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**RURAL SMALL ECONOMIC ACTIVITY
DEVELOPMENT PROJECT (SEAD)**

STEP EXPERIMENTAL PROJECT #6

FINAL REPORT

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THE SWAZILAND TRAINING FOR ENTREPRENEURS PROJECT (STEP)

This is one of a series of reports on experimental activities undertaken by STEP - the Swaziland Training for Entrepreneurs Project.

STEP was commissioned by USAID (the United States Agency for International Development) and was intended to identify potentially successful means of stimulating small business activity to increase employment and productivity. STEP's activities included the commissioning of a series of baseline studies, the undertaking of experimental activities, and the provision of technical assistance.

The project commenced in 1986 and is due to end in November 1989. Originally, STEP was implemented by Partnership for Productivity, but was taken over by CARE International, a development organisation, early in 1987. STEP was CARE's first and (to date) only project in Swaziland.

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List of Definitions and Terms

USAID	United States Agency for International Development
STEP	Swaziland Training for Entrepreneurs Project
SEAD	Small Economic Activity Development
GOS	Government of Swaziland
WID	Women In Development
SEDCO	Small Enterprise Development Company
EO	Extension Officer
FS	Field Supervisor
IGA	Income Generation Activity
SNL	Swazi Nation Land

INCOME GENERATING ACTIVITY - Economic activity where all profits are withdrawn by the owner resulting in zero or negative net growth.

SMALL BUSINESS - Economic activity where the owner re-invests some of the profits in the activity, resulting in growth.

EXECUTIVE SUMMARY

On October 7, 1988 the United States Agency for International Development (USAID) approved STEP Experimental Project #6, Rural Small Economic Activity Development (SEAD) to explore ways of making credit available to Swaziland's rural micro-entrepreneurs at an allocation level of E33,000. (E15,000 for a loan fund and E18,000 for salary and administration)

Sibovu, the Rural SEAD subproject location, is one of the four original Government of Swaziland Rural Development Area (RDA) project headquarters and is a rural economic center.

By the end of July 1989, ninety loan applicants had approached the Rural SEAD Subproject office; 28 loans were made totaling E9,100 and one non-loan participant had been accepted into the program. Strict adherence to repayment schedules was a major problem but some of the fault is related to the poor communication and transport infrastructures of the rural areas. Word of mouth has been the only means of publicity. After a slow start-up period it was found that the flow of applicants could be drastically affected by saying "yes" or "no" to only one or two applicants.

Number one among the management problems encountered by rural entrepreneurs is credit sales. Methods for recording and managing credit sales are of utmost importance. The development of a firm credit policy getting it written on paper and sticking to it will help many entrepreneurs increase their working capital level without the borrowing of funds.

Low educational levels among entrepreneurs (70% of the applicants never studied beyond Primary School) is a major problem in developing small business activity in rural areas. Seventy-two percent of the applicants had few or no written records of their business activities.

Honesty is another serious problem: 66% of the applicants willingly misrepresented their intentions. Approximately 20% were thought to fear STEP as a foreign-based lending institution, but the majority of cases attempted to acquire business loans for personal consumption. A flood of inquiries occurred at planting time and in January when school fees are due. Most of these people did intend to repay the loans they applied for but fell outside the parameters of our project. Only a small number of applicants (8%) were thought to be trying to acquire funds with no intention of repaying.

Applicants showed a strong resistance to concentrating their personal commitment on one income earning activity. The average applicant worked pretty hard to earn a living for their family but at several different activities. Both the culture and the general farm background with its on and off seasons tend to support this approach. But many applicants lacked the self-confidence to commit themselves to only one income source, to "put all of their eggs in one basket".

Financial assistance was found to be very much needed by rural entrepreneurs but it is of little help without management and technical assistance. In very few situations was financial assistance the number one need of an entrepreneur.

Future rural loan programs should be tied to commercial banks as a means of graduating participants into the formal banking sector. CARE should cooperate with formal lending institutions to assist them with client selection and monitoring-the two things which make small business loans unprofitable for them. Business management training should be mandatory for those participants who are judged to need it and technical assistance should be made available to them to upgrade their skill levels. The same business management training methods and technical assistance should also be made available to the technical training centers throughout Swaziland.

I. Introduction

A. Background

As the Swaziland Training for Entrepreneurs Project (STEP) was considering various strategies to fulfill its Cooperative Agreement with the United States Agency for International Development (USAID) to undertake six experimental projects to "explore various methods of encouraging small-scale, private sector development", three points concerning the rural part of the country emerged:

1. The majority (85%) of Swaziland's population still lives in rural areas.
2. Swaziland's urban areas are filling with people fleeing unemployment in the rural areas, thus creating huge problems for the cities.
3. The Government of Swaziland (GOS) is encouraging Swazis to remain in or return to the rural areas.

It was essential that STEP activities be expanded to look at small business in rural Swaziland in order to coordinate our activities with the GOS's planning and to enable our research to encompass Swaziland's poor rural majority.

B. Goals/Objectives

The learning objectives of the Rural SEAD Subproject are essentially the same as for STEP's Credit Training Project #3:

1. Test an approach which is being used successfully elsewhere in Africa to stimulate and promote rural small enterprises;
2. Define the specific human and social parameters of an effective engagement between Swazi rural small enterprises and the corresponding assistance efforts aimed at them;
3. Gain insight and experience with respect to the methodology and terms of engagement necessary for credit facilities of any kind (guarantee schemes, NGO revolving funds, etc.) to be implemented effectively in Swaziland at the rural small enterprise level.¹

However, the significant difference with the Rural SEAD Subproject (aside from its rural setting) is that a "participant" is defined less in terms of having qualified for a loan, than in terms of having qualified for any kind of assistance by showing commitment, drive and willingness to learn.²

¹ From CTP Request for Approval, May 17, 1988

² From Rural SEAD Subproject Request for Approval, July 14, 1988

II. Methodology

A. Origin

The original methodology for the Rural SEAD Subproject was designed for Partnership for Productivity (PfP) by Anne and Nick Richie, CARE Regional Technical Advisors in West Africa. The process was developed as follows:

1. An Initial Screening takes place in the Rural SEAD Subproject office to check applicants' ideas against STEP policy guidelines. Applicants who show sincerity and personal commitment, and fall within the parameters of STEP activities are given a set of...
2. Tasks designed to further check the sincerity of the applicant and get an accurate picture of their present business activity. If the tasks are successfully completed it is time to move on to...
3. On-site Involvement, where visits to the home and business of the applicant will confirm the financial information given by the applicant. Non-financial information is also gathered on the personal life of the applicant and their spending habits. Neighbors, customers or suppliers may also be interviewed to triangulate information where possible. If it is felt that no further tasks are necessary we make a...
4. Situation Assessment of the applicant as both a person and as an entrepreneur. If problems are identified, it may become necessary to assign further tasks or to undertake more on-site involvement. Once clear assessments of the business and entrepreneur are available a...
5. Plan of Action is drawn up. Objectives and both the applicant's and STEP's expectations are clarified and recorded. Then a workplan is drawn up consisting of one or more of the four possible interventions-financial assistance, management assistance, technological assistance or empowerment/social promotion. Difficulties in drawing up a workable plan of action may lead to re-assessment. But once a workable plan is achieved, the "applicant" becomes a "participant" and we move on to...
6. Implementation of the Plan of Action. Close monitoring will reveal any problems not envisioned earlier. Adjustments in the Plan of Action may take place and financial and non-financial monitoring will give STEP a file of information on the participant to carry out...
7. Reporting and Evaluation. Monthly Balance Sheets, Income and Expenditure Statements and Receipts and Payments Summaries, along with non-financial information, will be used to make a comprehensive assessment of a participant's progress. During the evaluation, participant satisfaction, as well as family and community benefits, will be looked at, in addition to how much the participant has learned.³

³ Condensed from the Rural SEAD Subproject Request for Approval, July 14, 1988

B. The Process

The STEP process began when an applicant entered the Rural SEAD Subproject office. If the Field Supervisor (F.S.) was absent an Assistance Request Form was filled out and an appointment date chosen when they could meet with the F.S. for an initial interview. During the initial interview, an Initial Interview Report was used. This form collected the basic business background, request and personal data on the applicant for the STEP data base.

After a first look, applicants were sent out on a series of tasks. These were meant to test the sincerity and drive of the applicants, as well as fill in a more accurate picture of the businesses and entrepreneurs. Tasks might include fetching recordbooks, licenses, product samples or personal money for investment. Sometimes applicants were sent to check other sources of funds (e.g. relatives, banks, etc.) Further interviews were recorded using the STEP Interview Form.

When tasks were completed site visits were made to the applicant's home or business location by the Rural SEAD Subproject F.S.. Checks for technical problems were made and information given earlier to STEP was verified. Interviews with neighbors, customers, and suppliers served to triangulate information given by the applicants. The STEP Interview Form was always used in recording this data.

Later a plan of action was formulated between the applicant and the Rural SEAD Subproject F.S.. Possible interventions were reviewed and workable plans with cash flow projections were made. When a plan was achieved and no more tasks needed implementation proceeded.

Implementation might have been a loan, management training, technical assistance or social promotion. From the time that applicants became participants close monitoring began. Each participant was given cash flow forms to record business transactions. They were trained in their use and each participant promised either in writing or verbally to record them. Monthly Balance Sheets, Income and Expenditure Statements, Receipts and Payments Summaries showed how the businesses were affected by the assistance package. At this time Entry/Exit Questionnaires were also filled out and each participant rated on the Entrepreneur Development Numerical Scale.

All of the financial and non-financial information gathered on applicants/participants was placed in the data base for this Final Report. Checks were made for many types of correlations. Monthly reports to the CARE office in Manzini were made. The financial progress of participants

was traced and judgements made as to the working capital requirements, loan repayment period requirements, etc..

III. Implementation

A. Project Logistics

- The Rural SEAD Subproject Field Supervisor sometimes spent a full day getting to and from the Manzini office because of poor telephone and slow bus service to the Sibovu area or spent an entire day on foot trying to locate a single participant. This greatly restricted the number of participants he was able to accurately monitor.
- Upon opening the Rural SEAD Subproject office it was soon realised that a secretary was needed to run the office in the absence of the Field Supervisor. On April 1, 1989 a local-hire Appointments Secretary was hired. Since that time communication between the Field Supervisor and applicants/participants has greatly improved.

B. Services Offered

All participants were given a very basic system of recordkeeping and instructed in its use. (Cash Flow, Credit; Appendix 9) The purpose was two-fold: first, to assist STEP in getting its needed financial information; and second, to enlighten the participant as to where their working capital was going. All participants either signed a non-binding agreement (Enterprise Development Agreement) or made verbal promises to furnish STEP with these records. Thirty-five percent of the participants fulfilled their promise.

IV. Findings

A. Methodology

A.1 Applicant Processing Systems (Appendix 1)

- The Assistance Request Form introduced in January 1989, written in siSwati and given to the applicant to fill out in the absence of the Field Supervisor, helped a great deal in the scheduling of appointments.
- Beliefs about who is or is not married vary greatly in Swazi society. Some confusion was caused by the STEP Initial Interview Report, not making allowance for maiden and married surnames of female applicants.

- Since many names are common and occur quite frequently in Swazi society, the Rural SEAD Subproject Field Supervisor found it confusing to consistently record the applicants'/participants' various identification numbers (graded tax, passport, etc.). STEP's Initial Interview Report has no space given for them.
- The STEP Interview Form was useful, not only with applicants/participants, but for triangulation of information when interviewing suppliers, customers, neighbors, etc. of applicants/participants.
- The discussion topics listed on the STEP Interview Form were helpful in gaining consistent information.
- The STEP Interview Form did not have a space for the applicant number for quick, easy filing of forms.

A.2 Loan Contract Formats (Appendix 2)

When a loan was made a participant filled out an Entry Questionnaire and was rated on the Entrepreneur Development Numerical Scale. Along with the Loan Agreement, an Enterprise Development Agreement (non-binding) was signed. When the Loan Agreement expired an Exit Questionnaire was administered and the participant was again rated on the Entrepreneur Development Numerical Scale.

- The Loan Application Assessment Form was very useful as an assessment outline when preparing for assessment presentations. The organized arrangement of topics and attached cash flow projections gave accurate, consistent assessments.
- The Entry/Exit Questionnaires have been shown to be time consuming, as well as confusing and annoying to participants. Far too many questions were asked and topics like "Gross domestic product growth" and "Export subsidies" were not well understood.
- The information needed for our work was gathered, in addition to the Entry/Exit Questionnaires, using the STEP Initial Interview Report and Interview Form.
- The Entrepreneur Development Numerical Scale confused many participants and was time consuming. Its usefulness in participant selection was never shown.
- The Loan Agreement was inadequate in several areas:
 - a. There was no space for clearly identifying the participant by graded tax number or passport number.
 - b. It is worded very vaguely as to the circumstances allowing CARE to call in a loan.
 - c. It lacks a space for the signature of a co-signer or guarantor.
 - d. It gives STEP no guarantee of records.

- The Entrepreneur Development Agreement did not prove useful with loan recipients because:
 - a. Its financial goals are duplicated in the financial projections.
 - b. It gives STEP only a non-binding agreement from the loan recipient to produce records of the business activity.

A.3 Financial Monitoring Systems (Appendix 3)

- Nineteen percent Of the participants showed a great fear of having their businesses financially monitored (fear of GOS, taxes, etc.).
- Twenty percent of the participants gave misleading or inaccurate financial information to the Rural SEAD Subproject Field Supervisor.
- The financial monitoring tools used by STEP (Balance Sheet, Income and Expenditure Statement, Receipts and Payments Summary) proved to be too complicated for all participants to use for themselves. Those tools were, however, very useful in drawing up financial projections with an applicant and proved to be more useful the longer a participant was monitored, as information became more accurate with time.
- The CARE Report to Client did not prove useful with 21% of participants (hawkers with no fixed assets who received very short-term loans) but was useful with participants requesting longer-term loans (6 months +).

A.4 Non-financial Monitoring System (Appendix 4)

- The redundance of the Client Progress Reports (management services, financial services, technical services, empowerment services) made them more time consuming than useful. The information for them came directly from the STEP Interview Form anyway.
- Triangulation of non-financial information was important to verify the level of an applicant's/participant's honesty.
- It was often useful to talk informally with an applicant/participant about something other than their business activity (a wedding, the harvest, etc.) to develop a relationship aside from the loan. Little trust was felt for STEP with applicants/participants who had only money to discuss.

A.5 Loan Fund Accounting

(Appendix 5)

- Accounting deadlines were often difficult to keep because of poor phone service between the Sibovu field office and CARE headquarters in Manzini.
- The new Loan Repayments List, which combined the old Monthly Repayments List and Monthly Loan Fund Statistics, was much simpler and easier to use.
- The individual Table of Loan Repayments, Journal of Loans Granted, Statistics List and Monthly Loan Fund Statement each proved very useful in monitoring the loan fund account.
- The one problem encountered with the whole process was the confusing time difference between CARE NY accounting deadlines and STEP accounting deadlines.

B. Logistics

- Verifying the use of loan funds, especially small loans (E100-E500), was needed to stop these from becoming personal consumption loans for school fees, lobola-bridal price, seed and fertilizer, etc. (Case Study; Appendix 6) Around Christmas and throughout January, when school fees are paid, there was a flood of personal consumption loan requests. After it was explained to them that STEP only works with businesses they just changed the same request to be for their business.
- Sixty-five percent of the applicants (who could be found and verified) who were refused small loans (E100-E300) quickly found another source of working capital.
- Operating without ledger fees, the Rural SEAD Subproject could not cover expenses of even the loan contract forms themselves when making small loans. (E150 loaned for one month - E3 interest)
- Security was a major problem:
 - a. Two participants have been robbed in 1989. (One armed robbery/One unarmed robbery)
 - b. Armed thieves tried to rob the Sibovu RDA in early 1988, before the opening of the STEP office.
 - c. One applicant was robbed by armed thieves in 1986 (One man was killed).
 - d. A local Primary School Headmaster was robbed of school fees and killed (along with his 3 year old son) in early 1989.
- Forty-nine percent of the applicants who have income generating activities requiring very small amounts of working capital (E50-E200) and producing proportionate earnings (E10-E30 weekly) often deplete their working capital during periods of farm labor. During those few weeks of planting, and again during weeding and

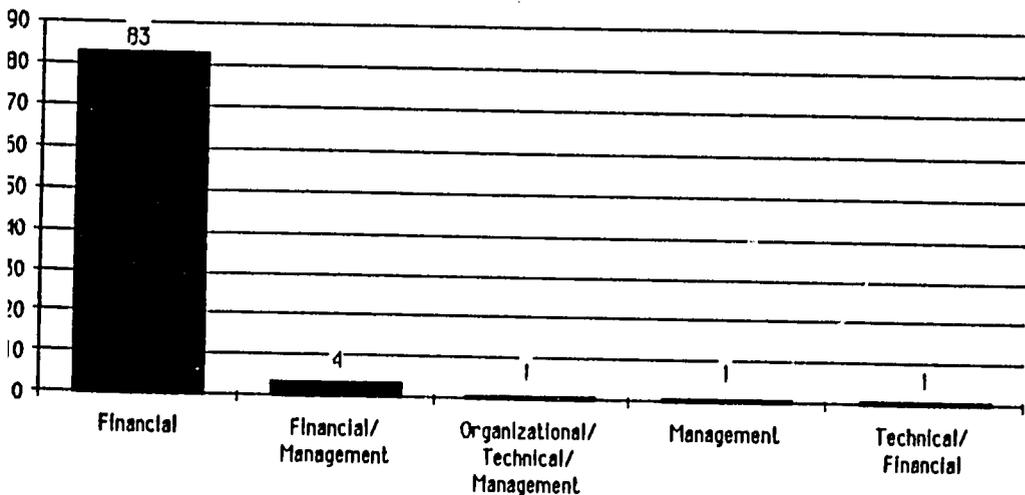
harvesting, homestead expenses for food, clothing, etc. eat up any small working capital which was set aside.

- Seven entrepreneurs were approached with the idea of a group-responsibility loan. Not one person could form a group (4-5 people) in order to apply for individual loans. Each one, when interviewed later, refused to say whether she could not find anyone she trusted enough or whether no one trusted her enough.
- Sixty-three percent of the participants made late loan repayments regularly. (Case Study; Appendix 6)

C. Assistance

- Eighty-three applicants (92%) requested financial assistance alone.
- Four applicants requested management assistance in addition to financial assistance.
- One applicant requested management, technical and organizational assistance.
- One applicant requested management assistance alone.
- One applicant requested technical and financial assistance.

Request Breakdown

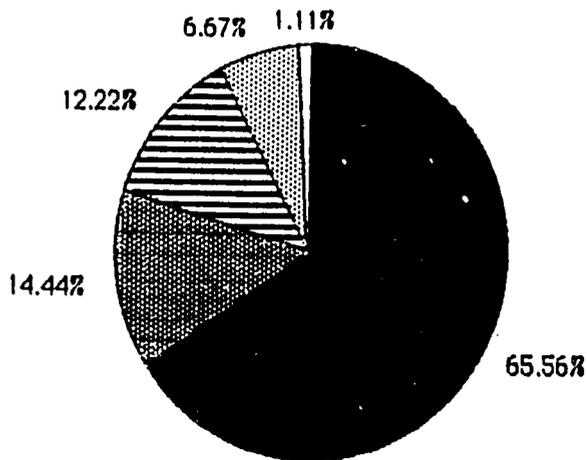


- Twenty-one participants (75%) utilized most or all of their loans as stated in their Loan Agreements.
- Seven participants (25%) used most or all of the loans for personal consumption.
- Eight participants (28%) utilized the management tools *given to* them.
- The two participants who *requested* technical assistance used it.
- The one participant who *requested* organizational assistance used it.

D. Applicant/Participant Breakdown

(Ninety Applicants-Appendix 10)(Twenty-nine Participants-Appendix 11)
 A look at the breakdown of applicants/participants has shown that an accurate sampling of entrepreneurs were chosen as participants in the Rural SEAD research project.

Applicant Breakdown by Sector

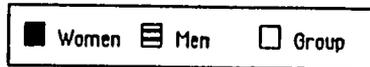
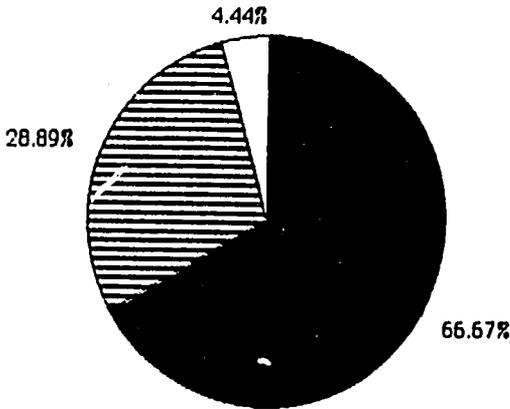


Retail	Manufacturing	Service	Agriculture	Construction
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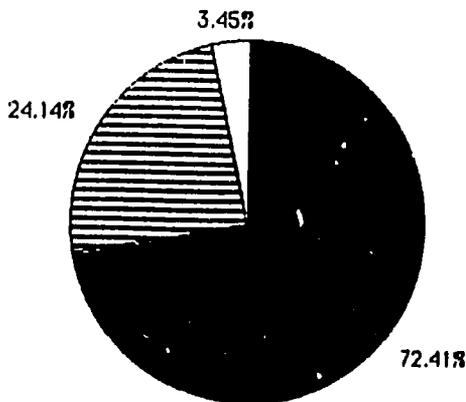
Gender
women
men
group

Applicants		Participants	
no.	%	no.	%
60	67	21	72
26	29	7	24
4	4	1	3
90	100	29	100

Applicants' Gender



Participants' Gender

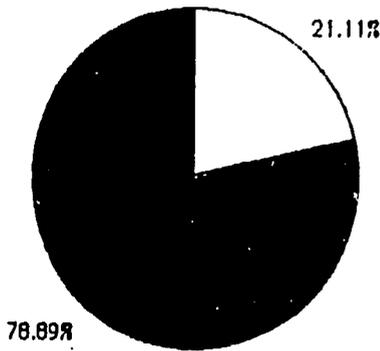


Licensing
 licenced
 non-licenced

Applicants		Participants	
no.	%	no.	%
19	21	7	24
71	79	22	76
90	100	29	100

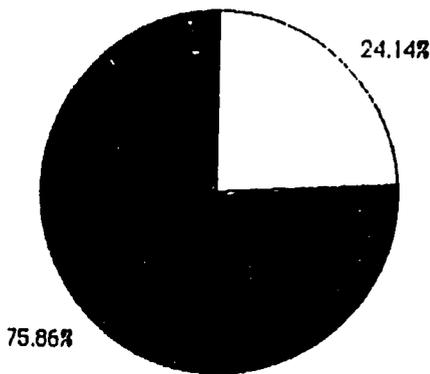
Nineteen applicants (Eight participants) did not require licenses

Applicants' Licenses



19 (21%) did not require licenses

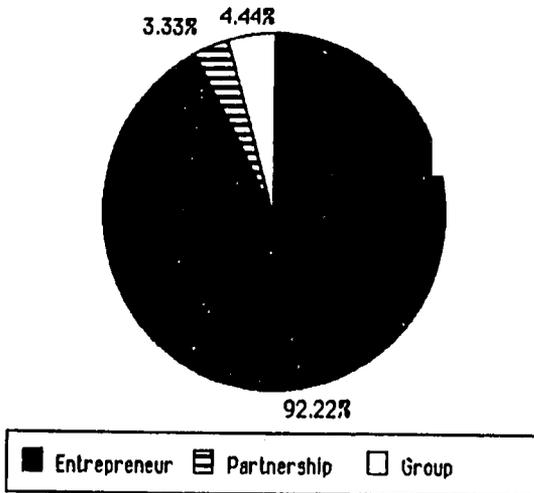
Participants' Licenses



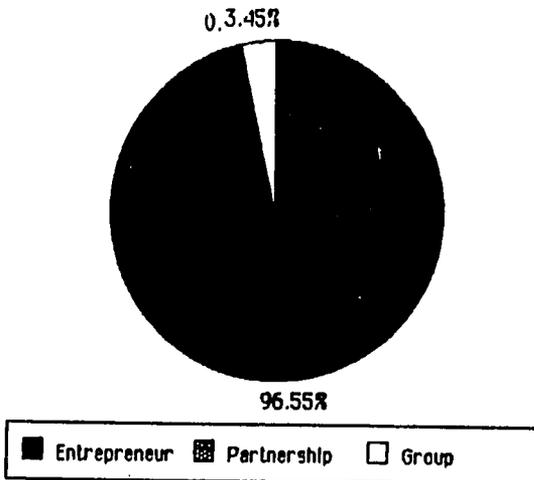
8 (27%) did not require licenses

	Applicants		Participants	
	no.	%	no.	%
Management				
private entrepreneurs	83	93	28	97
partnerships	3	3	0	0
cooperatives or groups	4	4	1	3
	90	100	29	100

Applicants' Management



Participants' Management



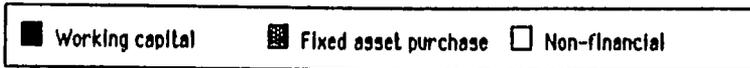
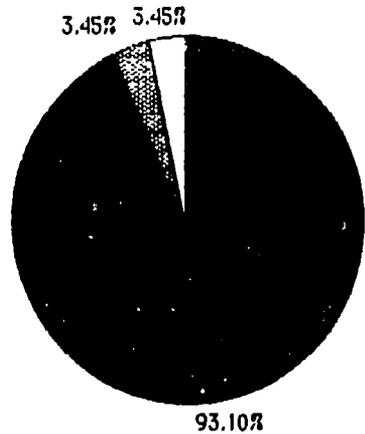
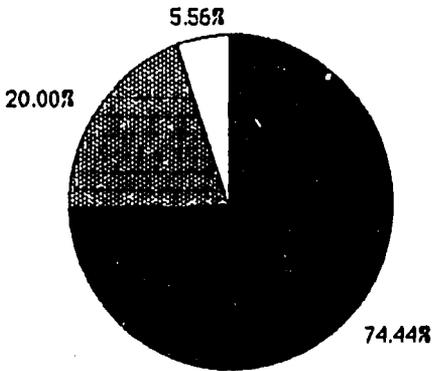
Request

working capital
fixed asset purchase
non-financial requests

	Applicants		Participants	
	no.	%	no.	%
working capital	67	74	27	94
fixed asset purchase	18	20	1	3
non-financial requests	5	6	1	3
	90	100	29	100

Applicants' Request

Participants' Request



B. Loan Fund Performance
(until the end of June)

28 loans
 Total E9100
 High 1500
 Low 100
 Average 330.36
 Total Interest 169.09
 (earned to date)

Default rate 1 of 28 participants (3.6%)
 E150 of E9100. (1.6%)
 Late payments 15 of 24 participants (63%)

F. External Environment

F.1 Aid Process

- Inter-organizational difficulties between USAID and STEP resulted in a May-October 1988 delay in project authorization and a freeze on Rural SEAD Subproject loan disbursement.
- No one in rural areas has been able to get financial aid for their business without being part of a group prior to the initiation of the Rural SEAD Subproject..
- One client had twice previously received assistance. In neither case did the donor organization check later as to the use of the donation.
- No one who has approached the Rural SEAD Subproject has shown a knowledge of aid sources. The one client who had previously received assistance went through an expatriate volunteer.
- Eleven applicants (12%) complained of a long application process. The process length was justified. Dishonest applicants were the first to give up.

F.2 Culture/Society

- Forty-six applicants (50%) and 18 clients (62%) were willfully deceptive in the information given to the Rural SEAD Field Supervisor. (Case Studies; Appendices 6&7) The higher percentage for clients was due to increased monitoring and studying.
- The personal motives for requesting financial aid had to be questioned for 13% of the applicants because of...
 - a. Their willingness to change requests, even businesses to get money;
 - b. Character checks (triangulation) with neighbors, associates, etc. which turned up old debts, current cash needs, etc.;
 - c. Their refusal to work with personal funds available;
 - d Their desperate rush for funds.
- Most applicants were fearful of records kept for STEP falling into the hands of the GOS for tax purposes.
- Four groups or cooperatives approached the Rural SEAD Subproject for assistance. Each one, even if inappropriate, had a male-dominated leadership.
- One client has two women doing woodwork, a traditionally male-dominated trade, with no real problems due to their sex.
- Of the 42 hawkers (47% of applicants) who approached Rural SEAD as applicants, 98% were women.
- Twelve applicants (13%) were men asking to borrow for their wives.

- Twenty-six applicants, of forty seven in total who could be verified (55%), have trouble managing credit.
- Six participants (21%) had a formal credit policy.
- Twenty applicants (22%) have unpaid members of their family working in their business.
- The members of all four of the groups which applied for assistance show a great lack of awareness and responsibility for the affairs of the group. (Case Study, Appendix 8)
- Eighty-nine applicants (99%) have what is defined by STEP as an Income Generating Activity rather than a business.

F.3 Economy/Market

- *Most* applicants were at first shocked when they heard that STEP's interest rate was 24% on the declining balance, but *all* were very pleased when given the actual figures.
- Four applicants were producing products for an outside market (an urban area in Swaziland or South Africa).
- Nineteen applicants (21%) were using South Africa for a market for goods bought outside the area they live in.
- Five applicants (6%) were having trouble marketing their goods. Most goods, since they were sold locally, did not have to deal with the problems of transportation to markets in towns. Buses packed each day with people going to town to shop was evidence that much money does exist in the rural economy, but too many goods are just not available there.
- The rural economy peaks as workers return from the mines around Christmas. January, with the beginning of school, is a very slow sales period, as funds are diverted for paying school fees. This corresponds with a large number of loan requests for school fees disguised as business requests in January.
- Fourteen applicants (16%) and 3 clients (10%) had employees in their business activity:
(6 Wholesale/Retail; 5 Service; 3 Manufacturing).
- Credit officials with the Swazi Development Bank have expressed interest in cooperating with STEP on a loan request where an applicant was requesting STEP funds to leverage a larger loan from the bank for the purchase of a fixed asset.
- Financial analysis and monitoring revealed minimum working capital requirements and minimum fixed asset levels of the various business types (For a complete list see Appendices 12 and 13).

F.4 Politics/Policies

- Eighty applicants (89%) live on Swazi Nation Land.
- Fifty-two applicants (58%) work on Swazi Nation Land.

- Local Chiefs control the allocation of Swazi Nation Land.
- Licensing for businesses on Swazi Nation Land is controlled by the Swazi Commercial Amadoda (SCA).
- One client was refused a receipt on payment of their registration fee with the local SCA representative.
- Two applicants have complained about the 10% sales tax collected at the border on imported goods.
- Seven applicants (8%) have admitted cheating the GOS out of some or all of the sales tax due.
- Seven applicants (8%) operate with a hawkers license. This is 16% of the hawkers.
- Seventy-one applicants (79%) operate with no license whatsoever.
- Local Primary School headmasters, with the backing of the government, are giving preferential status to Preschool graduates for entry into their schools. (Case Study, Appendix 8)
- One participant complained of SEDCO bribing headmasters for school uniform contracts, in competition with them.

G. Internal Environment

G.1 Skills/Knowledge

- Applicants had a very low level of English literacy (53 none; 23 some; 14 good).
- Applicants were generally literate in siSwati (86 literate; 4 illiterate).
- All applicants were numerate, but 4 were numerate only (Case Study; Appendix 6).
- Five clients of a client group all graduated from Women In Development (WID) in woodworking and could not name the basic tools of their trade, much less use them in a safe, efficient manner. One of these graduates had previously worked with SEDCO.
- Applicants had, on the average, a very low level of business management training (75 none; 13 some; 2 high).
- Five applicants (96%) had basic, accurate records for their business when approaching the Rural SEAD Subproject.
- Eight sewing entrepreneurs approached the Rural SEAD Subproject for sewing machine repairs. In *all* of the 8 cases one simple adjustment or the tightening of one screw was all the repair that was needed.

G.2 Resources

- Five members of a client group, all who graduated from WID, applied for start-up loans, with the Swazi Development Bank. After

a one year wait for an answer they asked that their deposits be returned.

- WID does not offer business management training skills to its graduates.
- Twenty-six applicants (29%) use South Africa as a primary source of wholesale goods/raw materials. Availability of a larger selection of goods and materials was cited as a major reason, along with lower prices. However, financial analysis showed that many entrepreneurs actually paid the same price as buying in Swaziland after increased transport costs were added in. Higher levels of buying would make South Africa a better source, since transport costs per unit would decrease.

G.3 Traits/Motives

- No applicant's homestead had only one source of income.
- Six applicants (7%) practiced barter (4 successfully; 2 unsuccessfully).
- No applicant had a well thought out, long-term plan for their business.
- Three applicants who used South Africa as a source or market, used it as both.
- Applicants generally showed a very low level of personal commitment to any one single business activity (69 low; 21 some; 0 high).
- Six applicants (7%) had regular salaried jobs and were requesting help with a secondary, often remote-control source of income.
- Four applicants had original, creative business ideas.
- Sixty-six applicants (73%) had to be classified as start-up or, in most cases, re-start-up. No records, license or goods could be produced as evidence of business activity.
- Four applicants (1 client) separate business and personal funds.
- Sixty-seven applicants (74%) requested short-term working capital.

V. Conclusions

A. Methodology

A.1 Logistics

- The number of applicants/clients a Rural SEAD field worker can communicate with and regularly monitor is greatly affected by the availability of transport. Personal transport is essential for any SEAD project extension personnel.
- A Rural SEAD office cannot function effectively without keeping regular office hours and it should be staffed by personnel authorized to receive cash at all times.
- Transporting and safeguarding cash in rural Swaziland is now dangerous and growing more dangerous everyday. People doing it, do so at a lot of personal risk. It should be avoided.
- Loan application methodology, as well as participant monitoring, is essential to stop a Rural SEAD Project from becoming a personal consumption loan source.
- A Rural SEAD Project cannot expect to cover the costs of signing a contract on very small, short-term loans at 24% interest without an origination fee of some type.
- A Rural SEAD Project will often encounter illiterate (siSwati and English) applicants and therefore must be bi-lingual and have the capability to sign documents with fingerprints..
- Non-collateral linked loans should not be made. If a flexible attitude towards collateral is accepted (e.g. household furnishings, ets.) and heads of homesteads co-sign the Loan Agreements, most applicants do have sufficient collateral for their particular request.

A.2 Forms

- The Assistance Request Form (Appendix 1) is a useful tool and it will help to facilitate E.O./participant communication in any Rural SEAD Project.
- The STEP Initial Interview Report and Interview Form (Appendix 1) are useful and with the clarifying of applicant identification (by maiden/married names, graded tax/passport numbers and applicant number) should be a part of any Rural SEAD Project.
- The Entry/Exit Questionnaires and Entrepreneur Development: Numerical Scale (Appendix 2) should be abandoned because of their annoying, time-consuming nature and lack of real value.
- The Loan Application Assessment Form (Appendix 2) should be used in any follow-up credit program.

- The *non-binding* Entrepreneur Development Agreement (Appendix 2) is worthless for the following reasons:
 - A. The financial goals are duplicated in the financial projections of the participant.
 - B. The section which furnishes STEP with financial data could and should be moved to the Loan Agreement and made mandatory for the length of the contract.
- The Loan Agreement (Appendix 2) needs to show clear identification of the participant by graded tax or passport number rather than name alone. Space should be provided for the signature of a co-signator (husband or owner of security) when an applicant is not the legal owner of the collateral, is not the head of the homestead and has no attachable salary. Access to financial records of the business activity should be mandatory.
- The financial monitoring tools used by STEP (Balance Sheet, Income and Expenditure Statement, Receipts and Payments Summary, and their consecutive formats-Appendix 3) should be used by any follow-up loan program for participant monitoring.
- The Applicant Progress Reports (Appendix 4) should be dropped from any future loan scheme due to their repetitious and annoying nature.
- The Loan Fund Accounting system now in use by STEP (Appendix 5) is suitable and should be used in any follow-up credit scheme but should have its accounting cycle coordinated with that of CARE or other implementing institution.

B. Swazi Entrepreneurs' External Environment

B.1 Aid Process

- Financial aid is needed but not readily available to Swaziland's rural micro-entrepreneurs.
- Donor organizations are sometimes lax in making follow-up checks on their donations.
- Rural entrepreneurs are largely unaware of sources of assistance.

B.2 Culture/Society

- Other sources, often family members, are frequently available for smaller, short-term loans (E100-E200 for 1-2 months).
- Financial assistance in the form of working capital *is perceived* by rural entrepreneurs as the one greatest need for their business activities.
- Business management assistance *is not perceived* by most entrepreneurs as a stumbling block to their business's success.

- A Rural SEAD Project will encounter many fraudulent requests for loans because many people are in need of personal consumption loans. These are loans which they do intend to repay but fall outside SEAD parameters.
- Late payments are very common with rural Swazi entrepreneurs. Older applicants are used to the old ways where no set dates for repayments were given. Younger applicants are more often trying to avoid paying.
- Rural entrepreneurs are distrustful of the GOS.
- Male-dominated leadership, whether appropriate or not, is very common among rural groups and cooperatives.
- Poor credit management is a major reason for business failures. Entrepreneurs need help in recording their various transactions and in formulating a credit policy
- Groups and cooperatives are not given enough education as to the rights and responsibilities of their members.
- The difference between cash and profits is not well understood by most rural entrepreneurs. A better understanding of this will be important in helping entrepreneurs change their Income Generation Activity into a growing business.
- The importance of the separation of business and personal funds, as well as the separation of various businesses' funds, is not realized by most rural Swazi entrepreneurs.

B.3 Economy/Market

- An interest rate of 24% (on the declining balance) is not a detriment to business activity.
- Percentages are not well understood by most rural entrepreneurs; figures have much more meaning. People are much more concerned about the monthly amount they pay back than the interest rate.
- Marketing is not a major problem.

B.4 Politics/Policies

- The relationship between rural entrepreneurs (and therefore any Rural SEAD Project) and area Chiefs and SCA representatives is very important and crucial to the success of any Rural SEAD Project.
- Local SCA representatives are not closely monitored by their superiors.
- The 10% sales tax collected on goods entering Swaziland is not a hindrance to local business activity, nor is it strictly enforced.
- The importance of getting children into Preschools, and thus gaining preferential status on entry into Primary school, is growing greater each year due to tougher competition for too few Primary School places.

- Rural Swazi entrepreneurs are not usually checked for licenses until they reach a point of outwardly visible profits.

C. Swazi Entrepreneurs' Internal Environment

C.1 Skills/ Knowledge

- There is a very low English literacy level among rural Swazi entrepreneurs.
- Most rural Swazi entrepreneurs are literate in siSwati (or siZulu), though a few, mainly hawkers, are numerate only.
- The WID woodworking program is very inadequate in its level of technical skills transfer.
- Lack of business management skills training is a major stumbling block for many rural Swazi entrepreneurs, though it is not perceived as such.
- Members of cooperatives in rural Swaziland are often uneducated as to their rights and responsibilities as a group member.

C.2 Resources

- The WID loan scheme for its graduates is sometimes too slow to be of assistance.
- South Africa is a major source of wholesale goods/raw materials for rural Swazi entrepreneurs.

C.3 Traits/Motives

- Having a low level of commitment to each of several income sources is still quite common in rural Swaziland. Both poor educational levels, which lead to low self-confidence, and the culture are contributing factors.
- Rural Swazi entrepreneurs often put aside long-term planning in favor of more immediate problems brought on by cash shortages.

VI. Recommendations

A. Financial Assistance

The ideal plan for a financial assistance program would be to tie it to the financial institutions already functioning in Swaziland. The two basic reasons for that are the declining security situation in the rural areas and the need to graduate participants into the formal banking sector. Making small, short-term loans to rural entrepreneurs is not profitable. Banks are here to make money. So only through cooperating with aid organizations will the financial lending institutions be able to offer such credit. CARE (or some other implementing organization) can offer these institutions applicant processing and monitoring services which would greatly decrease the cost incurred by the financial institution. Then, setting a minimum loan figure of approximately E200 and introducing an origination fee would allow the financial institution to make profits.

Once an entrepreneur had borrowed a number of times (and repaid on-time) a credit reference would be built up. Then they could borrow directly from the financial institution without monitoring. This would graduate the entrepreneur into the formal banking sector and allow them to borrow on their reputation rather than their security base, a security base which just does not exist for so many entrepreneurs.

These are some of the key elements of such an assistance program:

- Transport for Extension staff must be available between the E.O.s' rural office and their project head office.
- Telephone communications are also very important between E.O.s and their project head office.
- Applicants have no phones and therefore transport is even more important for good communication between E.O.s and their applicants/clients.
- Extension workers must be fluent in both siSwati and English.
- The usefulness of financial assistance (through a loan program) is greatly hindered without a certain amount of business management training and the availability of technical assistance. Mandatory business management training will help to weed out those applicants who are seeking to defraud the project.
- Clients must be monitored, and proof of the use of borrowed funds made mandatory, to prevent such a program from becoming a personal consumption loan source.
- Any loan agreement must be legally sound and secured with co-signers (owner of security or an attachable salary) and specific, clearly defined rules regarding the use of the loan, monitoring,

repayments, penalties and the circumstances under which the financial institution is allowed to call in a loan.

- A strict policy with regards to repayments and late penalties is of utmost importance and must be closely adhered to.
- Start-up businesses and Income Generation Activities should be included in revolving loan programs but specific methodologies must be developed to deal with them.
- The backing of the SCA and traditional leadership should be sought.
- The forms described in section "A" under **Conclusions** should be used

B. Management/Technical

During assessment of applicants, the business management skills of the entrepreneur must be looked at. Those areas in which an applicant shows need of assistance must be made into the focus of the loan. In the vast majority of cases financial assistance will be of little value without some kind of management assistance to go with it.

Technical assistance should also be made available to entrepreneurs who take part in such a training program. Trade skill levels are relatively low for many of Swaziland's graduates from the various training centers around the country. The success or failure of a business can very much be determined by having a "better mousetrap" to offer to the public. In most cases there is plenty of room for improvement in the efficient, safe use and care of tools, as well as their maintenance. Creativity should be encouraged and those who show more creativity should be given priority in a loan program.

Business management and technical assistance workshops should be offered by CARE directly to training centers throughout Swaziland to expand the various training programs. GOS policy states that entrepreneurs are being trained, but in reality most graduates receive minimal training best suited as laborers for foreign-owned firms. Business management workshops for all trades and specific technical workshops for the individual crafts (sewing machine repair, tool sharpening and maintenance, etc.) are very much needed if these "entrepreneurs" are to use their newly learned skills. WID has demonstrated a great need for assistance, and other training centers should be encouraged to cooperate with such workshops also.

In designing business management training programs *flexibility* must be kept in mind. A wide range of management tools are needed by entrepreneurs in a variety of business activities. Cash flow, stocklists, pricing, credit sales records, and, more importantly, a formal credit policy are all specific topics which need to be part of a business management

training program. The importance of the separation of funds and the relationship of cash to profits are largely ignored and also need to be taught to rural entrepreneurs if they are to turn their IGA into a business.

VII. Appendices

- 1-Applicant Processing System
- 2-Loan Contract Format
- 3-Financial Monitoring System
- 4-Non-financial Monitoring System
- 5-Loan Fund Accounting
- 6-Retail Case Study
- 7-Manufacturing Case Study
- 8-Service Case Study
- 9-Management Tools
- 10-Applicant List
- 11-Client List
- 12-Working Capital Requirements
- 13-Fixed Asset Requirements

ASSISTANCE REQUEST FORM

1. Libito lakho ngubani?
2. Ngubani libito lendvodza noma umfati wakho?
3. Itsini ikheli yakho?
.....
4. Uneminyaka lemingakhi?
5. Wafundza bani noma wagcina kabani?
6. Unebafati labangakhi?
7. Bangakhi bantfwana bakho?
8. Yini (libito) noma emabito emabhizinisi akho?
9. Ngubani ikheli yebhizinisi noma emabhizinisi akho?
.....
10. Yini luhlobo iwebhizinisi yakho?
11. Sowuneminyaka lemingakhi usebenta kulebhizinisi?
12. Singakusitu ngani?
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SWEP INTERVIEW FORM

Services required: MS MS MS
Services received: MS MS MS

Name of Owner _____ Date _____

Name of Business _____ Time _____

Interviewer(s) _____ Present _____

Visit: Site Office Other: _____

Purpose of Visit:

Points Discussed and Observations:

Suppliers	Product Mix	Labour/skills	Bus history	Fin. Prod	Expenses
Purchases	Debt	Ownership	Equipment	Licensing	Accr Control
Resources	Employees	Market share	Sales		

Next Course of Action or Tasks (number them):

Attachments:

**LOAN APPLICATION NO
ASSESSMENT FORM**

NAME OF BUSINESS: _____

NAME OF PROPRIETOR: _____

NATURE OF BUSINESS: _____

LOCATION: _____

DATE: _____

INFORMATION NEEDS FOR SMALL ENTERPRISES

BUSINESS VIABILITY	COMMENTS
1. Market	
2. Supply	
3. Production Techniques	
4. Labour & Skills	
a) Production	
b) Management	
5. Location	

BUSINESS VIABILITY	COMMENTS
6. Financial Projections	
• Cash flow	
• Income Statement	
• Balance Sheets:	
Before and After	
7. Financial Appraisal	
• Net profit	
• ROI	
• B. E. Point	

PERSONAL CHARACTER	COMMENTS
1. History of (Debts, past business)	
2. Willingness to provide information	
3. Community image	
4. Commitment to work	
5. Spending habits	
AVAILABLE RESOURCES	
1. Recurrent needs (family, etc)	
2. Current Business Balance Sheet	
3. Personal Balance Sheet	
4. Skills/knowledge/education	
5. Commercial & Banking Contacts	
6. Personal & Social Contacts	

PROJECT RECEIPTS and PAYMENTS STATEMENTS

NAME: _____

ACTIVITY: _____

	Period from:				
	To:				
BEGINNING CASH BALANCE					
RECEIPTS					
From Customers					
Capital Investment					
Loans					
Total Receipts					
TOTAL CASH AVAILABLE					
PAYMENTS					
Purchase of Fixed Assets					
Purchase of Raw Material					
Owner's Wages					
Employee Wages					
Other Employment Costs					
Transport Costs					
Rent					
Electricity					
Telephone					
Stationery/photocopying/postage					
Maintenance/Cleaning					
Licence/Taxes					
Loan Repayment - Principal					
Loan Repayment - Interest					
Tuition/Professional Fees					
Bank Charges					
Advertising					
Total Payments					
ENDING CASH BALANCE					

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ENTRY QUESTIONNAIRE Fill out this questionnaire prior to servicing client

Feel free to add new categories, but stick to the question's "style", and write additions clearly)

EO _____

NAME - Client's full name

[Empty box for Name]

NUMBER - (4 spaces) 1--- = Sibakho, 2--- = AI, 3--- = CT, 6--- = Sibovu, etc.
Mr. Dlamini is 3008

START DATE - Date we began working with client.

[Empty box for Start Date]

CLIENT STATUS - Active, Inactive, Client

[Empty box for Client Status]

NUMBER OF CONTRACTS - 1st (contract with us), 2nd, 3rd, etc.,

[Empty box for Number of Contracts]

BUSINESS CODE - 1=Initial contact, 2=preliminary task assignment, 3=info verification, 4=task assignment, 5=assessment & presentation, 6=implementation,

[Empty box for Business Code]

BUSINESS NAME - (Full name)

[Empty box for Business Name]

MANAGEMENT - INDIV=indiv, PART=partner, GROUP=Group, COOP=Co-op

[Empty box for Management]

BUSINESS TYPE - (list all that apply) MF=Manufacture, WH=Wholesale, RT=Retail, TR=Trading, BR=Barter,

[Empty box for Business Type]

SPECIFIC BUSINESS (list all that apply)

- B = Food & beverages
- TF = Timber & wood furniture
- T = Textiles, clothing, footwear
- C = Construction
- AG = Agriculture
- TRNS = Transport
- SS = Business services
- RE = Real estate

- H&R&B = Hotel, restaurant & bar
- PPP = Paper products & publishing
- PRSCH = Private school
- MEDDN = Medical and dental,
- FORST = Forestry
- MOTOR = Motor vehicle repairs
- BNKFI = Bank & financial institutions

[Empty box for Specific Business]

BACKLOGS - (expressed at the no. of backwards/the no. of forwards) eg: 2/3

[Empty box for Backlogs]

OTHER KNOWN BUSINESSES - (use the Specific Business code above and list each individually)

MANAGER TIME - Number of hours a week the manager spends on the business.

[Empty box for Manager Time]

PERCENTAGE - % of income to the family that the business contributes.

[Empty box for Percentage]

BUSINESS AGE - Incorporation or other appropriate date.

[Empty box for Business Age]

BUSINESS TOWN - Mbabane, Manzini, Piggs Peak, Nhlanguano, Siteki, Hlatikulu, Tshaneni, etc.

ZIP AREA - Mafutsani,

[Empty box for Zip Area]

LOCATION - High, Middle or Low

EDUCATION - Manager's years of education.

[Empty box for Education]

BACKGROUND/CITIZENSHIP - SWZ/SWZ, MOZ/REF, RSA/SWZ, LES/SWZ, P/ NZ (Portuguese Swazi), etc. eg: Mrs. Msani is LES/SWZ

[Empty box for Background/Citizenship]

ENTRY QUESTIONNAIRE

CARE International in Swaziland

ECONOMIC FACTORS - client/us: Very Dam, Damaging, No influ, Beneficial, Very Ben, Unknown

- 1. Inflation
- 2. Industry price trends
- 3. Imports and exports
- 4. Credit terms
- 5. Exchange rates
- 6. Gross domestic product growth
- 7. Agricultural production
- 8. Balance of payments

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POLITICAL FACTORS - client/us: Very Dam, Damaging, No influ, Beneficial, Very Ben, Unknown

- 1. Labor laws
- 2. Unemployment
- 3. Export regulations
- 4. Import regulations
- 5. Export subsidies
- 6. Incentives to foreign businesses
- 7. Land

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FINANCIAL SERVICES REQUESTED - LN=loan, GL=Guarantee of loan, AL=Assist in preparing for loan, AS=Assistance designing a group loan fund, PS=Assistance designing a personal savings plan, GS=Assistance designing a group savings plan,

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FINANCIAL EVALUATION - Rate ability client/us: Excel, Strong, Fair, Poor, Terrible, Unknown

- 1. Ability to secure a loan
- 2. Ability to get a loan guarantee
- 3. Ability to prepare for a loan
- 4. Ability to design a group loan fund
- 5. Ability to design a savings plan,
- 6. Ability to design a group savings plan,

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LOAN AMOUNT - E? (leave blank if loan was not requested.)

E

USE OF LOAN - WC=Working capital, FA=Fixed assets, BD=Business debt repayment, PD=Personal debt, PC=Personal consumption, FL=Financial leverage,

CLIENT'S ATTITUDE - Does the client think the interest rate is: Low, Ok, High

MARKETING SERVICES REQUESTED - PO=Planning and organization, WC=Working capital mgt, MK=Marketing, LC=Loan or credit mgt, FA=Fixed asset mgt, CP=Costing, pricing, profitability, UF=Understanding external factors, PL=Promoting linkages between producers and consumers,

MARKETING EVALUATION - Rate ability client/us: Excel, Strong, Fair, Poor, Terrible, Unknown

- 1. Planning and Organization
- 2. Working capital management
- 3. Marketing
- 4. Loan or credit management
- 5. Fixed asset management
- 6. Costing, pricing, profitability
- 7. Understanding External Factors
- 8. Promoting producers and consumers

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BEST AVAILABLE DOCUMENT

ENTRY QUESTIONNAIRE

CARE International in Swaziland

TECH SERVICES REQUESTED - DT=Dev production techns, AP=Assist procuring equip, material, D=Development of equip skills, UA=Upgrading or using appropriate technology or production,

TECH EVALUATION - Rate ability client/us: Excel, Strong, Fair, Poor, Terrible, Unknown

Production techniques

Procurement of equipment and materials

Equipment skills

Upgraded or appropriate technology or production

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EMPOWER SERVICES REQUESTED - GF=Group formation, GI=Group structure improvement, SE=Self esteem, CO=Coop with others on goals, FA=Formation of association, WS=Working toward structural change, WR=Women's rights, CR=Control of resource access,

EMPOWER EVALUATION - Rate ability client/us: Excel, Strong, Fair, Poor, Terrible, Unknown

Group formation

Group structure

Self esteem

Cooperation with others toward goals

Formation of association,

Working toward structural change

Women's rights

Control of resource access

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BUSINESS STATUS - Well = diversified and well, Good = satisfactory level, Inverse = diversified out of this business, Low = low level, Dead = bankrupt/abandoned,

ENTREPRENEURIAL SCALE - two digit comparative rating

BUSINESS SITUATION - (respond to each category)

New or adequate facilities,

IF=Inadequate facilities,

UN=Unknown

New or adequate equipment,

LE=Little or inadequate equipment,

UN=Unknown

Proper inventory stocking,

LI=Low inventory,

UN=Unknown

Diversified inventory,

NI=Nondiversified inventory,

UN=Unknown

Proper production level,

LP=Low production,

UN=Unknown

High quality production,

LQ=Low quality production,

UN=Unknown

Good employee compensation,

PC=Poor employee compensation

UN=Unknown

SE - From 1st balance sheet done with client.

OWNER EQUITY - (same as above)

DE - (same as above)

NET WAGES - (same as above)

PROFIT - (same as above)

WORKING CAPITAL - (same as above)

RETURN ON INVESTMENT - (same as above)

DEBT/EQUITY RATIO - (same as above)

BEST AVAILABLE DOCUMENT

EXIT QUESTIONNAIRE

CARE International in Swaziland

Fill out at the termination of relationship with client

Please reword the questions more informally to the client, to invite thoughtful, frank, responses. (Feel free to add new categories, but stick to the question's "style", and write additions clearly)

EO _____

Date _____

NAME - Client's full name

NUMBER - (4 spaces) 1--- = Sibakho, 2--- = AI, 3--- = DT, 6--- = Sibovu, etc.
eg: Mr. Dlamini is 3008

CARE STATUS - Active, inactive, Client

CARE CONTRACTS - 1st (contract with us), 2nd, 3rd, etc.,

--

PROCESS CODE - 1=initial contact, 2=preliminary task assignment, 3=info verification, 4=final task assignment, 5=assessment & presentation, 6=implementation.

--

BUSINESS NAME - Full name:

BUSINESS MANAGEMENT - INDIV=indiv, PART=partner, GROUP=Group, COOP=Co-op

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BUSINESS TYPE - (list all that apply) MF=Manufacture, WH=Wholesale, RT=Retail, HK=Hawking, BR=Barter,

SPECIFIC BUSINESS (list all that apply)

FB=Food & beverages

WF=Timber & wood furniture

TF=Textiles, clothing, footwear

CONST=Construction

AGRIC=Agriculture

TRANS=Transport

BUSSR=Business services

REALE=Real estate

H&R&B=Hotel, restaurant & bar

PPP=Paper products & publishing

PRSCH=Private school

MEDDN=Medical and dental

FORST=Forestry

MOTOR=Motor vehicle repairs

BNKFI=Bank & financial institutions

--

LINKAGES - (expressed at the no. of backwards/the no. of forwards) eg: 2/3

OTHER KNOWN BUSINESSES - (use the Specific Business code above and list each individually)

MANAGER TIME - Number of hours a week the manager spends on the business.

--

PERCENTAGE INCOME - % of income to the family that the business contributes.

BUSINESS TOWN - Mbabane, Manzini, Piggs Peak, Nhlanguano, Siteki, Hlatikulu, Tshaneni, etc.

URBAN AREA - Mafutseni,

FIELD LOCATION - High, Middle or Low

NUMBER OF LOANS CLIENT HAS HAD - With or without us.

--

SECURITY - Bankable (own home, business properties, land, etc), Some (home furnishings, essential equip, etc), Little (very few possessions).

--

ORGANIZATIONS - What business or financial organizations do you belong to? eg: Sibakho

EXIT QUESTIONNAIRE

CARE International in Swaziland

POLITICAL FACTORS - client/us: Very Dam, Damaging, No influ, Beneficial, Very Ben, Unknown

- Labor laws
- Amadoda
- Export regulations
- Import regulations
- Export subsidies
- Incentives to foreign businesses
- Nation Land

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FIN SERVICES REQUESTED - LN=loan, GL=Guarantee of loan, AL=Assist in preparing for loan, AG=Assistance designing a group loan fund, PS=Assistance designing a personal savings plan, GS=Assistance designing a group savings plan,

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FINANCIAL EVALUATION - Rate ability client/us: Excel, Strong, Fair, Poor, Terrible, Unknown

- Ability to secure a loan
- Ability to get a loan guarantee
- Ability to prepare for a loan
- Ability to design a group loan fund
- Ability to design a savings plan
- Ability to design a group savings plan

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LOAN AMOUNT - E? (leave blank if loan was not requested.)

E

DID LOAN ACCOMPLISH ORIGINALLY STATED PURPOSES? - None, Some, Most, All, Unknown

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DID LOAN ACCOMPLISH CLIENTS ACTUAL PURPOSES? - None, Some, Most, All, Unknown

--

FACTORS ABOUT LOAN (note all that apply to a large degree)

- ACK=amount ok, TL=too little, TM=too much, PT=properly timed, TS=too slow or late,
- UOK=use of loan ok, MW=misused willfully, MPA=misused because of poor loan mgmt abilities,

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ACTUAL USE OF LOAN - WC=Working capital, FA=Fixed assets, BD=Business debt repayment, PD=Personal debt, PC=Personal consumption, FL=Financial leverage,

--

ASSISTANCE VALUE - Was our assistance: very damaging to your business, slightly damaging, or less, helpful, very helpful

--

INTEREST ATTITUDE - Does the client think the interest rate is: Low, Ok, High

--

MGMT SERVICES REQUESTED - PO=Planning and organization, WC=Working capital mgt, K=Marketing, LC=Loan or credit mgt, FA=Fixed asset mgt, CP=Costing, pricing, profitability, EF=Understanding external factors, PL=Promoting linkages between producers and consumers,

--

MGMT EVALUATION - Rate ability client/us: Excel, Strong, Fair, Poor, Terrible, Unknown

- Planning and Organization
- Working capital management
- Marketing
- Loan or credit management
- Fixed asset management
- Costing, pricing, profitability
- Understanding External Factors
- Linking producers and consumers

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BEST AVAILABLE DOCUMENT

EXIT QUESTIONNAIRE

CARE International in Swaziland

TECH SERVICES REQUESTED - DT=Dev production techns, AP=Assist procuring equip, material,
DS=Development of equip skills, UA=Upgrading or using appropriate technology or production,

TECH EVALUATION - Rate ability client/us: Excel, Strong, Fair, Poor, Terrible, Unknown

Production techniques

Procurement of equipment and materials

Equipment skills

Upgraded or appropriate technology or production

EMPOWER SERVICES REQUESTED - GF=Group formation, GI=Group structure improvement,
SE=Self esteem, CO=Cood with others on goals, FA=Formation of association,
WS=Working toward structural change, WR=Women s rights, CR=Control of resource access,

EMPOWER EVALUATION - Rate ability client/us: Excel, Strong, Fair, Poor, Terrible, Unknown

Group formation

Group structure

Self esteem

Cooperation with others toward goals

Formation of association,

Working toward structural change

Women s rights

Control of resource access

BUSINESS STATUS - Well = diversified and well, Good = satisfactory level,
Inverse = diversified out of this business, Low = low level, Dead = bankrupt/abandoned,

ENTREPRENEURIAL SCALE - Two digit comparative rating

BUSINESS SITUATION - (respond to each category)

IF=New or adequate facilities,

IE=New or adequate equipment,

IP=Proper inventory stocking,

DI=Diversified inventory,

DP=Proper production level,

DH=High quality production,

GC=Good employee compensation,

IF=inadequate facilities,

IE=Little or inadequate equipment,

LI=Low inventory,

NI=Nondiversified inventory,

LP=Low production,

LQ=Low quality production,

PC=Poor employee compensation

UN=Unknown

UN=Unknown

UN=Unknown

UN=Unknown

UN=Unknown

UN=Unknown

UN=Unknown

SETS - From final balance sheet done with client.

OWNER EQUITY - (same as above)

SALES - (same as above)

OWNER WAGES - (same as above)

PROFIT - (same as above)

WORKING CAPITAL - (same as above)

RETURN ON INVESTMENT - (same as above)

DEBT/EQUITY RATIO - (same as above)

BEST AVAILABLE DOCUMENT

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ENTREPRENEURSHIP DEVELOPMENT: NUMERICAL SCALE

CLIENT	INTERVIEWER		DATE
	A	B	C
Entrepreneur Attitude/Quality	RATE 0 - 3		
	0 - No 1 - Initial Action 2 - Repeated 3 - Personal trait	(Weight) multiply A x B	Total (A x B)
1) Risk Management		3	
2) Collaborative		1	
3) Common Sense/Good Judgement		2	
4) Innovative		3	
5) Commitment/Hardworker		1	
6) Responsible		2	
Total Score	//////	//////	

Entrepreneur Skills/Knowledge	RATE 0 - 3		DATE
	A	B	C
Entrepreneur Skills/Knowledge	RATE 0 - 3		
	0 - No 1 - First 2 - Repeat 3 - Mastery	(Weight) multiply A x B	Total (A x B)
1) Working Capital Manag't		2	
2) Savings & Investment		2	
3) Regular Record Keeping		1	
4) Analytical Problem-Solving		3	
5) Fixed Asset Manag't		1	
6) Marketing Discipline		2	
Total Score	//////	//////	

ENTERPRISE DEVELOPMENT AGREEMENT

Between CARE International in Swaziland, hereinafter referred to as "CARE," and _____, hereinafter referred to as "the Participant":

I. PURPOSE

The purpose of this agreement is to establish a joint effort between CARE and the Participant to enable both to achieve their respective enterprise development objectives. It is agreed that both parties have obligations as well as the potential for gain from this arrangement, and that both parties must therefore act in good faith and trust throughout the life of this Agreement.

II. ENTERPRISE ACTIVITY

The Participant's business activity, which is the focus of this Agreement, is _____ located at _____ and is hereinafter referred to as the "enterprise". The Participant affirms that this enterprise belongs to the Participant, and that this is the enterprise on which both CARE and the Participant are to focus their development efforts under the terms of this Agreement.

III. OBJECTIVES

Participant Objectives

1. The Participant wishes to be able to make a basic, monthly drawing of E _____ from the enterprise for the life of/by the end of this Agreement.
2. The Participant is projecting that the enterprise will produce a profit of E _____ (after owner drawings) for the life of/by the end of this Agreement.
3. Profits generated by the enterprise will be _____% reinvested in the enterprise (including any debt repayment) and _____% withdrawn for use elsewhere.
4. By the end of this Agreement, the participant wishes to use the profits generated by the enterprise in the following manner:
 - ___ expand the enterprise indefinitely
 - ___ invest in other activities while maintaining this enterprise at a constant level
 - ___ liquidate this enterprise when it gets big enough to start another kind of business.

LOAN AGREEMENT

Number

BETWEEN CARE International in Swaziland (hereinafter referred to as "CARE")

AND

Trading as hereinafter referred to as "The Borrower").

CARE has agreed to loan the Borrower E subject to the acceptance of the following conditions:

The loan must only be used for the following purposes: / machinery/equipment/ materials:

- 1. E for
- 2. E for
- 3. E for

1. The loan shall be repaid according to the repayment plan in Appendix I which forms part of this agreement. Interest charges of 24% per annum shall be levied on the borrowed principal.

2. The Borrower shall be entitled to make higher payments than those laid down in the repayment plan. In such a case, the amount of interest due will decrease as the outstanding principal decreases.

Payments shall be made on the last working day of each month and are payable at the CARE office in Manzini/Sibovu only.

During the period of the loan, all machinery/equipment/materials purchased with the loan will remain the sole property of CARE and cannot be sold (except as finished products, in the case of materials), transferred or otherwise disposed of, nor can it/they be used as security for any other loan whatsoever.

CARE requires the Borrower to furnish the following additional security (lien) before money is made available:

.....

The Borrower shall not dispose of, sell, remove out of Swaziland, transfer, pledge or do any other act that will diminish the value of such security (lien).

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5. The Participant is hoping to establish the following additional business activities as a result of working with CARE under this Agreement:

6. The Participant has expressed the following additional objectives which should be accomplished under this Agreement:

a) _____

b) _____

c) _____

CARE Objectives

1. CARE wishes to identify ways of effectively assisting the development of Swazi small businesses. This includes understanding all aspects of how and why Swazi entrepreneurs operate their business activities. For this reason, CARE wishes to monitor, evaluate and document the Participant's actions and business operations under this Agreement.

2. CARE wishes to help the Participant achieve the Participant's stated objectives.

3. CARE wishes to promote business activities which contribute to social and economic growth in the Participant's locale.

4. CARE has the following additional objectives which should be accomplished under this Agreement:

a) _____

b) _____

c) _____

IV. OBLIGATIONS

For CARE:

1. CARE agrees to provide the assistance described in the attached Assistance Plan which forms part of this Agreement.

2. CARE agrees to make every reasonable effort to facilitate the Participant's understanding of all aspects of the business cycle and the factors influencing the productivity of the enterprise.
3. CARE agrees to give the Participant full access to all monitoring information collected by CARE pertaining to the enterprise.

For the Participant:

1. The Participant agrees to take all responsibility for the outcome of the enterprise and to absolve CARE of any such responsibility.
2. The Participant agrees to provide CARE with any and all information pertaining to the enterprise. This information shall be provided without delay as soon as it is known to the Participant, even if it is not in written form.
3. The Participant agrees to allow CARE personnel access to any aspect of the enterprise activity at any reasonable time, with or without advance notice from CARE. This includes on-site inspection as well as discussion with the Participant, employees, customers, competitors, suppliers, debtors and/or creditors.
4. The Participant agrees to abide by the terms and conditions of any Loan Agreement entered into between CARE and the Participant, regardless of whether this Enterprise Development Agreement is still in effect or has been changed.

V. RIGHTS

For CARE:

1. CARE reserves the right to modify the assistance rendered under this Agreement at any time in accordance with CARE's assessment of the best way to achieve the objectives stated in Section III above.
2. CARE reserves the right to cancel this Agreement and withdraw all assistance in the event that
 - a) the Participant fails to comply with any of the terms and conditions outlined in this Agreement or in any Loan Agreement with CARE,
 - b) the Participant fails to correct actions or circumstances which CARE assesses to be contrary to the achievement of stated objectives.

For the Participant:

1. The Participant has the right to refuse any and all assistance and/or advice which CARE offers if the Participant deems such advice and/or assistance to be inappropriate.
2. The Participant has the right to cancel this Agreement at any time for any reason. However, this right does not limit any financial obligation incurred under any Loan Agreement with CARE or with any other institution.

VI. CHANGES

Any modification of this Enterprise Development Agreement — whether it be a change in the purpose, the objectives, the enterprise or the rights and obligations of either party — must be agreed upon by both parties in writing and attached to this Agreement.

VII. DURATION

This Agreement shall remain in effect until the objectives of either or both parties have been achieved, or until either party declares its intention to terminate. The duration of this Agreement is in no way linked to the duration of any other agreement with CARE or any other institution, including loan and other financial assistance agreements.

VIII. SIGNATURE

For CARE:

The Participant:

Signed: _____

Signed: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

4. The machinery/equipment/materials purchased with the loan will be kept or used only in/at

.....
.....
and may not be transferred to any other location without written permission from CARE.

5. The Borrower must notify CARE immediately if any loss or damage occurs.

6. All machinery and equipment must be kept in a clean and fully serviceable condition and any repairs or maintenance (other than repairs covered by supplier's guarantee) must be carried out immediately as they become necessary and at the Borrower's expense. The borrower shall at his/her/its own expense insure and keep insured the machinery/equipment/materials purchased with the loan. Representatives of CARE may inspect the machinery/equipment/materials and the insurance policy at any time throughout the life of this Agreement.

7. Failure to make repayments shall entitle CARE to continue to charge interest at 24% per annum on the outstanding principal balance. Upon failure to pay instalments for two calendar months running or more, or in case of breach of any other condition(s) stipulated above, CARE shall have the right to repossess the machinery/equipment/materials purchased with the loan, as well as any security, and to reimburse themselves by disposing of such, not exceeding the amount owing to CARE plus expenses incurred in the act of repossession or disposal.

8. No relaxation or indulgence granted by CARE and no omission by CARE timeously or diligently to enforce any right under this agreement shall be deemed to amount to a waiver of that or any other right nor to be a waiver of that or any other right for the future.

9. The Borrower hereby agrees that these presents, along with the Enterprise Development Agreement if attached as part of this agreement, constitute the sole agreement between her/him/it and CARE and that no other act, representation, guarantee or warranty of any nature whatsoever, was done, made or given to her/him/it by CARE or any one or more of CARE duly authorized agents or any other person whatsoever purporting to act on CARE's behalf.

Signed by:

The Borrower

Represented by Title

in the case of partnerships, companies or any other association as authorized by the certified copy of a resolution to such effect passed by the Board of Directors, Partners and/or Senior Officers in the Association which is attached to this Loan Agreement as Appendix II.

On this day of 19.....

Signature

Witnessed by Title

..... Title

..... Title

Signed of behalf of CARE:

On this day of 19.....

Signature Title

Witnessed by Title

..... Title

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REPAYMENT PLAN

Loan Number:

The Borrower
received a loan of E on the day of
..... 19..... to be repaid in months and days
me.

Repayments will commence on The interest rate is
4% per annum on the declining principal balance, levied monthly.

Total amount of loan E

Number of repayments

Repayment frequency

Date loan paid out

Date of first repayment

Date of last repayment

Interest Levied On:
Grace Period

Repayment Period

Total amount of interest

Total amount to be paid

Repayment schedule:

E	X	-	E
E	X	-	E
E	X	-	E
Total Amount Due			E

BALANCE SHEET

Name: _____

Date: _____ Date of Last B.S.: _____

LIABILITIES & OWNER EQUITY	ASSETS
<p>Liabilities</p> <p>Current Liabilities (due within 30 days)</p> <p> Accounts Payable - materials _____</p> <p> Accounts Payable - Art Industries _____</p> <p> Accounts Payable - Other _____</p> <p> Advances Received from Customers _____</p> <p> Current A.I. Loan Installment(s) _____</p> <p> _____</p> <p> Subtotal Current Liabilities _____</p> <p>Long-Term Liabilities (not due within 30 days)</p> <p> Loans Outstanding _____</p> <p> _____</p> <p> Subtotal Long-Term Liabilities _____</p> <p> Total Liabilities _____</p> <p> _____</p> <p>Owner Equity (Net Worth) _____</p> <p> _____</p> <p>Total Liabilities & Owner Equity _____</p> <p align="right">*****</p>	<p>Fixed Assets</p> <p> Furniture _____</p> <p> Equipment _____</p> <p> Vehicle _____</p> <p> _____</p> <p> Subtotal Fixed Assets _____</p> <p>Current Assets</p> <p> Raw Materials _____</p> <p> Work In Progress - materials _____</p> <p> Unsold Finished Products - materials _____</p> <p> Debtors - Customers _____</p> <p> Debtors - Others _____</p> <p> Advance Payments _____</p> <p> Cash at Bank _____</p> <p> Cash in Hand _____</p> <p> _____</p> <p> Subtotal Current Assets _____</p> <p> Total Assets _____</p> <p align="right">*****</p>

I. Changes in Owner Equity

Owner Equity Last B.S. _____

Net Profit (Loss) since _____

 since last B.S. _____

Capital Investment (With- _____

 drawal) since last B.S. _____

Owner Equity This B.S. _____

II. Working Capital

Current Assets _____

Less: _____

Current Liabilities _____

Equals: _____

Working Capital _____

III. Comments/Observations

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INCOME and EXPENDITURE STATEMENT Appendix 3

NAME: _____ **PERIOD FROM:** _____
TO: _____

INCOME

Receipts from Customers	_____
Plus: Closing Debtors	_____
Less: Opening Debtors	_____
Plus: Opening Advances Received	_____
Less: Closing Advances Received	_____
Total Sales	_____
Other Income	_____
Total Income	_____

=====

EXPENDITURE

Cost of Goods Sold/Raw Materials Used	
Beginning Stock	_____
Plus: Purchases	_____
Less: Ending Stock	_____
Plus: Closing a/c Payable (mat.)	_____
Less: Opening a/c Payable (mat.)	_____
Cost of Goods Sold/Raw Materials Used	_____
Gross Profit	_____

Operating Expenses

Owner's wages	_____
Employee wages	_____
Other employment costs	_____
Transport	_____
Rent	_____
Electricity	_____
Telephone	_____
Stationery/Photocopying/Postage	_____
Maintenance/Cleaning	_____
Licenses/Taxes	_____
Loan Repayment - Interest	_____
Equipment Hire	_____
Tuition/Professional Fees	_____
Insurance	_____
Bank Charges	_____
Advertising	_____
Depreciation	_____
_____	_____
_____	_____
Total Operating Expenses	_____

PROFIT (LOSS)

=====

RECEIPTS and PAYMENTS SUMMARY

Appendix 3

NAME: _____ PERIOD FROM: _____
TO: _____

BEGINNING CASH BALANCE (From Opening Balance Sheet) _____

RECEIPTS (From Cashbook) _____

- From Customers _____
- Capital Investment _____
- Loans _____
- _____
- Total Receipts _____

TOTAL CASH AVAILABLE _____

PAYMENTS (From Cashbook) _____

- Purchase of Fixed Assets _____
- Purchase of Raw Materials _____
- Owner's wages _____
- Employee wages _____
- Other Employment Costs _____
- Transport _____
- Rent _____
- Electricity _____
- Telephone _____
- Stationery/Photocopying/Postage _____
- Maintenance/Cleaning _____
- Licenses/Taxes _____
- Loan Repayment - Principal _____
- Loan Repayment - Interest _____
- Equipment Hire _____
- Tuition/Professional Fees _____
- Insurance _____
- Bank Charges _____
- Advertising _____
- _____
- _____
- Total Payments _____

ENDING CASH BALANCE (Calculated from above) _____

DISCREPANCY _____

ENDING CASH BALANCE (From Closing Balance Sheet) _____

gh

NAME: _____

ANALYSIS OF CONSECUTIVE BALANCE SHEETS

ACTIVITY: _____

Date: _____

LIABILITIES & OWNER EQUITY							
Liabilities							
Current							
Long-term							
Subtotal Liabilities							
Owner Equity							
Owner Equity last B.S.							
Net Profit (Loss) since last B.S.							
Capital Investment (Withdrawal)							
Owner Equity this B.S.							
Total Liabilities & Owner Equity							
ASSETS							
Fixed Assets							
Furniture							
Equipment							
Vehicle							
Subtotal Fixed Assets							
Current Assets							
Raw Materials							
Work in Progress - Materials							
Unsold Finished Products - Mats.							
Debtors - Customers							
Debtors - Others							
Advance Payments							
Cash at Bank							
Cash in Hand							
Subtotal Current Assets							
Total Assets							

Working Capital							

CHANGE	Total Assets						
SINCE	Working Capital						
LAST B.S.	Owner Equity						

NAME: _____

CONSECUTIVE RECEIPTS and PAYMENTS STATEMENT
ACTIVITY: _____

BEST AVAILABLE DOCUMENT

Period from:	to:						
BEGINNING CASH BALANCE (BS)							
RECEIPTS (Cashbook)							
From Customers							
Capital Investment							
Loans							
Total Receipts							
TOTAL CASH AVAILABLE							
PAYMENTS (Cashbook)							
Purchase of Fixed Assets							
Purchase of Raw Materials							
Owner's wages							
Employee wages							
Other Employment Costs							
Transport							
Rent							
Electricity							
Telephone							
Stationery/Photocopying/Postage							
Maintenance/Cleaning							
Licenses/Taxes							
Loan Repayment — Principal							
Loan Repayment — Interest							
Equipment Hire							
Tuition/Professional Fees							
Insurance							
Bank Charges							
Advertising							
Total Payments							
ENDING CASH BALANCE (Calc.)							
DISCREPANCY							
ENDING CASH BALANCE (B.S.)							

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CARE Report to Client

M _____

Date: _____

Consultant: _____

Dear _____

We have been working with you for _____ months now. The following is a record of what we believe has been accomplished.

Loan Status

Amount Borrowed

E _____

To Date

Principle Paid _____ Balance Remaining on Loan

Interest Paid _____

Total Payments _____ E _____

Business Indicators

FIXED ASSETS Tangible resources like property, buildings, equipment, vehicles

Pre-Loan

Present

Change

TOTAL ASSETS All resources including cash, debts, stock, materials, fixed assets

LIABILITIES How much you owe others, loans outstanding, bills due, creditors

OWNER EQUITY How much of business is yours, the rest belongs to creditors

WORKING CAPITAL Allows you to meet immediate expenses (stock, rent, wages)

MONTHLY SALES
Your average sales

NET PROFIT How much you have free to reinvest to make your business grow

OWNER WAGES How much you pay yourself, never taken out of profits

Management Ability

Setting goals, planning and budgeting

Use of cashbook, receipts and payments

Managing credit and debtors

Stock controlling, valuing and protecting

Marketing, sales, promotions, appeal

Loan management

Other:

Pre-Loan

Present

Change

	Pre-Loan	Present	Change
Setting goals, planning and budgeting			
Use of cashbook, receipts and payments			
Managing credit and debtors			
Stock controlling, valuing and protecting			
Marketing, sales, promotions, appeal			
Loan management			
Other:			

(eg: very bad, weak, ok, good, excellent)

Comments on your business or skills:**Further recommendations to help you improve your business:**

(use other side if necessary)

Client Progress Report

Client _____

Type of Business _____

Extension Officer _____

MANAGEMENT SERVICES

Recommendation Options	Date	Problem Identified	Specific Recommendation	Follow-up	Completed
Cash management Use a cashbook Record receipts & payments Open up a Bank Account					
Credit management Use a debtor's record					
Stock management Count and value stocks materials, work-in-progress & finished products Maintain better control Production, Waste, Theft Reduce stocks of: Increase stocks of:					
Marketing Check competitors prices Promotions, advertising Prod. placement & quantities Clean and organize business					
Profitability Examine Costings Record material inputs Record production time Reduce expenses on: Reduce monthly drawings to:					

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Client Progress Report

Client _____

Type of Business _____

Extension Officer _____

FINANCIAL SERVICES

Recommendation Options	Date	Problem Identified	Specific Recommendation	Follow-up	Completed
STEP Loan Preparing documentation					
Formal Sector Loan Checking bank requirements Comparing banks Preparing documentation Guaranteeing loan					
Design of Loan Fund Analyse options					
Savings Plans Individual Group					

Client Progress Report

Client _____

Type of Business _____

Extension Officer _____

TECHNICAL SERVICES

Recommendation Options:	Date	Problem Identified	Specific Recommendation	Follow-up	Completed
Production Techniques					
Examine costings					
Record material inputs					
Record production time					
Reduce expenses on the					
methods of production:					
changes to the process					
Increase production					
Improve production quality					
Procuring Materials					
Set high material standards					
Compare manufactures					
Procuring Equipment					
Equipment recommended to					
facilitate productivity					
Upgrading Equipment					
Appropriate Equipment					
Equipment Skills					

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Client Progress Report

Client _____

Type of Business _____

Extension Officer _____

EMPOWERMENT SERVICES

Recommendation Options	Date	Problem Identified	Specific Recommendation	Follow-up	Completed
Group Formation Analyse options					
Group Structure Examine purpose Select leaders Meet regularly					
Association Review existing options Compare similar styles Find gov. regulations Contact potential members					
Structural Change Government policies Letters to editor Personal appeals Group appeals Legal options					
Personal Rights					

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STEP INTERVIEW FORM

Appendix 4
Services requested: FS MS TS ES
Services rendered: FS MS TS ES

Name of Owner _____ Date _____

Name of Business _____ Time _____

Interviewer(s) _____ Present _____

Visit: Site Office Other (_____)

Purpose of Visit:

Points Discussed and Observations:

Suppliers	Product Mthds	Labour/skills	Bus history	Fin. Proi	Expenses
Purchases	Debts	Openness	Commitment	Licensing	Appl Contrib
Resources	Employees	Market strat	Sales		

Next Course of Action or Tasks (number them):

Attachments:

**CARE INTERNATIONAL
MONTHLY LOAN FUND STATEMENT**

MONTH: _____ YEAR: _____

I. VERIFICATION OF TOTAL LOANS OUTSTANDING

A.	Total Loans Outstanding at the Beginning of the Month		E _____
	PLUS: Total Loans Granted during the Month	+	E _____
	LESS: Total Repayments of Loan Principal during the Month	-	E _____
	EQUALS: Total Loans Outstanding at the End of the Month	-	E _____ *****
	B. EQUALS: Sum of Individual Outstanding Principal Balances at the End of the Month (From the Statistics List)	-	E _____ *****

2. Interest Income _____

CASE STUDY-RETAIL/WHOLESALE

Sophie/Hawker, Black Swazi, 42 years, married w/7 children, uneducated

STEP.....Sophie is typical of the dangers of an SEAD project becoming nothing more than a personal consumption loan source. She approached STEP on 3-April-1989 and asked to borrow E200.00 to purchase local crafts for resale in Johannesburg.

Though numerate only, she agreed to keep simple records of cash flow and demonstrated the ability to do so. She is a licensed hawker and produced some goods for sale as proof of a business. But she has not been honest with STEP. When she was asked to produce E100.00 of her own money, it was learned later that she merely borrowed it from a friend long enough to show STEP

Sophie agreed to furnish STEP with cash flow records as a precondition to getting a loan. But her 1st payment has been made late and she claims to have lost all of her records and passport, so she cannot prove to STEP that anything was ever bought or sold. Our problem is the STEP Loan Agreement: so long as she is making some effort to pay we are helpless to call in the loan. She has given household furnishing as security, but STEP now feels that these are worthless without her husband's signature. Swazi law and custom gives ownership of homestead property to the husband.

Future.....STEP will continue to look for evidence of business activity with Sophie until her loan is repaid on 31.8.89. Whether business activity is found or not we cannot call in the loan early.

Recommendations

- Sections of the non-binding Entrepreneur Development Agreement which guarantee STEP access to financial records of a participant should be made part of the binding Loan Agreement.
- Co-signators (the owner of the security) should be added to the STEP Loan Agreement.
- Financial institutions which make such loans must develop a reputation for persistence (ruthlessness) in collecting payments.

CASE STUDY-MANUFACTURING

Sylvia/Seamstress, Black Swazi, 25 years, single w/2 children, HS graduate

Background.....Sylvia has been one of the more successful participants in the STEP Rural SEAD Subproject. She approached STEP on 6-April-1989 requesting funds to purchase stock in the Republic for her business. She was taught sewing only 2 years ago by her sister, but she has a talent for handiwork and produces a better product than the other Rural SEAD Subproject applicants who were formally trained. She has no previous business management training, but has a high school diploma and has graduated from secretarial school. During the daytime Sylvia works for Swazican in Malkerns and she does her sewing on evenings and weekends. Swazican employees are her main customers. Still very young, Sylvia is often coerced by her boyfriend to run her business the way he likes. He also does a lot to support her.

STEP.....Sylvia learned about STEP through her boyfriend who had a STEP loan already. She requested E350.00 as working capital to purchase yards of material and shoes for hawking. From the start she was willing to listen to any business advice we gave her. When we explained that shoes were the most difficult thing to hawk, she accepted our advice and concentrated her efforts on her sewing. The new, lower loan figure of E250.00 made her feel more comfortable also. Sylvia was always more at ease in the absence of her boyfriend. She was not always truthful with STEP and it is felt that he asked her to give his address and to hide her other daytime job.

Her education has made it relatively easy for her to pick up the business management tools given to her by STEP. Going over them together she can see that her biggest problem is in credit sales. Deposits, payments and dates are all written down now. With these we were able to help her develop a *firm* credit policy (50% deposit --1 month/1 payment with no exceptions). Her cash flow records have revealed that her boyfriend had kept slipping her money which was finding its way into her business, hiding her credit problems.

Present.....Sylvia paid off her STEP loan early. But she still meets with us and is learning more about the importance of the separation of business and personal funds and credit management. A new loan is not needed or requested.

Recommendations

- Sylvia should work to take personal charge of her business activities from her boyfriend.
- Future loan schemes should place emphasis on quality of work rather than presence of a diploma when evaluating applicants.

CASE STUDY-SERVICE

Mgofelweni Preschool/cooperative

Membership-Black Swazis, 42 years (ave.), married w/5 children (ave.)

Background.....Mgofelweni Preschool opened in 1982 in a mud and thatch church building. They have stayed open because little or no fees have been needed. Parents have been very lax in paying for their children. They receive food from a subsidised food program.

STEP.....The teacher's husband approached STEP on 11-October-1989 requesting funds to finish the construction of a new classroom. A close look at the books showed that most of their financial problems were brought on by themselves. While the government suggested fees of E10.00 per month, they were charging E2.00, per month and 5 of 45 pupils were paid for.

The entire leadership committee (+teacher) is comprised of two families. The control needed to be spread out more but members were at a loss as how to make changes. It was suggested to them to raise fees to E5.00 per month and chase away non-payers. The class is much too large for one teacher. Some pupils are admitted as young as 2 years old. This has changed it into more of a Daycare Center rather than a Preschool. There are no desks, chairs, blackboards, chalk, books or teaching aids of any kind. Some songs (mostly religious) are memorized and the rest of the time is spent playing outside.

Present.....The parents are very eager to get Preschool certificates for their children. Local Primary School headmasters (with the consent of the GOS) give top-priority to Preschool graduates for entry into grade 1 in Primary School. For the 1989 school year fees have been raised to E2.50 and a much better payment rate has been achieved (80%). The teacher can now receive a salary but financial projections show that present income levels would not support loan repayments. STEP is assisting Mgofelweni Preschool to look for other funding (a grant). They have a new building half finished but have run out of funds.

Recommendations

- Group members need to play a more active role in the affairs of the cooperative.
- The group's records and leadership needs to be opened up for all.
- Payment of school fees must be strictly enforced.
- Training programs should be used to educate the group membership as to their rights and responsibilities.

IMALI ZENGENAKO

(month or week)
INYANGA/ LIVIKI

IMALI LEPHUMAKO

(date) LUSUKU	(who) NGUBANI	(amount) E

(date) LUSUKU	(who) NGUBANI	(amount) E

Applicant	Gender	Status	Business	Request	Management	Reason for Re-usal	WC	none	some	x	n/a
1 M. Lukhele	F	appl.	Day Care	?	Entrep.	man for woman	FAP	none			n/a
2 P. Tsabedze	M	appl.	Hawker	600	Entrep.	dishonesty	WC	none			x
3 L. Tsabedze	F	appl.	Knitting	2000	Entrep.	no personal investment	FAP	none			x
4 R. Tfwala	F	appl.	Sew/Knitting	500	Entrep.	change of plans	WC	some			x
5 Yukuzmele	M/F	appl.	Coop Shop	5000	Coop.	dishonesty	WC	some			x
6 S. Nhlabatsi	M	part.	Peddler	500	Entrep.	n/a	WC	none			x
7 Simon Tfwala	M	appl.	Shopkeeper	?	Entrep.	remote control	WC	some			x
8 E. Tsabedze	F	part.	Hawker	MS/ 100	Entrep.	n/a	WC	none			x
9 L. Dlamini	F	appl.	Firewood	200	Entrep.	no plan	WC	none			x
10 P. Dube	F	appl.	Sew/Knitting	100	Entrep.	dishonesty	WC	none			x
11 Phumulabaleni	M/F	part.	Sew/Knit/WW	TS/MS	Coop.	n/a	n/a	none	x		x
12 E. Ngwenya	M	appl.	Woodwork	?	Part.	distance	FAP	some			n/a
13 Sibovu Preschool	M/F	appl.	Preschool	MS	Coop.	no personal investment	FAP	some	x		x
14 S. Kunene	F	appl.	Sewing	100	Entrep.	ran away	WC	none			x
15 L. Hlatshwako	M	appl.	Construction	500	Entrep.	no plan	FAP	none			x
16 P. Els	M	appl.	Shopkeeper	8000	Entrep.	dishonesty	WC	some			x
17 Mgqfelweni Preschool	M/F	appl.	Preschool	1000	Coop.	no personal investment	FAP	none			x
18 N. Ngwenya	F	appl.	Hawker	150	Entrep.	dishonesty	WC	none			x
19 S. Simelane	M	appl.	Tractor Hire	1000	Entrep.	remote control	FAP	none			n/a
20 S. Mdluli	M	appl.	Maise Mill	1500	Entrep.	n/a	FAP	none			n/a
21 S. Ngwenya	F	appl.	Food Vendor	50	Entrep.	ran away	WC	none			x
22 M. Socolo	F	part.	Hawker	200	Entrep.	n/a	WC	none			x
23 M. Zuma	F	part.	Shoe Repair	200	Entrep.	n/a	WC	none			x
24 S. Zwane	M	appl.	?	?	Entrep.	dishonesty	FAP	some			n/a
25 J. Sibandze	F	part.	Hawker	100	Entrep.	n/a	WC	none			x
26 T. Nsibandze	F	part.	Hawker	150	Entrep.	n/a	WC	none			x
27 G. Dlamini	F	part.	Hawker	100	Entrep.	n/a	WC	none			n/a
28 T. Kunene	F	part.	Hawker	200	Entrep.	n/a	WC	none			n/a
29 N. Dlamini	M	part.	Woodwork	1500	Entrep.	n/a	WC	none			x
30 T. Nkambule	F	part.	Hawker	200	Entrep.	n/a	WC	none			x
31 S. Mavimbela	F	appl.	Poultry	500	Entrep.	no personal investment	WC	none			n/a
32 A. Tsabedze	F	appl.	Food Vendor	50	Entrep.	solidarity group	WC	none			n/a

BEST AVAILABLE DOCUMENT

	Applicant	Gender	Status	Business	Request	Management	Reason for Refusal	Request Use	Bus. Man. Training	Separation of fun	Credit Problems
33	G Magagula	M	part.	Metalwork	400	Entrep.	n/a	WC	none		
34	N. Dlamini	M	part.	Metalwork	1500	Entrep.	n/a	WC	some		
35	B. Sacolo	M	appl.	Piggery	?	Entrep.	dishonesty	FAP	high		n/a
36	P. Dlamini	F	part.	Hawker/Sew	600	Entrep.	n/a	WC	none		n/a
37	S Dlamini	F	appl.	Hawker	100	Entrep.	distance	WC	none		x
38	E. Sibandze	F	appl	Food Vendor	120	Entrep.	solidarity group	WC	none		
39	S. Mlambo	F	appl	Sew/Batik	100	Entrep.	distance	WC	some		
40	S. Mavuso	F	part.	Hawker	100	Entrep.	n/a	WC	none		x
41	K. Dlamini	F	appl.	Hawker	100	Entrep.	ran away	WC	none		x
42	L. Vilakati	F	appl.	Hawker	200	Entrep.	no personal investment	WC	none		x
43	D. Vilakati	M	appl.	Poultry	600	Entrep.	no plan	WC	none		?
44	D. Motsa	F	appl.	Shopkeeper	3000	Part.	distance	WC	high		
45	S Sibandze	F	part	Hawker	200	Entrep.	n/a	WC	none		x
46	M. Dlamini	F	part	Hawker	100	Entrep.	n/a	WC	none		x
47	J. Sacolo	F	appl	Hawker	100	Entrep.	dishonesty	WC	none		n/a
48	S. Nkambule	F	part.	Sewing	350	Entrep.	n/a	WC	some		x
49	E. Sikhakhane	F	part.	Sewing	200	Entrep.	n/a	WC	none		x
50	Z. Kunene	M	part.	Hawker	600	Entrep.	n/a	WC	none		n/a
51	T. Khumalo	M	appl.	Hawker	?	Entrep.	distance	WC	none		n/a
52	S. Mlangeni	M	appl.	Hawker	600	Entrep.	dishonesty	WC	none		n/a
53	E Matsenjwa	F	appl.	Hawker	200	Entrep.	distance	WC	none		x
54	G. Dladla	F	part.	Hawker	200	Entrep.	n/a	WC	none		n/a
55	H. Ngwenya	M	part.	Shopkeeper	1000	Entrep.	n/a	WC	none		?
56	L. Sacolo	F	appl.	Hawker	200	Entrep.	distance	WC	none		?
57	S. Dlamini	F	appl.	Hawker	200	Entrep.	distance	WC	none		?
58	E. Hlatswako	F	appl.	Hawker	200	Entrep.	distance	WC	none		?
59	T. Zulu	F	part.	Hawker	100	Entrep.	n/a	WC	none		?
60	M. Mshayisa	M	appl.	Transport	7000	Entrep.	transport	FAP	some		?
61	G. Khumalo	F	part.	Firewood	200	Entrep.	n/a	WC	none		
62	P. Kunene	M	appl.	Veg. Wholesale	500	Entrep.	no personal investment	WC	none		
63	J. Simelane	M	appl.	Driving School	2000	Part.	distance	FAP	none	x	
64	B. Sibandze	F	appl.	Hawker	150	Entrep.	dishonesty	WC	none		

	Applicant	Gender	Status	Business	Request	Management	Reason for Refusal	Request use	Bus. Man. Training	Separation of Func.	Credit Problems
65	A Sibandze	M	part.	Woodwork	200	Entrep.	n/a	WC	none		x
66	M Msibi	M	appl.	Tractor Hire	3000	Entrep.	no plan	FAP	none		n/a
67	Z. Ndzimandze	M	appl.	Poles	500	Entrep.	distance	WC	none		?
68	H. Tsela	F	appl.	Poultry	300	Entrep.	not profitable	WC	none		n/a
69	M Dladla	F	part.	Hawker	200	Entrep.	n/a	WC	none		x
70	T. Dladla	F	part.	Hawker	300	Entrep.	n/a	WC	none		x
71	J. Ntjalintjali	F	appl.	Hawker	100	Entrep.	distance	WC	none		?
72	E Mhlanga	F	appl.	Hawker	100	Entrep.	distance	WC	none		?
73	T. Dlamini	F	appl.	Hawker	100	Entrep.	distance	WC	none		?
74	E. Gwebu	F	appl.	Hawker	200	Entrep.	distance	WC	none		?
75	A. Dlamini	F	appl.	Hawker	200	Entrep.	no personal investment	WC	none		?
76	E. Dlamini	F	appl.	Hawker	150	Entrep.	no personal investment	WC	none		?
77	S. Vilakati	F	part.	Hawker	150	Entrep.	distance	WC	none		?
78	V. Tsela	M	appl.	Photo Studio	8000	Entrep.	n/a	WC	none		x
79	J. Simelane	F	appl.	Hawker	4000	Entrep.	dishonesty	FAP	some		n/a
80	A. Simelane	M	appl.	Custom Planting	650	Entrep.	not profitable	FAP	none		n/a
81	A. Msibi	F	appl.	Hawker	200	Entrep.	no plan	FAP	none		n/a
82	F. Simelane	F	appl.	Hawker	400	Entrep.	ran away	WC	none		?
83	S. Nkambule	F	appl.	Hawker	100	Entrep.	n/a	WC	none		x
84	C. Nhlabatsi	F	appl.	Hawker	100	Entrep.	no personal investment	WC	none		?
85	E. Dvube	F	appl.	Hawker	250	Entrep.	no personal investment	WC	none		?
86	M. Sibandze	M	appl.	Butchery	3000	Entrep.	open	WC	none		?
87	J Fakudze	F	appl.	Poultry	150	Entrep.	open	FAP	some		n/a
88	L. Motsa	F	appl.	Poultry	200	Entrep.	open	WC	none		?
89	M. Maziya	F	appl.	Hawker	400	Entrep.	dishonesty	WC	none		?
90	A. Simelane	F	appl.	Hawker	200	Entrep.	open	WC	none		?

BEST AVAILABLE DOCUMENT

	Participant	Gender	Business	Loan	License	Repayments	Used given tools	Gave inaccurate misleading info.	Has working credit	Misused loan
1	E. Tsabedze	F	Hawking(2nds)	100	Hawker	on-time		x		
2	J. Sibandze	F	Hawk.(crafts)	150	not req.	late		x		
3	T. Nsibandze	F	Hawk.(crafts)	150	not req.	late		x		
4	M. Zuma	F	Shoe repair	150	none	default		x		x
5	T. Nkambule	F	Hawk.(crafts)	200	not req.	on-time	x	x	x	
6	T. Kunene	F	no business	200	n/a	late		x		x
7	G. Dlamini	F	no business	100	n/a	late		x		x
8	N. Dlamini	M	Woodwork	1500	temp.	late		x		x
9	S. Mavuso	F	Hawk.(pots)	100	none	early	x	x		
10	G. Magagula	M	Metalwork	400	none	late	x		x	
11	P. Dlamini	F	Sewing	400	none	late		x		x
12	S. Nkambule	F	Sewing	400	none	early	x	x		
13	N. Dlamini	M	Metalwork	1500	temp.	early		x	x	
14	M. Dlamini	F	Hawk.(new)	100	none	late		x		
15	Z. Kunene	M	Hawk.(stoves)	500	none	rescheduled			x	
16	S. Nhlabatsi	M	Peddler(new)	300	Peddler	late		x		x
17	E. Sikhakhane	F	Sewing	150	Hawker	late		x		
18	T. Zulu	F	Hawk.(crafts)	100	not req.	on-time				
19	G. Khumalo	F	Firewood	200	none	late				
20	G. Dladla	F	no business	150	none	on-time		x		x
21	S. Sibandze	F	Hawk.(crafts)	200	not req.	late		x		
22	S. Mavuso 2nd	F	Hawk.(pots)	100	none	on-time	x	x		
23	H. Ngwenya	M	Shop	1000	Gen. Dealer	late	x		x	
24	M. Dladla	F	Hawk.(crafts)	200	not req.	not due				
25	T. Dladla	F	Hawk.(crafts)	200	not req.	not due				
26	T. Nkambule 2nd	F	Hawk.(pots)	150	none	not due	x			
27	A. Sibandze	M	Woodwork	400	none	not due	x			
28	S. Vilakati	F	Hawk.(crafts)	150	not req.	not due				
29	PHA	M/F	Sew/Knit/WW	n/a	temp.	n/a		x		n/a

29 PARTICIPANTS

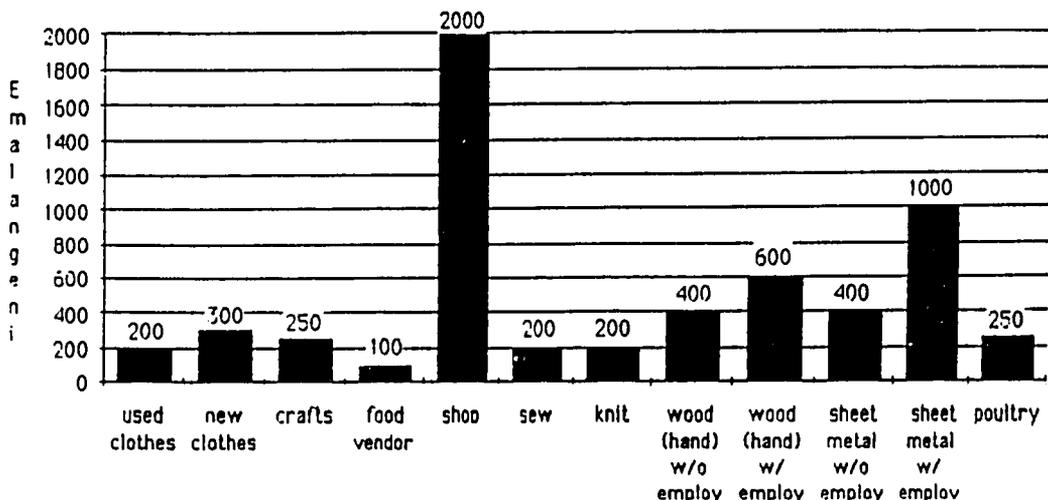
28 Loans
1 Non-loan

WORKING CAPITAL REQUIREMENTS BY SECTOR

Financial analysis and monitoring of the various sectors have shown minimum working capital requirements. Working capital investments vary between entrepreneurs but these figures represent the bare minimum required to operate a business activity.

Ideally, requests should be for half or less of the minimum requirement. The very large average request shown for shopkeepers is due to two very large fraudulent requests.

<u>Retail/Wholesale</u>	Minimum Requirement	Average Request
Hawkers		
used clothes	E200.00	E169.00
new clothes	E300.00	E329.00
crafts (to S.A.)	E250.00	E166.00
food vendors	E100.00	E 73.00
Shopkeepers	E2000.00	E4250.00
<u>Manufacturing</u>		
sewing (machine)	E200.00	E225.00
knitting (machine)	E200.00	E300.00
woodworking (hand/ no employees)	E400.00	E200.00
woodworking (hand/ w/employees)	E600.00	none
sheet metalwork (w/o employees)	E400.00	E400.00
sheet metal work (w/employees)	E1000.00	E1500.00
<u>Agriculture</u>		
poultry	E250.00	E350.00



MINIMUM FIXED ASSET REQUIREMENTS BY SECTOR

Financial analysis and monitoring have shown *minimum* fixed asset requirements of the various sectors. The actual amounts invested by entrepreneurs vary greatly but the figures shown represent the bare minimum required to carry on business activity.

<u>Retail/Wholesale</u>	Minimum Requirement
hawkers	E0.00
shopkeepers (renters)	E500.00
(owners)	E3000.00
food vendors	E0.00

Manufacturing

sewing	E400.00
knitting	E2000.00
woodworking (hand)	E700.00
(machine)	E5000.00
sheet metalwork	E300.00

Agriculture

poultry	E500.00
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