit]. This will include loan selection, monitoring follow-up and default." Such assistance has not effected the loan portfolio performance over the last two years.

#### D. Policy Dialogue

BMEP is recognized as the point of contact for information about, and access to the informal and small business sectors of the Swazi economy. BMEP has not capitalized on this recognition in a concerted fashion to shape the policy environment of Swaziland. BMEP was instrumental in the Swazi Conference on Small Business and Government sponsored by the Ministry of Commerce and USAID in March 1992, but follow-up on the issues identified was not evident during the evaluation period.

The Director of BMEP is the primary actor in discussions with the GOS. The Board of Directors is under utilized in this role. The Chair and Founding Member of BMEP are considering new members to assist in this role.

Should a management information system (MIS) get established that includes information on clients, then information could be generated to support the Director and Board in future discussions with the GOS on policy to facilitate the growth of the informal and small business sectors of the economy.

Currently, this is not a programming element given much attention in the USAID Cooperative Agreement, BMEP's Workplans, or the Five Year Strategic Plan.

#### E. Eswatini Shop

The Eswatini Shop owned by BMEP was intended as an outlet for clients products, a showcase of shop management, and a source of income. The majority of products in the store are not from BMEP clients, the shop is poorly managed, and is currently operating at a loss.

The Kobla Quashie and Associates audit of the shop for the period of 1 January 1991 to 18 June 1992 submitted 1 July 1992 says: "...We could not carry out a review for the past eighteen months due to material errors in the system particularly in recording stock and sales...individual sales are not recorded...certain [bank] deposits could not be traced to sales...We were informed that the underbankings were caused by advances to BMEP staff and "repairs of windows" paid from daily takings. We were unable to verify this information...recoverability of outstanding amounts and accuracy of recordings [of deposits, payments, and inventory of "laybye" or lay-away items] is doubtful...no recording of goods alleged to be on consignment...we were unable to get a satisfactory explanation from the shop assistant why there are discrepancies in stock...In view of the material errors noted in the recording of sales and stock we are unable to express an opinion on the financial statements."

Net loss for this period was E.14,409 and the calendar year 1990 the loss was E.17,225.

During the period of this evaluation an extraordinary meeting of the Board of Directors was called to resolve the situation by either hiring serious management or selling the enterprise. The Board made no decision. Hence, BMEP is still losing money on this venture.

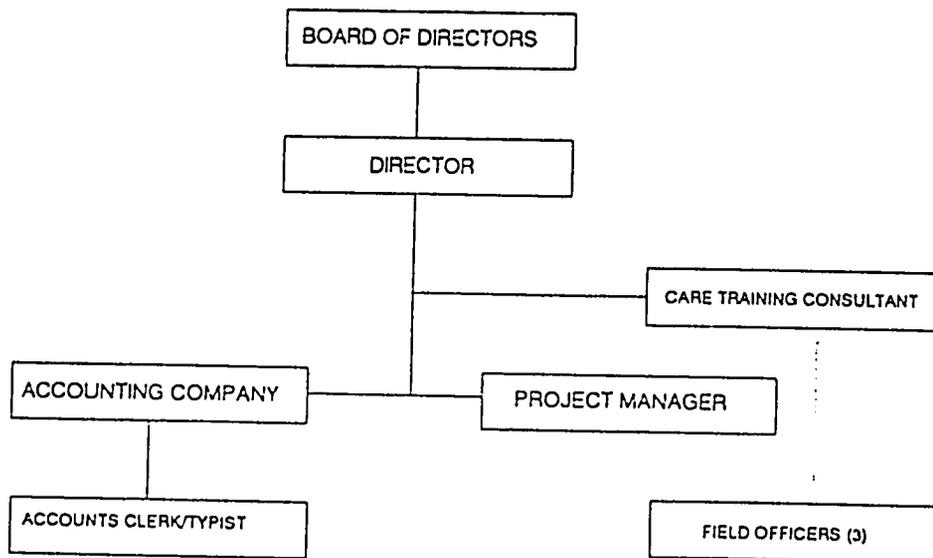
#### IV. MANAGEMENT OF BMEP

During this evaluation, Price Waterhouse was conducting a financial and management audit. Its report was not available during the time of this writing, but should be read in conjunction with this report.

##### A. Organization

For the majority of the USAID Cooperative Agreement period, the Program Manager, now entitled the Director was on educational leave in the United States. The Founding Director was left in charge, but had other responsibilities; and hence, left the day-to-day management of BMEP to the Office Manager, now entitled the Program Manager, who had only been with BMEP two months prior to the departure of the Director. Hence, the then Office Manager noted that he often found himself in a situation of responsibility without the authority. In addition, a Technical Advisor was hired part-time to improve clients' product quality who assumed some management authority. With the return of the Program Manager (now Director) and the end of the Technical Advisor's contract, a clearer relationship of responsibility and authority now exists.

During this evaluation, the following organizational structure was observed:



BMEP is a simple organization with no branch offices and is moving toward more specialization. With such a small number of employees, daily communication is on a face-to-face basis; however, there are monthly management, EO, and staff meetings. A cooperative spirit among the staff and an openness to learning was consistently observed during this evaluation as was noted in previous studies of BMEP.

During this evaluation, on July 13th, one of the monthly management meetings occurred. The Director and Program Manager of BMEP, training and extension consultants from CARE, and the evaluator attended. An agenda with attachments and minutes from the previous meeting were distributed, and the meeting was conducted in a professional manner. Issues discussed included: auto insurance; salary for the new financial manager; training reports; the need to focus the next two months on the EOs skills; desire to hire (internally or externally) a Training Coordinator; desire to retain the training consultant through the CARE contract time of October 15, 1992 with USAID; recent Part-Time Training course; how the second day of the recent rural training was responsive to needs identified during the first day; potential clients for training such as Women in Development and UNDP; reconciliation of what was paid with what was listed in reports on the loans; and distinctions between income-generating clients, and those groups that really won't grow, and small businesses that can indeed grow.

Although previous studies of BMEP have recommended the creation of a "Management Information System" or MIS, one has not been created which gives the Director a holistic vision of the general management, financial, credit, training, and client records. As BMEP asks its clients to make management decisions based on records, BMEP management too wants to make its decisions based on a better organization of its information.

## B. Personnel

This evaluation observed the same positive leadership and management competence of the Director as noted in previous studies of BMEP. The Director is computer literate and sets a good example for staff to follow. The Director is aware of the need for a new job description and tighter corporate focus, as her role and responsibilities change once the Financial Manager is hired and the training role is clarified. During the early stages of a development organization, it is understandable that its director wants to explore all avenues of assistance for the poor majority giving the impression of an inability to say no. With a tighter focus and increased senior management support, the Director will have less need to be "all things to all people."

The Program Manager has too many responsibilities to successfully manage. Currently he serves as the Director's deputy, EO supervisor, training officer, collection officer, financial assistant, office manager, and credit administrator. This is considered a temporary situation, since recruitment has begun for a Financial Manager who is expected to take on some of these responsibilities. The Program Manager would like additional training in small business development.

The cooperative agreement calls for two EOs and a Chief Extension Officer. The Chief EO left for another opportunity. Instead of hiring a replacement, the Director abolished the post of Chief EO and hired an additional EO. This decision is developmentally correct, as it gets more client contact per dollar. BMEP does not have enough clients to justify the salary for such a supervisory position, unless the Chief EO too had a full client portfolio.

EOs are not only field and in-office business consultants, they are also classroom trainers and credit analysts. EOs have to check the price of items mentioned in the application, get character references, and other information relative to the loan application. It is a demanding job and is the heart of BMEP's mission. The Director mentioned that two previous EOs left for higher pay. Such turnover is to be expected until new additional incentives are in place.

Considering that the EOs have not taken a full and intensive business training course for their field consultancy, they are doing exceptionally well. Nevertheless, this lack of formal training makes the skills among the EOs quite uneven. The most recently hired EO is learning "on the job." Competent business extension work is far more complex and skills intensive than might appear to those who have not managed a portfolio of business clients. This is not the kind of work that easily lends itself to either classroom-only training or on-the-job-only training, but requires the interaction of both experiences.

The relatively high rate of those graduating who enter and stay in business testifies to their ability to motivate clients, but the relatively low rate of loan repayment testifies to the need to improve their ability to transfer business skills and to manage a portfolio of clients who own businesses that grow.

The fundamental gap in personnel and management is financial administration. This is clearly understood by BMEP management who have concluded that the skills of the previous Financial Officer were inadequate. BMEP is currently recruiting a more skilled position - closer to that of a financial controller - to be called the Financial Manager. There is concern that BMEP may not be able to pay sufficiently to attract and retain such a qualified person and is examining the possibility of more attractive benefits package through the NGO Assembly.

### C. Financial Administration

Monthly statements of expenditures compared to budget and requests for disbursements are sent from BMEP to USAID/ Swaziland. See Annex 6 for most recent examples of June 1992 expenditures and budget for July and August 1992. As of June 1992 E.563,119 has been disbursed of the E.605,907 budgeted leaving a balance of E.42,788. As mentioned previously, an additional E.101,000 has been approved by USAID/Swaziland and is in the pipeline during this evaluation.

Currently, an accounting firm has been hired for 30 hours per week to replace the Financial Officer who quit just prior to the Price Waterhouse annual audit and this evaluation. Although the Price Waterhouse audit was being conducted during this evaluation and was not yet

complete, the Director indicated that the auditors had found some discrepancies between the previous Financial Officers accounting and bank deposits.

BMEP maintains two accounts, one for USAID funds and one for non-USAID funds. Income for the second account comes from training fees and other sales.

The Dlamini, Ndallahwa and Company audit for 1990 found, "weaknesses in internal control," and from conversations with the Price Waterhouse auditors during the 1991 audit, similar weaknesses continue and are not likely to be resolved until the new Financial Manager is hired.

CARE provided a computer consultant who initiated an automated accounting system to the satisfaction of the Director. Unfortunately, BMEP is currently without a Financial Manger to properly use it. The accounting system is not yet integrated with other information elements such as field consultancy, training, and the loan program for a real management information system (MIS) (a system that allows for a single point of entry to relate all information elements) for such management tasks as creating reliable cost/benefit analysis. In the meantime, the following kinds of cost/benefits are rough approximations:

Senior management and EOs estimate that 25% of BMEP's time is spent on Full-Time Training activity. Since E.210,288.71 was expended during calendar year 1991, during which 40 individuals were trained, it costs E.1,314 (approximately US \$500) to train an individual ( $210,288.71 \times 25\%$  divided by 40). This cost should come down as non-recurring costs were included in 1991, a smaller percentage of total BMEP time is likely to be expended in the future, and the number of trainees is likely to increase.

This evaluation concurs with the previous studies that called for the establishment of an MIS. BMEP is complex enough that management decision making will be enhanced by such information management capabilities.

#### D. Board of Directors

BMEP developed an independent Board of Directors as recommended in the previous evaluation by Arthur Young, Inc. for USAID in 1989. Unfortunately, the board membership has not rotated as called for in its Articles of Association.

Mrs. Sara Dlamini, National Coordinator for the Coordinating Assembly of NGOs in Swaziland has been the Chairwoman of BMEP for the past two years. She stated that BMEP needs new Board Members with more relevant skills for small business development, as the current Members are under utilized and do not make very meaningful contributions. She would also like the Director to apprise her of BMEP problems more frequently. She noted that from her position as head of the NGO coordinating committee, she sees that BMEP is a much needed organization and is used by other NGOs. BMEP has not called on other NGOs for help in return.

Article 14 of BMEP's Articles of Association states that: "At the ordinary meeting of the Company in every year one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office." BMEP is not in compliance with this article.

Mrs. Dlamini requested that recommendations be given to her by the Director of BMEP, as to what new skills such as small business development, management training, credit, and technical assistance are needed on the Board, so that she could identify potential new members, prior to her own departure as Chairwoman.

Once the new Members and Chair are elected, Mrs. Dlamini recommends that the entire Board has a planning retreat to receive a complete orientation about BMEP and to assign each Member very specific responsibilities and assignments for the future development of BMEP.

Current Board Membership includes:

1. Mrs. Sara Dlamini (Chair), Coordinating Assembly of NGOs
2. Mr. Leonard Lukhele, Swaziland College of Technology
3. Mr. Barnabas Dlamini, University of Swaziland
4. Mr. Paul Tsabedze, SEDCO, Swazi Plaza
5. Mr. Bonga Ginindza, Sibakho Chamber of Commerce
6. Father Larry McDonnell, Skills Center, Manzini
7. Sister Judith Dean, MITC, Manzini
8. Mr. Ben Dlamini, Ministry of Education

Ex-Officio

1. Mrs. Nokukhanya Gamedze, BMEP
2. Mr. Dick Ouellette, CARE, PO Box 2266, Manzini

One founding Board Member suggested that senior government officials or Members of Parliament might be considered for addition to BMEP's Board for their ability to bring policy issues related to the informal and small business sector to wider attention. This Member also suggested that members of such organizations as the Lions and Rotary Clubs might be considered as they have both a business and social service orientation. In addition, banks such as the UnionBank of Swaziland, Barclays Bank of Swaziland, Swaziland Building Society, and Standard Chartered Bank should also be approached.

Another potentially valuable source for new Board Members are successful BMEP Clients. If BMEP institutes consulting fees for extension work, then those who pay this fee might be offered the opportunity to elect a member or two among themselves to the BMEP Board of Directors. An attorney or two who would be willing to help on a pro bono basis should be considered.

No provision was found in BMEP's Articles of Association that limits the number of Board Members. In other words, as two members come off the board to be in compliance with Article 14, five or ten new members could be added.

E. Strategic Plan

John F. Else and Thomas B. Alter of the Institute for Social and Economic Development under contract to CARE prepared an Assessment of Current Status and Five-Year Strategic Plan for BMEP.

The priorities of the plan give reasonable direction, as do the growth in targets in training, client load, and loans. Much of the discussion of organizational development and staffing should be seen as a good framework for planning, but not for actual changes per year. Naturally, the actual plans would have to take factors into account that are currently unforeseen. Forcing a five year plan on a young organization in a difficult environment would be counter-productive; using this five year plan as a guide should prove quite useful.

Short-term training and field consultancy might be separate priorities and the client load is high if an EO is expected to visit the client twice a month - as was indicated from the client interviews.

The stress on the number and speed of client turnover may not be well founded. Granted, continuing to work with a client who has not grown over the course of six months or a year is a waste of time, but continuing with a client whose business is growing and who trusts the EO's guidance for further expansion is not a waste of time. Hence, the criteria should be growth per time, not client per time.

Assisting 50 owner-operated businesses to self-sufficiency every six months, may not be as developmentally significant as bringing 10 such businesses to employ 5 people over the course of a year or two. The test of clients' paying a consulting fee to BMEP may be more indicative of value of the program to the Swazi economy than the turnover of the EO's client portfolio.

Client interviews indicated that there is no reason to wait until 1994 to begin charging clients consulting fees and increasing training fees as part of a financial sustainability.

Several of the management targets for 1992 have already been missed such as a decision in May on Eswatini Shop divestiture, retirement of members of the Board, and the hiring of a Financial Manager.

Hiring a Training Coordinator in addition to the Project Manager makes the organization top heavy. There would be more senior managers than EOs. If the Project Manager does go on educational leave, then indeed a substitute is needed. But this leave is by no means certain. In the meantime the plan does not justify why the Project Manager could not continue in the

training role once the administrative and credit responsibilities are transferred to the new Financial Manager.

If the Project Manager does go on educational leave, and a Training Coordinator is hired as envisioned by the plan, then what happens to the Training Coordinator (aside from the title change to Training Manager) when the Project Manager returns? If the Training Coordinator is retained, and the administrative and credit functions remain with the Financial Manager, then what would be the responsibilities of the Project Manager (now renamed Deputy Director) relative to the Director? Will the Director not be involved in the day-to-day management of BMEP due to the fund raising, policy advocacy, long-term planning, and international demands? Will the organization really be big enough to justify this? Possibly, BMEP client and training load would have grown sufficiently to financially support so many senior officers in the corporation. In any case, this should be considered in the preparation of the new proposal, since organizations that grow top heavy have difficulty sustaining themselves. If it is true that the rules for organizational development in the private sector are set by earnings, while the rules for the public sector are set by funding, then BMEP will have to balance these forces as it makes its transition toward a more private sector management philosophy.

The plan calls for the role of a "Credit Officer," but defines this role simply as a collection agent. Normally, a Credit Officer would double check the EOs basic information on the client as to credit worthiness, character, market potential for the product or service, the financial plan, and be the quality control on loan applications to the Loan Committee. Initially, the proposed role of the Financial Manager could include that of collection agent, but this might be more efficiently handled by the messenger to be hired or subcontracted to a small business. It is not likely that a senior financial manager as envisioned by BMEP and the CARE five year strategic plan will be willing to drive around collecting loan payments for very long. Possibly sending monthly loan statements to each client as proposed by Barclays Bank will reduce the size of the collection problem.

A new proposal is suggested for a USAID grant for December 1992 through 1994. BMEP is in danger of focusing too much on short-term documentation, evaluation, and reporting at the expense of the program's substance. Instead of a two year cooperative agreement, USAID might consider a five year OPG (Operating Program Grant) to give the organization a little breathing room and time to lay a firmer indigenous foundation.

## V. WOMEN AND BMEP

The scope of work for this evaluation included gender data and much of that data is included in previous sections of this report. Toward the end of the evaluation period in Swaziland, the evaluator was given a copy of the USAID cable regarding women in development evaluation issues. This chapter is added to the initial report outline to respond more specifically to the following questions drawn from that cable.

Q: How were the interests and role of women (compared to men) taken into account in each of the design, appraisal and implementation stages of the program?

A: Women in the rural area groups represent over 80% of membership, according to the Director. As the men go to South Africa to seek employment, women are left with all the family responsibilities. Many women needed money for school fees and uniforms, since many of the men did not send money for such expenses. This lead women to form these rural groups to earn money. BMEP created a special rural training program to address their organizational, management, and other income earning needs.

When this project was designed, women were rarely exposed to anything beyond sewing and even that was limited. BMEP has made an effort to train and advise women clients to create alternative designs and products. Instead of just doing school uniforms, BMEP would advise women to use their skills for different products such as upholstery and special dresses for more diverse markets.

Q: In what ways did women (compared to men) participate in these processes?

A: The Chairperson of the Board, the Director and the majority of BMEP staff are women. One result is that organizations that focus on women in development and their consultants seek out BMEP to discuss how to involve women in the development process. And such women's groups influence the design and day-to-day work of BMEP. Many of these women's groups have already identified their needs and come to BMEP to seek advice.

Q: What were the effects of the program on women's access to income, education and training, and with respect to workloads, role in household and community, and health conditions?

A: Of the 85 loans disbursed, 35 went to women, 48 to men, and one to a married couple. Although BMEP has worked with 61 rural groups whose membership averages 80% women, the net economic growth has not yet been determined.

Of the 59 active clients during this evaluation, 27 were female and 32 were male.

During calendar year 1991, technical assistance was given to 58 women and 55 men for total of 113, of which 85 were owner managed businesses without employee, while 28 had employees.

Q: How were the interests of women taken into account in this evaluation?

A: Gender issues were included in the scope of work. Gender data was collected and issues in this section were addressed due to the AID request during the evaluation.

Q: Were gender-specific data available for each of the program states?

A: Design, appraisal/approval, implementation, monitoring, evaluation. Yes.

Q: How did women's integration affect sustainability?

A: The following traces those receiving full-time training and who actually started and stayed in business. Although more men than women were trained, more women started and are still in business.

	Nov/Dec 90	March 91	Nov 91	June 92	Totals
Graduated	21	19	21	11	72
Male	13	9	10	7	39
Female	8	10	11	4	33
		Totals			
Started Business and still in business	13	16	8	37	too early to say
		Totals			
Male	4	8	3	15	"
Female	9	8	5	22	"
Not in Business	5	1	3	9	"
Male	4	0	1	5	"
Female	1	1	2	4	
No information	4	2	10	16	"

## VI. LESSONS LEARNED, RECOMMENDATIONS, AND CONCLUSIONS

The 1989 evaluation by Arthur Young, Inc. concluded: "...BMEP has become a good program with a promising future." This is still the case, but it now needs more precision in its definition.

Currently, BMEP manages itself via public sector rules, while trying to develop private sector success. Until the management and staff of BMEP are paid in some relation to the performance of their client portfolio, there is no reason to believe there will be any change in the effectiveness of the organization.

"Fast line goods" is a term one Swazi shop owner uses to indicate those goods with the greatest turnover - that sell the most. Just as successful shopkeepers must keep fast line goods in stock, successful business advisory services have to keep "Fast line clients" in their portfolio of clients to insure their corporate future.

There are two clear markets for BMEP services: entrepreneurs and development groups. The products for the former are business training courses, consultancy on a one-to-one basis, accounting services, workshop space, and credit, and the product to the latter is training in business skills to groups supported by development donors.

### A. Classroom Training

Since the majority of the full-time training participants have created and continue to maintain their businesses, BMEP's training should be considered successful enough to be expanded. See the Financial Sustainability section below for a discussion of its growth and fees.

The current CARE training consultant has been most effective, the staff responds well to his guidance, and he should be retained for BMEP as long as is contractually possible.

Visual aids were under utilized during the rural training observed. Use of BMEP's resource center might provide some material and ideas.

As mentioned previously in the section on the strategic plan, hiring a Training Coordinator in addition to the Project Manager makes the organization top heavy. This should be done when sufficient volume of paying clients and trainees is achieved to financially support the position. In the meantime, the Project Manager should continue to perform this function. If the Project Manager does go on educational leave, then a substitute should be hired.

Since it is very difficult for serious small business owners to leave their workplace during normal working hours, EOs should be allowed to hold short-term courses or business clinics after work or during the weekend. If a bonus system is instituted, then consideration should be given

to EOs receiving a greater percentage of the training fees for conducting such "after hour" courses.

The cost/effect of the rural training program could be improved by bringing the group representatives to BMEP, as mentioned by the Director. These considerations should also be determined by what the donor organization of these rural groups is willing to support. BMEP should determine what it costs to provide such trainings, add in a BMEP overhead and charge accordingly. Daily fees for BMEP staff, transportation, materials, and overhead should be paid by such donor or contracting organizations. BMEP need not be in a position of subsidizing other donor programs. Current estimates by the Director for such fees are: Extension Officers @ E.75/day; Program Manager @ E.120/day; and the Director @ E.180/day. As mentioned earlier, these rural trainings should also be thought of as a mechanism for identifying future BMEP clients.

#### B. Field Consultancy

As long as EOs are also the trainers for the full-time courses, field work will suffer. Granted the EOs field experience is extremely valuable in the classroom training, but they should be involved as guest speakers, just like bringing in a successful client to talk to new clients.

A change in title from Extension Officer to Business Consultant should be considered. Possibly this could be done in conjunction with the initiation of client fees and the bonus system.

The Director should implement her suggestion of bringing clients closer to BMEP by holding occasional general meetings of clients, in addition to the specific meetings or short-term courses. Those clients who pay a consulting fee might come together for a general meeting to elect a member or two to BMEP's Board of Directors.

Observations of the EOs with clients indicates that further staff development via in-service training would make a difference in the performance of BMEP's portfolio of clients. As mentioned previously, the skills involved in successful small business consultancy are considerable. Piecemeal training of such skills leads to piecemeal performance of field consultancy. Ideally, the EOs should receive small business consultancy training of several months full-time (both in class and in field) with follow-up training over the course of a year. Since this may not be possible, the in-service training should focus on specific business skills and be conducted by those who have experience in such business consultancy. Along with those needs previously identified in section 4.B., EOs should also learn breakeven analysis, when to involve lawyers, and how to create a check list or guideline of business skills to be taught to their clients (both for classroom training and field consultancy purposes).

EOs should be encouraged to view their clients as a holding company views its business holdings. They could ask how each business can improve the profits of the others. An EO should actively match the buyers and suppliers to increase the business value of their portfolio.

Group advertising and other activities should be considered to get better economies of scale. Such portfolio management might also be part of their future in-service training.

If EOs are to visit their clients an average of twice per month and be paid partly based on the performance of their portfolio, then they should have more say about who becomes their client. They should be encouraged to find their clients and have their fee-paying clients recommend others.

If clients are to be charged say E.100 per month and the EO is to receive say 50% of that as a monthly bonus, then there is some reason to believe that EOs will spend more time visiting clients. If clients are to be visited on an average of twice per month, then a client load between 20 to 30 is reasonable. If half of these were regular paying clients, then the EO would receive an addition E.500 to 700 per month.

The following client selection criteria developed during the CARE in-service training for EOs during July 1992 should be enforced: focus on entrepreneurs who are over 25 years old, have at least a basic education, with several years of experience, are willing to grow, own and directly manage their business, and pay a fee to BMEP. Although, BMEP should keep some flexibility and might want to work with others that don't fit all these criteria, its preference should be the above. Clients should be dropped via periodic review of EOs' client portfolios, if assignment during assessment is not done, if there is no learning or growth, or if consultancy objectives are completed - and no new objects are within the capacity of BMEP.

And lastly, a review of all forms used by the EOs should be conducted, new procedures implemented, and client files should be brought to a standard such that outside auditors can make comparative analysis and portfolio reviews will be made possible.

### C. Loan Program

New Members of the Board with credit experience should be recruited who could also serve on the loan committee. Others not involved with BMEP should also be sought so that non-BMEP employees constitute a majority on the committee. One or two successful small business owners should also be considered.

A monthly statement should be sent to all loan clients on the 15th of the month as a bill for next month's payment.

An initial task of the Financial Manager should be to review the status of every loan client, including the calculation and assessment of late fees, status of collecting security on loans over 90 days in arrears, and the standards for client records.

Each month's report from BMEP to Barclays Bank should include a request that Barclays write off loans over 90 days in arrears. This will stop BMEP's paying unnecessary interest and

replenishes BMEP's loan account with an amount equal to the remaining principal on the loans in default.

When a loan is 60 days in arrears, the client should be told that the security for the loan will be taken if the loan remains in arrears for another month. The threat should be consistently carried out. This evaluator knows of no more effective method to improve the repayment rates than to take in the security for loans in arrears over 90 days. Initially, BMEP should take the security via its own personnel and if necessary in the company of a police officer to cut cost of collection companies and lawyers. If that is not successful, then resort to collection agencies should consistently be done.

The loan summary spreadsheet should have totals in bottom cell so that one can see: total number of loans, total amount loan, average loan, total principal paid, total interest paid, total current paid, total arrears, total arrears 30/60/90 and total loans fully repaid (different from total amount repaid).

There is no need for a separate audit of the loan program as it is included in the previous 1990 audit (see Annex 6) and is currently being examined in the 1991 audit. However, the new Financial Manager should review all loans, as mentioned above, including a review with Barclays Bank of the new procedures.

#### D. Policy Dialogue

There is a recognition that new members of the board are necessary to address policy issues with the government.

As mentioned previously, Article 14 of BMEP's Articles of Association regarding rotation of membership needs to be enforced. Until this happens, there is no reason to believe there will be any change in BMEP's ability to engage in policy dialogue with the government.

Once a management information system that includes information on clients is established, EOs might be called upon to prove the impact of government action or inaction on the informal sector of the Swazi economy. Such proof could then be used by the new Members of the Board in their capacity to influence policy. It could be a mistake for BMEP to take policy positions as a corporation; however, BMEP staff could give sufficient information to the Board for each Board Member to act in their own capacity in an informal but coordinated fashion.

#### E. Management

Since the scope of work called for a review of the five year strategy plan which makes many management recommendations, this evaluation includes that review and commentary on the management recommendations in section 5.E. Hence, it will be useful to read that section in conjunction with this one.

BMEP is better organized as a classroom training organization than as a business consultancy. If BMEP is to become more oriented to the actual growth of small businesses in the informal sector, rather than the potential of such growth, then incentives will have to be found to promote such behavior changes in the staff. Financial incentives for all employees could be associated with the success of BMEP clients as gauged by their willingness to pay fees.

Bonuses could be given monthly based on the fees paid for consultancy and training. The Director of BMEP agrees with the principle that all staff, including secretaries, should be paid based on BMEP's total portfolio activity.

Instead of determining how to make salary increases equitable and calculating cost of living increases, the current salaries might be thought of as the staff's base salary and their increased income over the years would be determined by the increase in the value of their work as recognized by their market's willingness to pay.

The exploration of such changes should include results from other USAID studies of similar transition from a donor dependent organization to a financially sustainable one. The clients with loans might have their fees added to the proposed monthly loan statement to clients. New loans could include the fee for EOs consultancy as part of the principal of the loan. Those without loans might also get a monthly statement that simply deletes the loan section.

Although it might seem reasonable to charge client fees based on monthly sales, as suggested by one client, this could become an incentive to understate sales; and, hence cut into the consultant-client trust.

A bonus system might also factor in the repayment rates of clients. Clearly an EO who has 15 clients with loans being paid on time should receive different compensation than an EO with none.

If vocabulary influences behavior, then some terminology might be changed:

Public Sector Terminology	Private Sector Terminology
---------------------------	----------------------------

Duplication.....	Competition
Sharing Profits.....	Earning Profits
Extension Officer.....	Business Consultant
Donor Relations.....	Marketing
Project Proposal.....	Market Test
Loan Grant Panel.....	Loan Committee

This evaluation agrees with the previous studies of BMEP that called for the establishment of an MIS. BMEP is complex enough that management decision making will be enhanced by such information management capabilities.

If a messenger business cannot be found or created, then BMEP should hire a messenger to prevent its management and staff from driving to Mbabane to deliver reports, picking up evaluators, and carrying out other such necessary but lesser skilled tasks.

#### F. Technical Assistance

As noted in previous sections of this report, BMEP and its principal provider of technical assistance have had difficult relations. CARE has assisted in the development of BMEP's computer, planning, and training competence, but has had less success with the Resource Center, loan program, management information system, and extension services. However, this is not an evaluation of CARE's technical assistance to BMEP. According to both BMEP and CARE officials, USAID's facilitation improved their relations. Technical assistance like any relationship is a "two-way street." BMEP's response to technical assistance has changed with the arrival of new personnel provided by CARE.

A founding Board Member expressed the desire to have any future technical assistance from more business experienced sources, noting that CARE is a relief organization, not a business development organization. Although it bought some of Partnership for Productivity's USAID contracts, such as in Swaziland, none of the PFP managers or senior professionals have remained with CARE. Since CARE is leaving Swaziland, and BMEP is still in need of professional assistance, USAID should consider setting aside funds for such technical assistance on a case-by-case basis.

It could be argued that BMEP is not ready to directly hire its own assistance, since it did not properly manage the technical advisor it hired for two days per week to advise on product quality. This was an unusual situation not likely to be repeated and BMEP management has learned from the experience. The Director was on educational leave. A founding member of the Board was acting manager, but had other responsibilities and a different view of how such assistance should be given than the Office Manager's view (now Project Manager) who had the day-to-day responsibilities of managing BMEP. The Technical Advisor became involved in the management of BMEP and confusion over his personal use of BMEP's workshops lead to his contract's not being renewed.

Today, BMEP is a mature enough organization to identify its own needs and set specifications for professional services. BMEP requested the skills of the current CARE training consultant, was very involved in the preparation of the job description, and coordinates this work on a daily basis.

Whether USAID funds for BMEP's technical assistance are to be included within a future BMEP budget or within USAID/Swaziland contracting mechanisms within USAID in general, flexibility in the definition and timing of that assistance should be tolerated in their proposal. This is especially recommended if the proposal is to cover a five year period.

A full range of sources for technical assistance should be considered such as assigning Peace Corps Volunteers for product quality and business advice, short-term consulting via South African micro and small business development organizations for extension services, Barclays and other banks for loan administration and business analysis, and Swazi Business Growth Trust for management and marketing.

Barclays and other banks might also give technical assistance in loan policy by serving on the loan committee and providing business analysis software for balance sheet, breakeven, and cash flow analyses.

#### G. Financial Sustainability

It may not be reasonable to expect organizations such as BMEP with only seven years of experience in countries with as low an income per capita as Swaziland to be 100% economically independent of donors within the next five years. Nevertheless, it is reasonable to focus some attention now on how to create independent income streams for BMEP's operations, so that it can move in that direction. Not only is this realistic when looking at the future of foreign assistance, but it has the value of making the organization more business-like and its advice more relevant and credible.

Eight potential income streams have been identified and some pre-feasibility interviews have been conducted:

**First, charge fees for consulting to clients.** Currently, BMEP has about 60 clients now. All business owners interviewed said they would pay some fee for consultancy. Assuming only one third would actually pay a E.100/month fee, then E.24,000 per year could be earned now. If EOs were paid monthly bonuses according to number of paying clients in their portfolio, then this number should increase. Assuming an EO can comfortably visit four client/day, three days per week, 48 visits per month is reasonable. Most clients interviewed wished to be visited twice per month for the E.100 monthly fee. Hence, an EO could easily manage an average portfolio 24 paying clients. With three EOs, BMEP would earn E.86,400 (24 clients x E.100/month x 12 months x 3 EOs). It is reasonable that BMEP would hire one more EO within a year or two and probably a second EO within three to five years. Hence, the earning potential with five EOs would be E.144,000.

**Second, increase training fees.** Tuition fees received during 1990 were E.7,545. This could be greatly increased as BMEP is acknowledged as a good training organization by other institutions in Swaziland and the market will continue to expand.

BMEP can charge fees for training courses to requesting organizations such as Ndzenvane Community Development Fund, Rural Education Centers, SACRO, the Ministry of Interior's Domestic Development Services, and the Ministry of Community Development and consider the feasibility of giving a commission to BMEP employees who brought in such contracts. These could be both for the rural training and urban-oriented. Current estimates for daily rates for

preparation of training courses and or consulting is: Director E.180; Program Manager E.120; and EOs E.75. Assuming six such courses per year at an average fee of E.1,800 (ten days preparation and five days training by the Program Manager), BMEP would earn E.10,800. This might not be possible immediately, but in two to three years.

Fees from Full-Time Training could also contribute. As mentioned previously, it was estimated to cost E.1,314 per trainee in 1991 and that this cost should come down as non-recurring costs were included in 1991, a smaller percentage of total BMEP time is likely to be expended in the future, and the number of trainees is likely to increase. This might lower the unit cost to E.350. But however it is calculated, the current fee of E.150 should be reconsidered. Assuming a fee of E.250 and 60 trainees per year, these training courses would yield E.15,000/year. This too should be possible within two to three years. Within three to five years this could increase, as should the fee to say E.350 for 80 trainees per year earning E.28,000. These numbers of trainees are understated in comparison to the five year strategic plan for two reasons: 1) because the higher fees suggested here might reduce the number of trainees; and 2) because it is more responsible to understate volume in the financial planning.

The part-time training fee of E.8 is also below cost. Clients interviewed indicated that they would pay between E.50 to E.150 for such specialty courses or business clinics. If such part-time trainings were held 10 times per year with an average of ten business owners paying E.50, then E.5,000 could be realized. With more EOs conducting courses, say two EOs per month within two to three years and four EOs per month in three to five years, then BMEP could earn E.24,000 and E.48,000 per year respectively. This could be higher since, the training fee could rise to E.150 within two to five years.

Third, **rent workshops on a commercial basis.** Rent received according to 1990 audit was E.6,950. For those who need space, but cannot pay the rent for the full space of a workshop, then they could split the rent with others in a similar situation. For example, if one could not afford E.300 per month, then they might get two others and pay E.100 each per month. With eight workshops earning E.300 per month, then BMEP could earn E.28,800 per year. This seems reasonable to expect within one to two years since a current tenant was paying E.250 for a much smaller place.

Fourth, **improve management of interest on loans and increase the ceiling.** Since Barclays lends money to BMEP at 3% below prime and BMEP lends to its clients at 7% above prime, 10% per good loan can be earned. However, at the time of this evaluation, the spread was actually 11%. If 75% of the total loan fund available was in circulation (75% of E.215,000 = E.161,250) and 75% were being paid back on time, then approximately E12,000 could be earned by BMEP. With more attention to the loan program by the incoming Financial Manager, it seems reasonable that income from the loan program should average this E.1,000 per month. Once the repayment rates improve, then raising the ceiling on loans to possibly E.10,000 would produce a larger income stream to BMEP. The estimates for the amount of activity in the loan fund are intentionally more conservative than in the five year strategic plan, for the purpose of financial planning.

One might consider the addition of a guarantee fund for larger loans, but such guarantee loan funds already exist in Swaziland.

**Fifth, explore government subvention.** There is some precedent for this with MITC. The Governments of Botswana and Malawi also provide subvention to programs similar to BMEP. The financial potential for this with the GOS cannot be estimated at this time.

**Sixth, provide market research.** EOs could conduct market surveys and enter information on their clients into BMEP's proposed MIS to provide market intelligence for larger businesses.

**Seventh, sell business supplies.** BMEP could sell cash books and other business supplies with commission to EOs. EOs are in a position to determine what their clients need, what price they are willing to pay for it, and how often they would buy. This approach has worked well in other similar settings in Africa when commissions are given to the staff.

**Eighth, sell business services.** Clients expressed interest in BMEP's offering accounting, tax preparation, and audit services via EOs. One EO estimated that half of his clients would be interested in regular accounting services and 15 clients who are currently paying income tax might pay for annual tax preparation. One client said he would pay a E.50 fee per such annual service. Existing commercial firms charge significantly higher fees, but to admittedly larger businesses.

The following summary of estimates of annual earnings are based on more conservative numbers of clients and trainees, because they assume the initiation of new consultancy fees and increasing existent training fees.

#### SUMMARY OF ESTIMATES of

annual earnings within:	1-2 years	2-3 years	3-5 years
Monthly client fees:	E. 24,000	E. 86,400	E.144,000
All forms of training:	E. 19,000	E. 49,000	E. 96,000
Workshop Rentals:	E. 28,800	E. 33,120	E. 38,088
Net interest from loans:	E. 12,000	E. 18,000	E. 24,000
<b>ESTIMATE TOTALS</b>	<b>E. 83,800</b>	<b>E.186,520</b>	<b>E.303,088</b>

**OTHER POTENTIAL INCOME STREAMS:**

Government Subvention:	?	?	?
Market research:	?	?	?
Sale of business supplies:	?	?	?
Accounting services:	?	?	?

If money earned can pay for some of what AID had budgeted for, then it might be considered that BMEP would still get the same amount of USAID funds budgeted, but the newly earned income would be used to develop further financially sustainable income streams. For example, it was clear that hiring an additional EO could attract additional paying clients, but that it might take six months before showing a net income. Then the previously earned revenues could be used to off-set the initial cost of the new EO. Another use of such new revenues might be to build extra workshop space to earn more rent. In this way, the incentive to earn new income is for the growth of BMEP, rather than simply saving USAID funds, which is not the top priority for Swazi nationals.

ANNEX 1

Scope of Work

## SCOPE OF WORK

Using appropriate methods such as interviews, questionnaires, review of documents, etc. the contractor will conduct an evaluation of the program. Specific duties will include, but are not limited to the following:

- A. Review the Cooperative Agreement, BMEP workplan, Strategic Plan and assess the extent to which project inputs and outputs have led to the achievement of that purpose. Review documentation related to the implementation of the project such as project implementation reports, to determine if the implementation was consistent with the plan. Provide qualitative assessment of the BMEP training methods, extension methods, availability of resources, staffing, and constraints to implementation.
- B. Identify and desegregate by gender the recipients of various BMEP services. For each target group (small business owners requiring extension services, participants in short course workshops, graduates of Manzini Industrial Training Center (MITC) interested in starting a business, loan recipients) ascertain in relation to the following whether the target group was well defined, needs properly assessed, and whether the support was appropriate to the needs and consistent with the BMEP mission: 1) Selection criteria; 2) Needs assessment; 3) Curriculum/course outlines/course; 4) Course evaluation; and 5) Follow-up
- C. Using sample populations from each target group, conduct interviews with clients to determine:
  1. Their view of the quality of services received;
  2. Evidence of business growth as a result of BMEP services;
  3. Appropriateness of services to clients needs; and
  4. BMEP's institutional ability and experience in reaching both men and women; examine implications for future strategy.
- D. Review the BMEP loan scheme to determine the relationship of the loan scheme to BMEP's mission.
  1. The loan scheme as a contribution to business start-ups and expansion.
  2. The loan scheme as a component of business management training.
  3. Determine the need for a separate audit of the loan scheme.
- E. Do a cost benefit/analysis of BMEP provided training

1. Actual expenses vs Budget.
2. Make a judgement about cost per client per outcome.
3. Quality of services versus expectation.
4. Social and economic impact of the project.

F. Sustainability of BMEP: Considering that over the last two years USAID has been the major donor for the BMEP, assess the activities that BMEP is undertaking to assure its sustainability as a viable training institution.

G. Utilizing on-sight interviews and review of records:

1. Assess the projects's accomplishments versus USAID/ Swaziland's expectations.
2. Assess project reports versus the USAID /Swaziland's requirements.

H. Write a final report on findings. Describe methods used, data collected, conclusions drawn, assessment of strengths and weaknesses of the project, sustainability of BMEP as training institution, lessons learned, and recommendations which should be integrated into the BMEP's five year strategic plan.

ANNEX 2

Records and Documents Examined

## INVENTORY OF RECORDS

1. BMEP Client files: Initial Contact Form; Assessment Form, and Loan Application Forms (each with their enclosures of market survey, cash flow projections, profit and loss, and other information).
2. General Office Files: correspondence and other reports not listed here.
3. BMEP General Staff Meeting Agenda and attached reports, 1 July 1992.
4. Kobla Quashie and Associates, Eswatini Shop - Management Letter - 1992 Audit, 1 July 1992.
5. BMEP Management Meeting Minutes 29 June 1992.
6. Kobla Quashie and Associates, BMEP: Trading as Eswatini Shop: Financial Statements, 18 June 1992.
7. ISED, ISED Consultancy with BMEP - offer of annual technical assistance.
8. CARE, Newton J. Guderyon (SEAS Project Manager), A Study of the Small Business Loan Scheme of BMEP, May 1991.
9. BMEP, Project Implementation Report, March, 1992.
10. CARE, (John F. Else and Thomas B. Alter of the Institute for Social and Economic Development, Iowa, USA), Assessment of Current Status and Five-Year Strategic Plan for BMEP, March 1992.
11. BMEP, Small Business Loan Scheme Report: Barclays Bank of Swaziland Development Fund, April 3, 1992.
12. BMEP, Workplan, April 1, 1991 - May 31, 1992.
13. Dlamini, Ndallahwa and Company, T/A Eswatini Shop: Financial Statements, 5 March 1991.
14. BMEP, Progress and Status Report, February 28, 1991.
15. CARE, BMEP/CARE Study Tour: Resource Center Visit to South Africa, April 15-18th 1991, May 15, 1991.
16. BMEP (Mrs. Nokukhanya M. Gamedze), Training Model and Curriculum Guide for Small Businesses, November, 1991.

17. USAID, Project Implementation Report, 10/1/91 - 3/31/92.
18. USAID, Microenterprise Monitoring System (MEMS) Data Sheet for Swaziland, March 10, 1992.
19. CARE (Newton J. Guderyon, SEAS Project Manager), A Study of the Small Business Loan Scheme of BMEP, May 1991.
20. USAID, Project Implementation Report, 4/1/91 - 9/30/91.
21. CARE (Raymond A. Collins), A Study of the Extension Activities of BMEP, March 1991.
22. Dlamini, Ndallahwa and Company, 1990 Audit of BMEP, 24 February 1991.
23. USAID, Project Implementation Report, 10/1/90 - 3/31/91.
24. Dlamini Ndallahwa & Company, BMEP: Trading as Eswatini Shop: Financial Statements, 31 December 1990.
25. BMEP, Workplan, June 1, 1990 - May 30, 1991.
26. USAID, Project Implementation Report, 6/1/90 - 9/30/90.
27. USAID, Cooperative Agreement No. 645-0234-A-00-0012-00, May 29, 1990.
28. BMEP, Grant Proposal, March 1990.
29. BMEP, Memorandum of Association of BMEP, February 1990.
30. BMEP, Article of Association of BMEP, February 1990.
31. Arthur Young (John Else and Jennefer Sebstad), Evaluation of BMEP in Swaziland for USAID/Swaziland, June 1989.

ANNEX 3

List of People Interviewed

## LIST OF PEOPLE INTERVIEWED

1. Ed Baker, Private Enterprise, USAID
2. Phindile Dlamini, Project Officer for BMEP, USAID
3. Diane Eames, Small Business, USAID
4. Mrs. Nokukhawya Gamedze, BMEP, Director, Box 2187 Manzini 52491/2 FAX 54083
5. Father Larry McDonnell, Founding Member of BMEP, Manzini Industrial Training Center (MITC), Box 2187, Manzini
6. Sifiso Ndwandwe, Assistant Manager, BMEP
7. Joseph B.K. Ndallahwa, Partner-in-Charge, Price Waterhouse, PO Box 1061, Manzini (09268)-54728/55301
8. Bongani Dube, Price Waterhouse (was member of 1990 audit done by Dlamini, Ndallahwa and Company)
9. Don Henry, DAI, Swazi Business Growth Trust (DAI, 7250 Woodmont Avenue, Bethesda, MD 20814 (301) 718-8292
10. Frank Mlotchwa, CARE training Consultant to BMEP
11. Kobla Quashie & Associates (role of Financial Officer and Accounts Clerk)
12. Nomthandazo (Tandi) Magagula, Extension Officer, BMEP
13. Stephen Motsa, Extension Officer, BMEP
14. Vuyisile Dlamini, Extension Officer, BMEP
15. John M. Nkumane, Assistant Manager, Barclays Bank, Manzini
16. Mrs. Sipiwe, Loan Program, Barclays Bank, Manzini
17. Dick Ouellette, CARE/Swaziland
18. Dan Mullins, Extension Consultant, CARE/Swaziland
19. Joe Dominic, Computer Consultant, CARE/Swaziland
20. Simon Matse, BMEP Client, Manzini
21. Moses Tsabedze, BMEP Client, Upholstery & General Curtaining  
Manzini SEDCO Estate
22. Mfana Dlamini, BMEP Client, Super Save Motors, Matsapha
23. Nelisiwe Myeni, BMEP Client, Manzini
24. Tom Mdluli, BMEP Client, Skills Center, Manzini
25. Mrs. Ngwenya, BMEP client, BMEP Workshops, Manzini
26. Cindy Ngwenya, BMEP Client, Impact Driving School, Manzini
27. Philile Dube, BMEP Client, Mobile Eye Clinic, Manzini
28. Zanele Sikhakahane, BMEP Client, Manzini
29. Smangele Zwane, BMEP Client, St. Michael's School, Manzini
30. Thuli Mabuza, T&N Dressmaking, Box 1074, Mbambane

ANNEX 4

Overview of Evaluation Activities

## OVERVIEW OF ACTIVITIES

- June 29 - Studied primary documents
- June 30 - Initial meetings at AID and BMEP
- July 1 - Inventory and review records at BMEP and meet EOs
- July 2 - Move to Manzini, review with auditor, begin needs assessment of Extension Officers, work flow analysis, and forms client forms/records (Initial Contact Form, Assessment Form, and Loan Application)
- July 3 - Reviewed Client Records, Observed Dan, CARE with Director and EOs in preparation for two day in-service training of EOs, Observed one EO with client, gave draft outline of evaluation report to Ed Baker, USAID
- July 4 - Read, wrote, met Gene, CARE/Swaziland Dir.
- July 5 - Day off
- July 6 - Mrs. Gamedze on strategic plan. Review outline with Ed Baker and Phindile Dlamini at USAID. Dick, et. al CARE Comments on "Strategic Plan"
- July 7 - Barclays Bank: Mr. John M. Nkumane, Assistant Manager and Mrs. Siphwe who handles the BMEP Loan Program for the Bank.
- July 8 - Observation of training for rural groups at St. Phillips.
- July 9 - Visited two clients of Motsa's. Reviewed notes. Wrote.
- July 10 - Visited one client of Tandi and one of Vuyi
- July 11 - Feedback to CARE on in-service training for EOs
- July 12 - Evaluation Review with Mrs. Gamedze, review curriculum for EO in service training with Dan.
- July 13 - BMEP Management Meeting, General Staff Meeting, and interview with the Chairwoman of BMEP.
- July 14 - Observed and participated in CARE in-service training of Extension Officers.
- July 15 - Observed and participated in CARE in-service training of Extension Officers.
- July 16 - Visited BMEP clients, interviewed Board Member Father Larry, Reviewed issues of the Board with Mrs. Gamedze
- July 17 - Visited BMEP clients, interviewed Frank & Sifiso
- July 18 - Reviewed policy and organization issues with Mrs. Gamedze
- July 19 - Read and wrote
- July 20 - Meeting with USAID on initial draft

ANNEX 5

Barclays Bank Loan Agreement

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Head Office

17th January 1989

The Director,  
Manzini Industrial Training Centre,  
Business Management Extension Programme  
P.O. Box 2187,  
MANZINI.

Dear Sir,

BARCLAYS INTERNATIONAL DEVELOPMENT FUND  
BARCLAYS BANK OF SWAZILAND DEVELOPMENT FUND

SMALL BUSINESSMAN LOAN SCHEME

Further to our recent meeting we are pleased to advise that we are prepared to offer you a guaranteed loan scheme based on your application dated 17th October 1988. The following terms will apply:

The Loan Scheme

1. Loans will be granted by the Business Management Extension Programme (BMEP) to qualifying Swazi owned small businesses, businessmen or businesswomen.
2. All loans will be administered by BMEP.
3. Loan recipients will be screened by BMEP and will be required to allow monitoring of finances by BMEP.
4. Loans will be small in size ranging between E750 to E2,500 per loan.

The Loan Scheme Facility

5. The account of the Loan Scheme will be held at Manzini branch of Barclays Bank of Swaziland and be designated "Manzini Industrial Training Centre - Business Management Extension Programme - Loan Fund".
6. The Loan Fund may be dispersed by cheques drawn on the loan fund account.

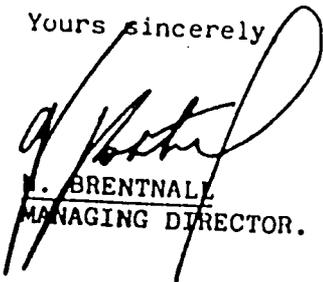
Loan A/c No 3134927  
Interest A/c No 3134935  
(at Manzini Branch)

7. The maximum amount outstanding at any one time may not exceed E215,000 (Two hundred and fifteen thousand Emalangeni) subject to an initial release of E25,000 (Twenty five thousand Emalangeni) and thereafter further sums of E20,000 (Twenty thousand Emalangeni) provided we are satisfied by means of monitored performance that the loans are well administered by BMEP, until the maximum figure of E215,000. Thereafter the loan fund will be on a revolving basis.
8. Barclays Bank of Swaziland will lend funds at 3% below its prime lending rate (presently effective 12.5%) and the BMEP will lend at 7% over prime (presently effective 22.5%).
9. For ease of control interest will be debited monthly and should be paid by BMEP within 30 days.
10. Loan repayments should be credited to the loan fund account.
11. For the purpose of monitoring progress of the scheme and repayment of loans BMEP will provide Barclays Bank of Swaziland Manzini branch with a monthly schedule of loans outstanding and repayment records.
12. Barclays Bank of Swaziland Development Fund and Barclays International Development Fund will guarantee all outstanding loans. Subject to agreement between BMEP and Barclays Bank of Swaziland Development Fund that an account is irrecoverable a refund of the outstanding balance exclusive of interest due to BMEP will be made.
13. At this stage it is impossible to predict how long the Scheme will be in operation as this will be dependant on its successful performance. For control purposes it is necessary for us to place a final expiry date on the Development Funds' guarantees and this will be the sixth annual anniversary from the first drawdown.
14. Notwithstanding the comments made in Paragraph 13 above the Bank reserves the right to cancel the Loan Scheme at anytime and call for repayment in terms of the individual loans outstanding.
15. Whilst it is understood that Barclays Bank of Swaziland Manzini branch will monitor the Scheme's performance on a monthly basis the Development Funds will require reports from BMEP on the annual performance of the Loan Scheme and future plans.

The above terms set out the basis of our offer which if you find them acceptable please call on Mr. Plowman the Manager of our Manzini branch who will be pleased to arrange all the necessary formalities to bring the Loan Scheme to fruition. A signed copy of this letter will serve as your acceptance of our offer.

We would like to take this opportunity of wishing you success in this new venture and to assure you of our assistance in need. Should you find any particular difficulty in administering the Scheme please do not hesitate to contact either Mr. Plowman or the undersigned.

Yours sincerely



M. BRENTNALL  
MANAGING DIRECTOR.

ANNEX 6

June 1992 Expenses. July/August 1992 Budget. 1990 Audit

## BMEP BUDGET AND ACTUAL EXPENDITURE FOR JUNE 1992

	BUDGET	ACTUAL	VARIANCE
<b>PERSONNEL</b>			
Director	3424.00	3424.00	0.00
Programme Manager	2640.00	2640.00	0.00
Financial Manager	2400.00	0.00	2400.00
Finance Officer	1454.75	1454.75	0.00
Extension Officer	1322.50	1322.50	0.00
Extension Officer	1322.50	1322.50	0.00
Extension Officer	1100.00	1100.00	0.00
Secretary	859.03	859.03	0.00
Accounts Clerk	793.50	793.50	0.00
Cleaner	396.75	396.75	0.00
Provident Fund	0.00	112.50	-112.50
Maintenance	123.05	80.00	43.05
Security	462.88	350.00	112.88
Medical	141.55	128.55	13.00
Training	1500.00	0.00	1500.00
Occupancy	1000.00	0.00	1000.00
Client Training	400.00	398.64	1.36
<b>OFFICE EXPENSES</b>			
Stationery	150.00	0.00	150.00
Papers	113.14	1527.17	-1414.03
<b>UTILITY &amp; AUTO</b>			
Telephone	1140.00	938.88	201.12
Electricity	380.00	845.94	-465.94
Vehicle:			
: Maintenance	800.00	332.45	467.55
: Fuel	625.00	420.58	204.42
Bank Charges	0.00	5.51	-5.51
<b>EQUIPMENT</b>			
Maintenance	1100.00	461.02	638.98
Insurance	0.00	1425.76	-1425.76
<b>GRAND TOTAL</b>	<b>23648.65</b>	<b>20340.03</b>	<b>3308.62</b>

## BMEP BUDGET JULY 1992 TO AUGUST 1992

	JULY	AUGUST	TOTAL
<b>PERSONNEL</b>			
Director	3424.00	3424.00	6848.00
Programme Manager	2640.00	2640.00	5280.00
Financial Manager	2640.00	2640.00	5280.00
Finance Officer	1454.75	1454.75	2909.50
Extension Officer	1322.50	1322.50	2645.00
Extension Officer	1322.50	1322.50	2645.00
Extension Officer	1100.00	1100.00	2200.00
Secretary	859.03	859.03	1718.06
Accounts Clerk	793.50	793.50	1587.00
Cleaner	396.75	396.75	793.50
Maintenance	123.05	123.05	246.10
Security	462.88	462.88	925.76
Medical	141.55	141.55	283.10
Training	1000.00	1000.00	2000.00
Provident Fund	112.50	112.50	225.00
Occupancy	1000.00	1000.00	2000.00
Client Training	400.00	400.00	800.00
<b>OFFICE EXPENSES</b>			
Stationery	150.00	150.00	300.00
Papers	113.14	313.14	426.28
<b>UTILITY &amp; AUTO</b>			
Telephone	1140.00	1140.00	2280.00
Electricity	500.00	500.00	1000.00
Vehicle:			
: Maintenance	800.00	800.00	1600.00
: Fuel	625.00	625.00	1250.00
Bank Charges	150.00	150.00	300.00
<b>EQUIPMENT</b>			
Maintenance	500.00	500.00	1000.00
Computer	0.00	7000.00	7000.00
Furniture	4000.00	0.00	4000.00
<b>GRAND TOTAL</b>	<b>27171.15</b>	<b>30371.15</b>	<b>57542.30</b>

# DLAMINI, NDALLAHWA AND COMPANY

CHARTERED ACCOUNTANTS (SD)

Tel: 54728/55301 Fax: 55298 Telex: 2309 WD.  
Suite Nos. 2&3 Enterprise Stores Complex  
P.O. Box 1061  
MANZINI SWAZILAND

Partner: J.B. Ndallahwa  
Manager: K.M. Quashie  
Consultant: B.S. Dlamini

Our Ref: KMQ/ld/211/91

Your Ref:

24th February, 1991.

The Chairman and Members of the  
Board of Directors,  
Business Management Extension Programme,  
MANZINI.

Dear Sir,

RE: MANAGEMENT LETTER ON 1990 AUDIT

We are pleased to submit through the Chairman the audited financial statements of the Business Management Extension Programme for the year ended 31 December 1990. In the course of our audit, weaknesses in internal control and other matters came to our attention and these together with some which will be detailed in this report were discussed at an Audit Conference with senior management on 21 February 1991.

Our audit was primarily designed to enable us to express those opinions on the financial statements that are required in terms of Contract No: 645-02222-9-SS-6005 with USAID. It should therefore not be relied upon to disclose all control weaknesses and unsatisfactory matters that may exist or have existed during the year under review.

1.0 SMALL BUSINESS LOAN SCHEME

Our audit of the small business loan scheme was carried out in terms of the provisions of the "Barclays Bank of Swaziland Development Funds" document dated 17 January 1989. The procedures for granting the loans are stated in the loan system proposal and loan policy proposal. If properly followed these procedures can be a very good system, not only of monitoring the loans but also of making sure that loans are only granted to qualifying individuals. Briefly the procedures entail the following steps:

- Verbal enquiry of client by Programme Manager
- Assssment of client by Programme Manager and then making recommendations
- Collection of information by ways of visits to client's premises etc.

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- Submission of a completed form to Programme Manager by the Office Manager for the programme manager to decide whether applicant should submit written application
- Submission of the loan application to the Loan Grant Panel
- Completion of a loan agreement and preparation of a loan repayment schedule
- Issue of loan cheque to

OBSERVATION

- 1.1 We noted with great concern that the loan cheques are made payable to the clients who will later cash them. As a matter of fact, out of the 18 loan applicants that we examined only 1 cheque was made payable to a supplier and the rest were all made payable to the clients. A few of the clients to whom loan cheques were made payable are listed below.

CLIENTS WITH LOAN CHEQUES PAYABLE TO THEM

<u>DATE</u>	<u>LOAN NO:</u>	<u>CLIENT'S NAME</u>	<u>LOAN AMOUNT (E)</u>
08/02/90	B021	Jerome Khoza	2 500.00
01/03/90	B022	Rachel Nxumalo	750.00
07/03/90	B023	Thandi Vilakazi	750.00
29/03/90	B024	Selby Mavuso	2 500.00
24/04/90	?	Miriam Dlamini	2 000.00
20/12/90	B044	Petros Ngwenya	3 000.00
"	B045	Hezekiah Ngwenya	3 000.00
"	B047	Walter Mntshali	3 000.00
14/12/90	B043	Musa Matsebula	3 000.00
08/06/90	B029	Tom Mdluli	500.00

This practice is a contravention of the loan policy which provides that the funds must be supplied "in kind," that is, in the form of raw materials, machinery etc. Giving the loans in cash makes it easy for the clients to use the money for purposes other than the one stated in the loan application form. It is imperative therefore that loans are always given in kind, that is, by making the cheques payable to the various suppliers from whom the clients intend buying their material, equipment etc.

- 1.2 We also observed that too many loans are granted to traders for the direct purchase and resale of stock which practice contravenes the provision of the agreement with Barclays Bank of Swaziland Limited.

LIST OF TRADERS WHO WERE GRANTED LOANS

<u>DATE</u>	<u>LOAN NO:</u>	<u>CLIENT'S NAME</u>	<u>NATURE OF BUSINESS</u>	<u>LOAN AMOUNT (E)</u>
07/03/90	B023	Thandi Vilakati	hawker	750.00
29/03/90	B024	Selby Mavuso	butchery	2 500.00
04/10/90	B032	Sonnyboy Ngidi	general dealer	2 500.00
20/12/90	B044	Petros Ngwenya	" "	3 000.00
"	B045	Hezekiah Ngwenya	" "	3 000.00
"	B047	Walter Mntshali	grocery	3 000.00

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We recommend that funds supplied only to manufacturing or service enterprises was the original intention for setting up the loan scheme. Traders must be referred to the commercial banks.

1.3 COMPLIANCE WITH LOAN POLICY WHEN GRANTING LOANS

Out of the 29 loans disbursed during 1990 we selected a sample of 18 loans with the objective of determining if the right procedures were followed when granting them the loans.

We observed the following:

1.3.1 Assessment of clients

There was no evidence in some of the clients' loan files that they were properly assessed before being considered for the loans. The 8 clients listed had no loan assessment forms in their files.

CLIENTS WITH NO LOAN ASSESSMENT FORMS

<u>DATE</u> <u>LOAN GRANTED</u>	<u>LOAN NO:</u>	<u>CLIENT'S NAME</u>	<u>LOAN AMOUNT (E)</u>
07/02/90	B020	Nicholas Shongwe	2 500.00
08/02/90	B021	Jerome Khoza	2 500.00
07/03/90	B023	Thandi Vilakazi	750.00
18/07/90	B034	Dumsani Simelane	2 500.00
30/11/90	B038	Makati Vilakazi	750.00
30/12/90	B044	Petros Ngwenya	3 000.00
"	B045	Hezekiah Ngwenya	3 000.00
"	B047	Walter Mntshali	3 000.00
			18 000.00
			=====

A subsequent review of the loan repayment records revealed that two of the clients with no loan assessment forms are in arrears with their instalments. These clients are tabulated below:

UNASSESSED CLIENTS WHO ARE NOT UP TO DATE WITH THEIR INSTALMENTS

<u>DATE</u> <u>LOAN GRANTED</u>	<u>LOAN NO:</u>	<u>CLIENT'S NAME</u>	<u>DATE OF LAST PAYMENT</u>	<u>ORIGINAL LOAN</u>	<u>BALANCE DUE</u>
07/02/90	B020	Nocholas Shongwe	Aug. 1990	2 500.00	716.97
07/03/90	B023	Thandi Vilakati	Mar. 1990	750.00	250.00

It is our opinion that if the clients were properly assessed their credit worthiness would have been easily ascertained. We could not obtain any reasonable explanation on the basis on which the persons listed above were granted loans. We need not emphasize the need for the assessment of clients as the first and most important step in the granting of loans to clients. We further recommend the formulation of a well defined assessment procedure stating the conditions which clients have to fulfill in order to make them eligible for loans and the proper training of extension offices in this field as stated in the memorandum of Understanding between

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1.3.2 Visits to Clients' Premises

Although we were reassured that all clients' premises are visited before granting loans to them, in some cases we could not obtain any documentary evidence of visits to clients' business sites. Visits to clients premises will give BMEP a reliable first hand information on how productive the loan financed assessment is, since this information will be collected by the extension officers themselves. Recording of information gathered during visits to clients premises would give additional information to the loan Grant Panel in their decision making process rather than relying on cashflow forecasts alone. The table below shows the clients with no documentary evidence of visits to their premises.

CLIENTS WITH NO DOCUMENTARY EVIDENCE OF VISITS TO THEIR PREMISES

<u>DATE</u>	<u>LOAN NO:</u>	<u>CLIENT'S NAME</u>	<u>LOAN AMOUNT (E)</u>
08/02/90	B021	Jerome Khoza	2 500.00
07/03/90	B023	Thandi Vilakati	750.00
18/07/90	?	Winston Sinclair	2 500.00
"	B034	Dumsane Simelane	2 500.00
31/10/90	B037	Richard Ngwenya	2 500.00
30/11/90	B038	Makati Vilakati	750.00
20/12/90	B044	Petros Ngwenya	3 000.00
"	B045	Hezekiah Ngwenya	3 000.00
"	B047	Walter Mntshali	3 000.00

1.3.3 Loan Grant Panel

The Programme Manager has to submit the loan application to the Loan Grant Panel who are the people that have the final responsibility to decide whether or not a client should be given a loan. The panel consists of five members namely the Programme Manager, Office Manager, Technical Advisor, Finance Officer and the Chief Extension Officer. For all the 18 loan applications that we examined not a single one of them was approved by the loan grant parcel. Below is a list of some of the loan applications that were not approved by the Loan Grant Panel.

1.3.4 LIST OF CLIENTS WITH UNSIGNED LOAN APPLICATIONS

<u>DATE</u>	<u>LOAN NO:</u>	<u>CLIENT'S NAME</u>	<u>LOAN AMOUNT (E)</u>
08/02/90	B021	Jerome Khoza	2 500.00
31/10/90	B037	Richard Ngwenya	2 500.00
30/11/90	B038	Makati Vilakati	750.00
20/12/90	B044	Petros Ngwenya	3 000.00
"	B045	Hezekiah Ngwenya	3 000.00
"	B047	Walter Mntshali	3 000.00
14/12/90	B043	Musa Matsebula	3 000.00

We also could not obtain minutes of the meeting of the Panel for the period under review which indicates that the panel does exist, it does not meet formally.

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We were informed that all along loans have been approved by the Office Manager. The objective of giving the ultimate responsibility of granting loans to the Loan Grant Panel is rather obvious, that is, making sure that loans are not only given to the right people but also to ensure that all procedures have been followed. The filling in of the loan application forms by clients should not be construed to mean that the clients have succeeded in getting loans as seems to be the present case. Each loan application must be approved by the panel. Consequently each loan application form has to be signed by all members of the Panel when they have processed it. When the Panel meets minutes must also be taken. We observed that the loan Grant Panel only consists of BMEP staff when the USAID document requires it to also have bank, legal and business representation.

1.3.5 Loan Agreement

Loan agreements are the legal instruments on which the clients can be should they fail to repay their loans. However, we could not obtain copies of the loan agreements for the following clients although their loans were approved.

<u>CLIENTS WITH NO LOAN AGREEMENTS</u>			
<u>DATE</u>	<u>LOAN NO:</u>	<u>NAME OF CLIENT</u>	<u>LOAN AMOUNT (E)</u>
18/07/90	?	Winston Sinclair	2 500.00
"	B034	Dumsani Simelane	2 500.00

We could not obtain adequate explanation for the missing loan agreements. We recommend that this anomaly be reminded as a matter of urgency.

1.3.6 Provision for Bad Debts

An age analysis of the loans outstanding as at 31 December 1990 is shown below:

<u>BMEP LOAN DEBTORS AS AT 31 DECEMBER 1990</u>				
<u>TOTAL BALANCE</u>	<u>CURRENT</u>	<u>30 DAYS</u>	<u>60 DAYS</u>	<u>90 DAYS +</u>
<u>E</u>	<u>E</u>	<u>E</u>	<u>E</u>	<u>E</u>
52 309.36	45 998.50	1 272.75	232.97	4 805.14

After reviewing the age analysis we agreed with the view that there is a high probability that the loans which are 90 days overdue may not be paid. As a matter of fact the debts have already been handed to IMA Secretarial Services (which is BMEP's debt collector) for collection. Their collectability therefore depends on the outcome of the efforts of IMA. We are pleased to note that steps have been taken to declare these debts as bad and Barclays Bank of Swaziland Limited informed accordingly. For BMEP to lend productively, it must have well documented loan fund procedures, policies and methodologies. This will require the training of the staff in loan selection, assessment and monitoring. Even though funds have been provided for the design of a loan implementation monitoring and evaluation system as well as the training of staff during the first financial year under review.

This has not been done. We recommend that steps are taken to refine the system of granting loans and also to upgrade the of the extension officers.

2.0 BUDGET

The operating USAID budget covers the two year period from January 1990 to December 1991. An operational budget has not been prepared stating the different time periods on which the various expenditures will be undertaken and assets acquired. Secondly no variance analysis is prepared showing variances of actual expenditure from budget. On the basis of the foregoing it is not possible for us to comment on budgetary performance.

3.0 FUNDING THE PERIOD JANUARY 1990 TO JUNE 1990

We note that the USAID grant was only received in June 1990 by BMEP and before then the organisation had no source of income apart from the limited funds that BMEP was able to generate itself. In order to meet its personnel costs from January 1990 to May 1990, BMEP borrowed from Father Lawrence McDonnell who is also a director of BMEP. The total sums advanced during this period amounted to E20,800.00. There is no formal arrangement on how BMEP is going to repay the loan.

The following assets were taken over by Father L. McDonnell in October 1990 as repayment for the loan. The table below shows the assets taken over together with their dates of purchase and their cost values. The necessary adjustments have been made in the fixed assets schedule.

<u>DATE OF ACQUISITION</u>	<u>DESCRIPTION OF ASSETS</u>	<u>COST (E)</u>
29/09/88	Nissan van	17 000.00
30/07/86	Photocopier	3 800.00
12/02/88	Computer	10 260.00
30/09/86	Typewriter	<u>2 307.87</u>

4.0 ACCOUNTING SYSTEM

The budget provides for a review of financial system. To date we have seen no evidence that this has been done.

5.0 The present accounting system revolves amongst two bank accounts namely number 1 and number 2 bank accounts. Each bank account is dealt with separately in this report.

5.1 NUMBER 1 CURRENT ACCOUNT

This account is used to pay mainly for personnel costs and all other major project costs. All the USAID funds are controlled through this bank account. We were pleased to note in the course of our audit that a ledger is now maintained for number 1 account.

The following matters also came to our attention:

5.1.1 Payment Vouchers

Although we obtained payment vouchers for the sample of 20 cheque payments that we selected, four of the payment vouchers had only one signature when in actual fact payment vouchers are supposed to be authorised by two officials namely the Programme Manager and Finance Officer. These payment vouchers correspond with the payments which are tabulated below.

PAYMENT VOUCHERS BEARING ONE SIGNATURE

<u>DATE</u>	<u>CHEQUE NO:</u>	<u>PAYEE</u>	<u>AMOUNT (E)</u>
24/07/90	459647	Apt Swaziland	2 750.00
25/09/90	459642	Sebec	322.00
19/10/90	459711	Leites Motors Ltd	19 486.00
20/11/90	459744	Cashbuild	1 030.45

We also observed that payment vouchers are not serially pre-numbered except for the cheque numbers that are written on them. In order for the vouchers to have their own independent control they must have their own serial numbers so that missing vouchers can be easily traced.

5.1.2 Ordering of Goods

No orders are made for all items that are purchased by BMEP except for equipment and other fixed assets such as motor vehicles. Orders are a good form of budgeting control because from the order book it is easy to tell for instance how much has been spent on stationery. Besides, orders are well monitored no items can be purchased without a valid order. But the practice at BMEP is such that any member of staff can go to SEBEC, for instance, and take any stationery items for private use knowing very well that the items will be paid for by BMEP. We recommend that orders be placed for any item of expenditure, no matter how small, and these orders have to be approved by both the Finance Officer and the Programme Manager. Arrangements must also be made with suppliers not to take verbal orders. This would help not only to guard against fraud but also to improve budgetary control as already stated above. Also, all payments for goods purchased must be backed by an official authorised order, invoice, delivery note (if applicable) and a payment voucher.

5.1.3 Payment to M.I.T.C.

MITC renders services to BMEP in the form of car repairs, security services, building maintenance, cleaning e.t.c. and BMEP to MITC for the services rendered under "Seminars and other payments" the payments must be analysed to show in detail how much has been paid for each service.

5.2 NUMBER 2 CURRENT ACCOUNT

All non USAID funds are deposited in this account. These other funds are generated by BMEP itself like tuition fees, sale of materials etc.

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This bank account is used mainly to pay for the expenditure made through this account which virtually means that all the expenditure in this account is not authorised. Unlike the number 1 account no budget is prepared for the number 2 account expenditure. The importance of all these documents, that is, orders, payment vouchers and budgets have already been spelt out in the "number 1 account" part of this report and discussing them here would be a mere repetition.

### 5.3 PETTY CASH

We are pleased to note that petty cash payments are made through the use of petty cash vouchers and we also managed to get supporting receipts for the vouchers. However, in order to tighten up the system the petty cash vouchers need to be numbered so that missing vouchers can be easily traced. Also, a proper petty cash book must be maintained instead of the present system which uses loose analysis sheets.

### 5.4 CASH ADVANCES TO PARTICIPANTS

The statement of receipts and payments show that an amount of E2,458 was received by BMEP from participants. This is the net amount on this account. BMEP deposits cheques received by its clients who do not generate current account with any commercial bank and in turn pays out the cash to the client. We recommend that this practice be stopped and rather BMEP advises its clients to maintain accounts with the commercial banks

## 6.0 LOGBOOKS

BMEP has a fleet of 3 cars with fuel costs running at an average amount of E6000.00 per month. No matter how good the system of issuing petrol at the filling station may be if the movement of vehicles is not properly controlled through the use of logbooks and other management controls, fuel costs will always escalate. Logbooks are supposed to monitor the movement of vehicles by showing the following information:

- date
- time of departure and return of the vehicles
- kilometres travelled and amount of fuel consumed
- destination and details of the journey
- the driver's signature

Our examination of the logbooks for the three cars that are owned by BMEP revealed the following deficiencies in the information contained in the logbooks. The general weakness in all the logbooks is that they do not show the litres of fuel consumed and the details of the trips undertaken.

### 6.1 TOYOTA HILUX VAN - SD 582 VM LOGBOOK

#### Observations

- i) The time of return was not recorded on the following days:  
31/10/90, 12/12/90 and 13/12/90
- ii) Both the time of departure and return were not recorded on the following days: 16/11/90, 20/11/90, 31/12/90, 03/01/91, 04/01/91, 28-31/01/91 and 01/02/91.
- iii) The destinations were not recorded on the following days:  
20/11/90, 26/11/90, 07/12/90 and 10/12/90.

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## 6.2 TOYOTA STALLION - SD 447 SM LOGBOOK

### Observations

- i) The dates in the logbook jump from 25/01/91 such that three days trips are unaccounted for (excluding the weekend).
- ii) The car was purchased on 19/10/90 but the first entry on the logbook is on 25/01/91

## 6.3 NISSAN VAN - SD 535 UM LOGBOOK

### Observation

- i) Speedometre readings for the following dates were not recorded 03/08/90, 06/08/90, 88/08/90 and 09/08/90
- ii) The logbook is not up to date, that is, at the time of the audit (05/02/91) the last entry in the logbook was on 16/08/90
- iii) Kilometres travelled were not recorded from 03/08/90 to 16/08/90
- iv) The times of departure were not recorded from 03/08/90 to 08/08/90

## 6.5 RECOMMENDATIONS

On the basis of the foregoing we can see that the major weakness in the logbook system is that logbooks are partially filled in. The obvious recommendation is therefore that the logbooks must be filled in full, giving all the details stated earlier on. Also, stating the destination alone is not sufficient; the purpose of the trip must also be stated in order to make it easy to tell the difference between business trips and private trips.

We further recommend the following:

- i) Management controls must be implemented whereby a schedule of all long trips would be prepared by the chief extension officer daily and submitted to the Programme Manager for approval. Once approved it would be easy to cross check all trips in the logbook back to the trips schedule.
- ii) The logbooks must be checked on a daily basis to see if they were properly filled in and any blank spaces must be quired with the respective official.

## 7.0 FIXED ASSETS

Although we commented in our management letter last year that a fixed assets register should be maintained we were surprised to find that this has not been done. As a result we were not able to obtain the values and dates of purchase for the assets which are listed below:-

- All the assets in the meeting room
- All the assets in the kitchen
- All the assets in the resource centre
- Administration: 1 filing cabinet, 3 sofas, 2 transformers, 1 coffee table
- Office Manager: 4 sofas, 1 coffee table, 1 heater and fan

We still recommend that a fixed assets register be maintained. The advantage of this register is that it makes it easier to get a list of all the assets that are owned by the organisation together with their values.

## 8.0 STAFF POLICIES

Our review of the personnel files revealed a lot of irregularities in the way staff is recruited. Apart from the general provisions of the Employment Act of 1981 we also used the BMEP "General Conditions of Employment" as a guideline in our audit programme. Our observations are listed below:

### 8.1 PRE-EMPLOYMENT PROCEDURES

The first step in the employment procedure is an application letter together with a detailed curriculum vitae from the employee. We could not find application letters for the following employees:

<u>NAME OF EMPLOYEE</u>	<u>POSITION HELD</u>
1. Nomthandazo Magagula	Extension officer
2. Patricia Malindzisa	Typist/receptionist
3. Bonisile Hlandze	Accounts clerk/typist
4. Steven Motsa	Extension officer

Copies of certificates were also not in the files of all the above employees, except Patricia Malindzisa.

### 8.2 COMPLETION OF REFERENCE CHECKS

Enquiries are supposed to be made from the prospective employees' referees but we could not get any correspondence between BMEP and the referees of the following employees:

<u>NAME OF EMPLOYEE</u>	<u>POSITION HELD</u>
Nokukhanya Gamedze	Programme Manager
Sifiso Ndwandwe	Office Manager
Reginald Magagula	Chief Extension Officer
Patricia Malindzisa	Typist/receptionist
Steven Motsa	Extension Officer

The purpose of these enquiries is two-fold, firstly to verify the curriculum vitae of the employees and secondly to obtain additional information on the employee.

### 8.3 APPOINTMENT PROCEDURES

After successfully completing their probation employees are supposed to be confirmed as permanent members of staff. We could not find any confirmation letters for the following employees:

<u>NAME OF EMPLOYEE</u>	<u>POSITION HELD</u>
1. Nokukhanya Gamedze	Programme Manager
2. Reginald Magagula	Chief Extension Officer
3. Bonisile Hlandze	Accounts Clerk/typist
4. Steven Motsa	Extension Officer

### 8.4 RECOMMENDATION

We recommend that all the above matters relating to staff recruitment be normalised.

9.0 SHARE CAPITAL

BMEP was incorporated as a company during the financial year under review, with an authorised share capital of 100 ordinary shares of a lilangeni each, of which two shares have been issued. There is no evidence of payment for those shares and as such a share capital is not reflected in the balance sheet. We recommend that the share should be paid for and issued.

10.0 CONCLUSION

We would like to thank the management and staff for the excellent assistance and co-operation extended to our team in the course of our audit.

Yours faithfully,

Dlamini, Ndallahwa and Company

DLAMINI, NDALLAHWA AND COMPANY