

PROJECT ASSISTANCE COMPLETION REPORT

**PROJECT TITLE:** Swazi Business Development (SBD)

**PROJECT NUMBER:** 645-0235

**AUTHORIZED LOP:** \$11,300,000

**PACD, ORIGINAL/REVISED:** 12/31/95

**COUNTRY:** Swaziland

**FINAL IMPACT EVALUATION:** November 1995

A. ACCOMPLISHMENTS IN TERMS OF PROJECT PURPOSE:

The Swazi Business Development (SBD) Project is designed to contribute to achieving the Mission's strategic objective of expanding the Swazi-owned small business sector. The Project's purpose is to stimulate the growth of established Swazi small businesses which will, in turn, create jobs and wealth.

Swazi Business Growth Trust (SBGT) was created specifically to carry out the project's programs. A cooperative agreement was signed in August 1991 by USAID and the newly created SBGT Board of Trustees; a U.S. institutional contractor team arrived in May 1992 to manage the institution in its first few years.

SBGT's focus is on established small businesses with growth potential--generally defined as those businesses with at least one employee, a fixed place of business, and registered as a Swazi business. SBGT provides financial assistance as well as marketing and business assistance to entrepreneurs. It also works to strengthen business associations and create linkages between small and large firms.

In most instances, the accomplishments of the project have far exceeded the planned outputs as summarized below:

**1. End of Project Status (EOPS) Indicators**

There are two EOPS indicators for the project. The indicators and project end results are as follows:

- a. EOPS #1: 25% of the project-serviced businesses will have increased in size as indicated by increases in one or more of the following: number of employees, sales turnover and/or assets.

Status: The outside mid-term evaluation done of the project in March of 1994 indicated that up to 70% of the project-serviced businesses had increased in size. The final outside evaluation, completed in November 1995, indicated that up to 80% of the businesses had increased in size. (The database for the EOPS indicators are businesses

participating in the Class A loan program which have had a minimum of two small loans.)

- b. EOPS #2: 25% of the project serviced businesses will have demonstrated an improvement in financial health as evidenced by improvements in the following indicators: net equity position and current financial ratios.

Status: The November 1995 final evaluation indicated that 25% of the businesses had increased their profit by at least 100%.

- c. In addition to the two EOPS, the SBD project also anticipates that at least 30 percent of the beneficiaries of the project who achieve the above targets will be women.

The final evaluation indicates that 72% of the credit clients that received repeat loans were women. Forty-six percent (46%) of them increased their profits and/or assets by 100% or more. SGBT impact on the underserved female entrepreneurs has been one the outstanding successes of the SBD program and one of the key factors that differentiates SGBT from all other business service organizations in Swaziland.

## 2. Project Outputs

The planned outputs of SBD and project end status of each are as follows:

- 1. Credit: Swazi business persons will have increased access to commercial credit as indicated by 500 first time small business borrowers of which 25% will have received repeat loans.

Status: As of the mid-term evaluation of March 1994, 107 SGBT clients had become first time borrowers, with 61% of them receiving repeat loans. Since then, these numbers have grown substantially. The final evaluation indicated that 505 SGBT clients were first-time borrowers and 66% of them had received repeat loans. By December 1995, over 1400 loans have been issued for a total value of E8,000,000.

- 2. Business Linkages: Swazi businesses receiving project inputs will be providing goods and services to large businesses or the GOS: 1) at least 15 small businesses will be providing goods or services to larger businesses or the GOS for the first time, 2) 10 small Swazi construction firms will have an increased number of contracts with the GOS.

Status: The targeted linkage numbers were exceeded by the time of the final evaluation. SGBT established a new commercial subsidiary to assist in small business linkage with larger business and government. The Growth Trust Commercial Corporation (GTCC) has been established as a public company with equity partnership to come from the large business sector. GTCC houses for-profit linkage activities such as franchising, and bulk

purchase schemes for construction, transport and agriculture sectors.

3. Training: 1700 persons will have been provided training in planning, management, finance, marketing, or a technical skill area.

Status: As of March 1994, the evaluation indicated participation in training courses of approximately 968. As of March 1995 this figure has increased to 2350 clients and was over 2700 by November 1995.

4. Strengthening Business Associations: At least 7 business associations will have established action based plans to provide increased training and services to the business community.

Status: The Mission and SBGT management agreed to reduce the number of associations SBGT works with, and to focus on three associations that have shown interest and commitment (Business Women's Association of Swaziland [BWAS], Contractor's Association, and Trucker's Association) in assisting their members through working with SBGT. The final evaluation indicates needed support has been given to the organizations, and especially in the case of BWAS, SBGT's assistance has effectively supported training and services to Swazi businesswomen through a stronger BWAS.

5. Implementing Organization: The Swazi Business Growth Trust will have been established and will be providing credit, training, and technical assistance to small Swazi businesses with growth potential.

Not only was SBGT established but with the assistance of a USAID endowment, SBGT is expected to continue providing services to the small business community indefinitely.

The final evaluation also noted that SBGT is serving its targeted market--those with growth potential--witnessed by the fact that 80% of the enterprises receiving Class A loans experienced some form of business growth. As well, these achievements have taken place in a shrinking and depressed economy when it is not generally expected for businesses to prosper.

#### B. STATUS OF COMPLETION OF PROJECT ELEMENTS:

The DAI/technical assistance component was completed in November 1995; permanent management is now in place at the Trust. The SBGT cooperative agreement funding is through December 1995; it is anticipated that all cooperative agreement funds (\$5.9 million) will be utilized by project end. The Trust's future funding will be a combination of fees and interest received from clients, endowment income, and other donor support.

#### C. GOVERNMENT OF SWAZILAND (GOS)/OTHER CONTRIBUTION:

The GOS contribution to the project of E1,000,000 (approximately

\$357,000 at 1992 exchange rate) was made as planned utilizing PL480 funds. Because SGBT was being set up as a new institution, the 25% recipient contribution was waived at project inception.

In addition, SGBT has been successful in raising non-USAID funds. In 1995, the GOS provided a low interest rate loan of approximately \$1.25 million to SGBT. SGBT has also received loan funds from the Development Bank of Southern Africa (approximately \$1.37 million) for its lending program. A small grant was also obtained from the Japanese government.

#### D. FURTHER INPUTS EXPECTED INTO THE PROJECT:

In 1995, AID/W approval and funding was given for a U.S. \$5,000,000 endowment to SGBT. Conditions precedent were met and funds disbursed mid-December 1995. The endowed funds are invested in the U.S.; it is expected that SGBT will obtain quarterly endowment income in perpetuity from the endowment.

In addition, it is expected that all project-funded commodities will be turned over to SGBT as anticipated in the project paper. The Mission has also agreed that, during the seven year period of the endowment oversight, SGBT should retain use of USAID houses for its senior staff. These issues will be finalized by the USAID/Swaziland EXO and Acting Director during discussions with the GOS.

#### E. RECOMMENDATIONS FOR FURTHER MONITORING, REPORTING AND EVALUATION:

Under the endowment grant with SGBT (see #645-0235-G-00-5116-00) limited USAID oversight is required through August 31, 2002. This will be provided by USAID/Swaziland until Mission closure, and then by the Regional Center for Southern Africa (RCSA). SGBT is required to provide annual reports, audits, and investment performance reports. Should it desire, USAID may, at its own expense, conduct one or more evaluations of SGBT's endowment-funded program. Because the use of U.S. funded endowments is a new assistance instrument, and SGBT obtained one of the first endowments under the recent legislation, an evaluation in several years time is recommended in order to provide AID with relevant lessons learned.

In addition, USAID/Swaziland recommended that SGBT be considered to participate in the regional Southern Africa Enterprise Development Fund (SAEDF) project once it becomes operational. Involvement in the SAEDF project would also entail monitoring from RCSA and/or the Enterprise Fund management.

#### G. LESSONS LEARNED:

1. Board: It was envisioned in the original project paper that the Board of Trustees would be responsible for fundraising and endowments for ensuring SGBT's sustainability. In practice this is difficult: a) board members are all full-time professionals;

b) there was not a professional fund raiser position on the Board; and c) as a new institution with no track record initial fundraising is difficult. Instead, the Board should be utilized where their specific talents lie (auditing, finance, legal, etc.) and contribute to fundraising efforts initiated by management.

2. Management: It was envisioned that the U.S. contractors would be replaced by permanent management seven months prior to project completion. This meant that the recruitment process would need to be initiated at least one year prior to project completion. In practice this was not possible because the sustainability of the institution was still in doubt. It was only after SGBT's sustainability became likely through approval of a USAID endowment that it became feasible to attract permanent management.

3. The original project paper envisioned a follow-on project to increase the likelihood of SGBT's sustainability. When a traditional follow-on project grant or cooperative agreement became unlikely due to the Mission's closure, and because SGBT's performance exceeded expectations, it was possible to utilize a new assistance mechanism (i.e., U.S. dollar dominated endowment) to assist in the long term sustainability of the institution. What could have turned into a "white elephant" (creating a new institution but not staying to see it through the initial stages) was instead turned into an example of USAID's flexibility and commitment to obtain results through a non-traditional assistance mechanism.

Drafted: JRaile, Project Manager/SBD 20 December 1995

Clearances:

DFoster-Gross, PGDO	in draft	12/20/95
VMsibi, PROG	<u>VMsibi</u>	<u>12/20/95</u>
ACooke, FM	<u>ACooke</u>	<u>12/21/95</u>
JRoyer, ADIR	<u>JRoyer</u>	<u>12/21/95</u>