

PROJECT ASSISTANCE COMPLETION REPORT

PROJECT TITLE: BUSINESS MANAGEMENT EXTENSION PROGRAM (BMEP)/LULOTE

PROJECT NUMBER: 645-0234

PROJECT AMOUNT: \$701,000

COUNTRY: Swaziland

FINAL PROJECT EVALUATION: November 1994

1. SUMMARY OF SERVICES PERFORMED

In June 1995, the Business Management Extension Program (BMEP) was reborn as LULOTE. The name LULOTE is an acronym for "Luhlelo Lolunotsisa Temabhizinisi," (Program for Business Development). The word LULOTE is a word in its own right and means "sharpen it." This new name is well positioned in a great new logo with the motto "we turn your ideas into profit." LULOTE, previously the Business Management Extension Program (BMEP), is an indigenous private voluntary organization established in 1986 by the Manzini Industrial Training Center (MITC), a vocational center, in order to provide business management training to technically skilled people aspiring to venture into self-employment. The Grant Agreement with MITC provided funding to construct buildings and classrooms for the Business Management Extension Program. In 1990 a Co-operative Agreement was signed directly with the Business Management Extension Program to identify and implement successful business management training methods and other assistance activities which promote small scale business enterprise. BMEP/LULOTE's mission is to promote small enterprise development by providing trade and business skills training, individual business consultancy and financial assistance to persons who are mature, have job experience and skills, work for themselves full time and exhibit entrepreneurial traits and the potential to grow. LULOTE's main aim is to assist clients to transform their income generating activities into small enterprises which operate as economic entities distinct from their owners, and which expand through investments of profits.

LULOTE's major objectives are as follows:

A. To develop clients' practical business management skills through full-time training programs named Introduction to Business Courses (IBCs). IBCs consist of four weeks of intensive practical and participatory training in product identification and selection, market analysis, production and financial planning.

B. To encourage the adoption of business practices through individual business consultancies and part-time training courses. LULOTE seeks to provide business advisory services and training to clients to assist them and advise them on good management practices.

C. To expand clients' businesses by providing small loans for working capital and equipment acquisition.

D. To establish a cost recovery program and to seek non-USAID contributions to sustain LULOTE/Business Management Extension Programme. LULOTE strives to recover operational costs through training, consulting, loan fees, and commercial rent from its workshops.

E. To examine the role and constitution of the Board of Directors to determine their contribution to the program, with a view to restructuring it to achieve a broader sectoral representation of members.

F. To work with other organizations involved in small enterprise development to create a forum for addressing policy issues affecting small business development.

2. STATUS OF COMPLETION OF PROJECT ELEMENTS
BY OBJECTIVE AND EOPS

A. Prepare new entrepreneurs to develop plans for and initiate viable businesses through full-time business training programs titled Introduction to Business Courses (IBCs).

(i)

Objective: 17 IBC's held for a total of 180 clients.

Actual: 18 IBC's held by 30 September 1995 with 192 participants (120 males and 72 females). The majority of these participants were new business start-ups.

B. Assist existing businesses to grow, to improve the quality of products and services and increase profitability, through a combination of individual business assistance and short-term courses.

(i)

Objective: 100 clients will receive individual business consultancy services for 12-18 months, stressing marketing, product development, basic business concepts and the importance of good management;

Actual: 332 persons (199 males and 133 females) have received individual business assistance by September 30, 1995.

- (ii)
Objective: LULOTE will hold Business Modular Courses (BMC's) for 130 client participants to encourage sharing of ideas and to upgrade technical skills of clients.
- Actual:** 142 people attended BMC's, (72 males and 70 females) as of 30 September 1995.
- (iii)
Objective: 40 rural communities will receive on-site business training.
- Actual:** 60 rural community groups received business training with a total of 143 participants (20 males and 123 females).
- C.
Objective: Set up a demonstration Retail outlet "Eswatini" shop.
- Actual:** The shop was not a success and went into liquidation due to its non-profitability. This original objective was excluded as an objective in the BMEP/LULOTE Project Extension in 1992.
- D.
Objective: Operating a warehouse for the bulk of inputs for 80 to 100 small business clients.
- Actual:** This activity was cancelled for the following reasons: a. Supplies available locally; b. High cost of importing; and c. High cost of storage and operation.
- E. Expand clients' businesses by providing small loans for working capital and equipment requisition.
- (i)
Objective: LULOTE will maintain an active portfolio of 75 clients. Extension officers will assist clients to develop feasible business plans and demonstrate the need for a loan.
- Actual:** A portfolio of 26 clients was maintained. As of December 1995, there were 12 active loans out of a total loan portfolio of 25. The 13 non-performing loans are at various stages of the legal process for LULOTE lawyers to attach the securities pledged.

Based on the November 1994 evaluation report, which stated that due to the poor performance of the loan portfolio and the escalating costs of administrating the scheme, the loan scheme should be phased out, the BMEP Board of Directors suspended the loan scheme and appointed a Task Force to investigate how the loan scheme could be improved. The Task Force recommended that minor improvements be made and loan assessments and disbursements were revived in February 1995.

F. Establish a cost recovery program and seek non-AID contribution to sustain LULOTE:-

(i)

Objective: LULOTE will seek to recover operational fees through training, consultancy and loan fees, and by charging commercial rent on workshops;

Actual: LULOTE introduced fees for training 3 years ago and commercial rent is charged on all LULOTE workshops. Training fees are currently E450 and rent is E500 per month.

(ii)

Objective: LULOTE will seek to obtain a Swaziland Government subvention by 1994.

Actual: In August 1995 LULOTE received about \$1 million (E3.6 million) from the Government of Swaziland through the Ministries of Finance and Economic Planning. The funds have been deposited with a local bank and will yield 13.25% per year in interest. The intention is to utilize the interest earned for LULOTE's operating expenses.

G. Restructure Board of Directors:-

(i)

Objective: A committee will examine the role and constitution of the board to determine its contribution to the program.

Actual: Committee recommended that the LULOTE Board include members from legal, banking and finance, Government and personnel sectors. It was also recommended that the rotational system stipulated in the constitution be adhered to.

(ii)

Objective: Restructure the Board of Directors to obtain a broader sectoral representation of members.

Actual: Three members of the board were replaced by persons from the business, banking and legal sectors.

- H.
- Objective:** Coordinate with SGBT to define the two organization's roles and areas of possible interaction to maximize the use of resources.
- Actual:** LULOTE and SGBT continue to communicate and exchange information on clients regularly.

3. ACCOMPLISHMENTS IN TERMS OF PROJECT PURPOSE

A final Project evaluation of the BMEP/LULOTE Project was held in November 1994. The purpose of the evaluation was, not only to evaluate the BMEP program but also to determine if and how BMEP could sustain its activities over the long term. The evaluation recommended that due to the substantial balance of LULOTE/BMEP grant funds that remained a no-cost extension be requested from AID. A no-cost extension of the grant agreement was completed and a new Project Assistance Completion Date of 30 November 1995 was established. The BMEP Final Evaluation looked specifically at three vital areas - organizational capacity and structure, market viability and financial position. The major recommendation of the evaluation was that BMEP should develop a long term Strategic and Marketing Plan. In August 1995, with the assistance of two outside consultants, BMEP developed a long term Strategic and Marketing Plan which has been instrumental in attracting new finance and creating a long term vision for the organization. In addition, BMEP received a E3.6 million grant from the Government of Swaziland. Both of these events have contributed significantly to the long-term sustainability of BMEP/LULOTE. It should be noted that no long-term expatriate TA was employed in the BMEP Project. It has been managed throughout by Swazi's, thus there has been no crisis management at the end of the project as there has been in many similar donor funded programs. LULOTE/BMEP is now a sustainable local organization that has the capacity to market its services and also has vast potential for moving into regional small enterprise training.

4. FURTHER INPUTS EXPECTED INTO THE PROJECT

None.

5. LESSONS LEARNED

The principal lesson learned from the Business Management Extension Programme is the importance of a strongly motivated Board to assist the Director in the long term direction of the organization. A strong Board can assist the Management of Non-Governmental Organizations in key areas, specifically fund-raising. Managing a micro-lending operation turned out to be a difficult task.

However, after the loan program was suspended, it was found that access to credit was still a major constraint for many LULOTE clients. No other lenders could be found. It is too early to say whether the revamped lending program can be sustained.

6. RECOMMENDATIONS FOR FURTHER MONITORING, REPORTING AND EVALUATION None

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3/6/96

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