

PD ABM-424 COE 98001

A.I.D. EVALUATION SUMMARY - PART I

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

IDENTIFICATION DATA

A. Reporting A.I.D. Unit: Mission or AID/W Office <u>AID/Swaziland</u> _____ (ES# _____)	B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan? Yes <input checked="" type="checkbox"/> Slipped <input type="checkbox"/> Ad Hoc <input type="checkbox"/> Evaluation Plan Submission Date: FY <u>95</u> Q <u>4th</u>	C. Evaluation Timing Interim <input type="checkbox"/> Final <input checked="" type="checkbox"/> Ex Post <input type="checkbox"/> Other <input type="checkbox"/>
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D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

Project No.	Project / Program	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
645-0235	Swazi Business Development (SBD) Project	FY 91	12/95	\$11,300,000	\$11,300,000

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director	Name of Officer Responsible for Action	Date Action to be Completed
Action(s) Required Distribute final evaluation report Limited oversight of Endowment grant	Jamie Raile, PM Jack Royer, A/DIR Don Foster-Gross, PGDO; transfer to RCSA no later than 8/96	December 1995 continuous for seven years (August 31, 2002)

APPROVALS

F. Date of Mission Or AID/W Office Review Of Evaluation: _____ (Month) _____ (Day) _____ (Year)
 _____ 12 08 1995

G. Approvals of Evaluation Summary And Action Decisions:

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission of AID/W Office Director
Name (Typed)	Jamie Raile, PM	n/a	Don Foster-Gross	Jack A. Royer
Signature	<i>Jamie Raile</i>		<i>Don Foster-Gross</i>	<i>Jack Royer</i>
Date	<i>Dec 14, 1995</i>		<i>12/14/95</i>	<i>12/15/95</i>

ABSTRACT

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

The purpose of the Swazi Business Development Project is to stimulate the growth of established Swazi businesses which will, in turn, create jobs and wealth. Project implementation is undertaken with the assistance of Development Alternatives, Inc. through the Swazi Business Growth Trust (SBGT). The Final Evaluation was conducted by Patricia Walker and E.R. Harding, consultants for Management Systems International (MSI).

The major findings and conclusions are:

1. The overall project impact has been positive; project indicators have been achieved or exceeded. Major outputs include the following: over 2700 participants involved in SBGT training activities, over 1300 loans issued to 505 first-time borrowers, and female entrepreneurs account for over 50% of the client base.
2. The Class A lending program (small loans progressing in size) has been very effective in reaching first-time borrowers and in demonstrating the ultimate objective--helping those businesses grow. Class A loan recipients have experienced growth in assets, profits, and/or employees. High repayment rates have occurred. However, the Class B lending program (larger, more traditional business loans) initiated in 1994 is currently experiencing delinquency problems and closer monitoring is called for.
3. All Class A loan clients interviewed regarding the training provided by SBGT were enthusiastic--it was most often described as "very good" or "excellent." Class B loan clients were generally less enthusiastic and believed that they needed more business training and follow-up assistance from SBGT.
4. In the near to medium term, SBGT should solidify its programs and ensure a stable foundation for the long term before embarking in new directions. As SBGT solidifies its foundation the issue of deposit taking should be reopened and reexamined with the Central Bank (SBGT is currently restricted from deposit taking). Deposit taking may be important for institutional sustainability as well as for serving client needs.
5. The success of the project and the institution can be attributed to many factors including: the business-like nature of the institution, a private-sector oriented board and management, a proactive approach by SBGT in searching for business opportunities for small and medium Swazi businesses, and facilitation by the Government of Swaziland through the granting of a financial institution license, access to a low-interest rate loan, and participation in various SBGT sponsored events.

Lessons learned:

1. More effort than is generally assumed may be needed to educate the public, potential borrowers, and government officials about lending to micro, small and medium enterprises, especially the need for charging interest rates which allow for institutional sustainability, and that this interest rate is generally more than commercial banks charge.
2. Education is just as important as credit--understanding cash flow management, pricing, and other business principles makes a critical difference in entrepreneurial success.
3. With the necessary resources and community support it is possible to develop a small business support institution in a relatively short period of time which allows for expected sustainability in the medium term.

COSTS

I. Evaluation Costs

1. Evaluation Team		Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
Name	Affiliation			
E.R. Harding	MSI Consultant	IQC #AEP-5451-I-00- 2049-00 Delivery Order #28	\$56,470	PD&S
Patricia Walker	MSI Consultant			
2. Mission/Office Professional Staff Person-Days (Estimate) <u>12</u>		3. Borrower/Grantee Professional Staff Person-Days (Estimate) <u>25</u>		

A.I.D. EVALUATION SUMMARY - PART II

SUMMARY

J. Summary of Evaluation Findings - Conclusions and Recommendations (Try not to exceed the three (3) pages provided)

Address the following items:

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| <ul style="list-style-type: none"> ● Purpose of evaluation and methodology used ● Purpose of activity(ies) evaluated ● Findings and conclusions (relate to questions) | <ul style="list-style-type: none"> ● Principal recommendations ● Lessons learned |
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Mission or Office
USAID/Swaziland

Date This Summary Prepared:
8 December 1995

Title And Date Of Full Evaluation Report: Final Evaluation of SGBT November 13, 1995

Purpose of Evaluation and Methodology Used

The purpose of this final evaluation was both to evaluate the activities of SGBT in relation to the achievement of the project's goal, purpose and outputs as well as to recommend to the SGBT Board and new management strategies for improving SGBT's managerial, operational, and financial performance.

The evaluation was conducted over a five week period in Swaziland. Questionnaires were developed and field research was conducted through interviewing approximately 50 SGBT clients throughout Swaziland, as well as discussions with major stakeholders, associations, SGBT employees and board members, and government officials.

Purpose of Activities Evaluated

The broad goals of SBD project activities are to increase Swazi incomes and expand the employment generating capacity of the Swazi small business sector. A specific purpose is to assist small businesses with growth potential. There are two project indicators to measure project goals: 1) increase in size of business through number of employees, sales turnover and/or assets; and 2) improvement in the businesses' net equity positions and financial ratios. There were also five planned project outputs relating to: credit delivery; increase in business linkages; training; strengthening of business associations; and institutional sustainability.

Evaluation Conclusions and Recommendations

1. In its diversification in the lending program, the evaluators believe that SGBT needs to continue its Class A lending program which provides access to first time borrowers and is an important aspect of the institution's reason for being. Although the program is well grounded, complacency should not set in.
2. SGBT does not routinely evaluate its training programs, even for Class A clients who constitute the overwhelming majority of participants. Evaluating the effectiveness of its core courses for Class A clients could help SGBT omit or add new information that might have greater use and relevance. Part of the evaluation could seek to determine if clients in Class A would benefit from sector-specific courses in addition to general business courses. The cost effectiveness of providing such training would also have to be evaluated.
3. Management needs to take corrective actions regarding the Class B lending program before delinquency becomes a critical problem. It should also be aware of the potential for delinquency to develop in the housing program. The same focused attention given to the Class A lending program needs to be given to these programs and any other new lending areas.
4. Class B clients should be required to receive comprehensive training or orientation as part of the loan processing procedure, particularly if it is their first venture into a new type of business. More attention should be given to developing a thorough checklist to identify the kinds of problems Class B clients in particular sectors and loan categories are likely to experience before funds are disbursed.
5. Though female entrepreneurs comprise the majority of SGBT clients, SGBT did not target women specifically. However, for future growth, SGBT may want to consider if it should or needs to target female clients in particular sectors. In addition, ways to graduate female clients from Class A to Class B should be identified.
6. SGBT needs to ensure that major client sector needs are represented at Board level as well as throughout the organization and there are several options they might consider to ensure this. For example, the number of women on the Board of Directors could be increased or women who effectively represent and articulate the interests and needs of the majority of Class A female clients could be included.
7. Data on the gender and business activity of SGBT clients must be improved. Data on repayment rates by gender or sector were not available, for example. The business activities of SGBT clients should be rigorously matched to the Central Bank's classification system or SGBT should develop its own loan classification system. Client data should be comprehensive and accurate.

8. Attention should be focused on the preparation of timely financial statements, audits, and other management reports (including portfolio analyses) which provide the information needed by management and the Board for effective decision making.
9. A transition process is always difficult for any institution and the new management and Board need to be aware of this and ensure open and transparent communication -- with employees, stakeholders, commercial banks, and government.
10. The new SBGT management needs to continue to develop positive relationships with commercial banks, donors, business associations, and others. In all material aspects, SBGT is now a Swazi institution and its success will ebb and flow with the economic realities of Swaziland.
11. In the near term, SBGT should consolidate and solidify its programs and ensure a stable foundation for the long term before embarking in new directions.
12. As SBGT solidifies its foundation, in the next few years, the issue of deposit taking (institutional and/or client) should be reopened and reexamined with the Central Bank. Deposit taking authority can be important for SBGT's institutional sustainability and, as importantly, for serving its clients' needs. Innovative mechanisms for deposit taking should be explored--always with the safety of deposits held being the prime concern.
13. To date, SBGT has not published an Annual Report. It needs to begin doing this now. It is an important document for the public and a way to explain the activities of the Trust, with which many people are not familiar.
14. SBGT has acquired valuable experience lending to female entrepreneurs. The information acquired should be harnessed to contribute to the body of knowledge about women, credit, and enterprise development.
15. Under the leadership of the new management team; direction of the Board of Trustees; and support and guidance of both DAI and USAID, SBGT should reconvene soon and review, update and reaffirm its raison d'etre. Revised long range plans and financial projections should be updated and utilized in the 1996 Business Plan development process.
16. The Project Final Evaluation Team recommends that careful consideration be levied by SBGT in their deliberations as to the future roles Class A, B and HAIL lending programs may play based on the success and impact that each have had.
17. Without recommending added personnel necessarily, SBGT has reached a level of financial maturity and complexity so that a formalized Treasury function ought now to be established. This would include cash and investment management; asset/liability, liquidity, and matched funding surveillance; and the enhancement of the MIS in regards to all of the above.
18. A number of comments have been made in regards to auditing and all that it implies. Obviously, SBGT should continue to strengthen this activity, from an internal and external perspective and in keeping with its own burgeoning business needs as well as the ongoing requirements of USAID.