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USAID/SWAZILAND

**ASSESSMENT OF PROGRAM IMPACT
(API)**

**FY 1994
REPORT**

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ASSESSMENT OF PROGRAM IMPACT
USAID/SWAZILAND, MARCH 1995**

SECTION I. SPECIAL FACTORS AFFECTING THE USAID PROGRAM

A. ECONOMIC BACKGROUND

Over the past two years, Swaziland appears to have firmly emerged from the prolonged recession caused principally by the economic downturn in South Africa and the 1991/92 drought. Data indicate moderate growth in GDP which grew at the rate of 5.4% (in constant 1985 prices) in 1993, compared to a negative 1.2% the previous year. Even with a 5.4% growth, the per capita GDP is making little headway against an alarmingly high population growth rate of 3.4%.

Inadequate rains this year may have a negative effect on agricultural output and retard the growth rate again. Further, this may be a long term problem. Traditional agricultural output seems to be increasingly affected by inadequate rains, especially in the southeast lowveld. Despite several successive years of near zero production from rainfed agriculture in this region of the country, little has been done to increase smallholder access to irrigation, to encourage alternative dryland crops, or to stem the environmental degradation.

The budget deficit, which was 5.0% of GDP in 1993/94, was estimated at 6.0% in 1994/95 and is projected to decline marginally in the current financial year. The budget deficit is structural, resulting from a bloated civil service, lack of control of public enterprises, uncontrolled expenditure at the Ministerial level, under-collection of tax revenue, and lack of accountability for major Government expenditure. In addition, the Southern Africa Customs Union (SACU) agreement, the Government's largest source of revenue, will likely be renegotiated in the near future which may result in smaller payments to Swaziland.

The merchandise trade account of the balance of payments shows a definite trend over the 1987-1993 period. From a positive trade balance in 1987-88, the country slipped into deficit in 1989. This deficit has been growing steadily from E-56.7 million in 1989 to E-406.9 million in 1993. The trend is characterized by a rapid growth in imports of goods and services. On the capital account, private long-term capital and official inflows have provided the resources to offset the current account deficit. In 1993 Swaziland posted its first balance of payments deficit in eight years.

Pre-1993 economic growth was led by investment. A large part of the foreign investment came to Swaziland because of sanctions against South Africa. Since South Africa achieved majority rule, no major investment projects have been developed to completion in Swaziland. The Government's main concern now seems to be to ensure that existing investors remain in Swaziland. Most informed observers believe that any new investment projects will

be in the small to medium scale enterprises.

Swaziland's economic performance depends to a large extent on a w key sectors:

Wood pulp

This cyclical industry is a major employer and foreign exchange earner in Swaziland. The world market is emerging from a slump and prices have firmed up considerably. A major plant expansion at Usutu Pulp is beginning in 1995; however, it appears that the new components will be capital intensive and there will be only a negligible impact on labor.

Sugar

In spite of lower production due to drought conditions, firmer prices and broader markets actually increased revenue of this sector in 1993. With additional land under cultivation, output and revenue should increase for the next few years. However, world sugar prices may decline, which will have a severe impact on this industry. Royal Swazi Sugar Corp. has prepared itself by diversifying into meat (beef, pork and ostrich) and an alcohol plant.

Tourism

After lackluster seasons in 1992 and 1993 due to the political situation and recession in South Africa, preliminary indications are that 1994 was a good year for the industry. The Swazi Spa group, owners of the largest chain of hotels in the country, reported significantly improved earnings for 1994 and doubled the dividend paid. Other hotel operators report increased bed-nights sold and see a continuing trend.

The dark clouds on the horizon are inflation and industrial relations. The rate of inflation (average, for all income groups) at 13.5% is nearly 4% higher than in neighboring South Africa. This is partially caused by distortions in the consumer price index, but also by wage-push inflation and a land and property market that is itself distorted by a lack of supply, insider deals, and lack of market information. Unions have been successful in obtaining wage increases in excess of the rate of inflation with no corresponding increase in productivity. Relations between employers, Government and the unions are adversarial at best, and portend to be the source of a protracted socio-economic conflict.

POLITICAL BACKGROUND

In last year's report, we mentioned the October 1993 election of a parliament and noted the King's statement that formulation of a national development plan would be the next priority.

The first session of the new parliament showed little inclination, or capability, to take an active role in formulating the government budget, or establishing priorities. There are signs over the past year that the parliament may be becoming more

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assertive, whether for good or ill remains to be seen.

Formulation of a national economic development policy has been underway for the past six months through a process called "Vusela". A group of selected leaders is holding mass meetings in every community of the country. In these meetings anyone is free to speak for as long as he or she wants on any topic. In theory, the Vusela committee will, when everyone has had their say, compile all of the submissions into a development plan which represents the will of the people. While this time consuming and costly exercise gives the appearance of democratic, popular participation, it is highly unlikely that it will produce anything of substance.

In the meantime, the UNDP funded exercise, which began in late 1993 to develop a National Development Strategy (NDS), and was to involve the government ministries, labor and private sector interests has come to a grinding halt.

The government has accomplished little in the past year to increase transparency, accountability, or responsiveness to citizens' needs. Political parties are still banned but the labor movement has become more vocal, more strident and more visible in pressing for reform and change.

SECTION II. PROGRESS TOWARD OVERALL PROGRAM GOALS

The achievement of the overall program goals will be largely a function of the sustainability of the institutions which have been created or strengthened by the current portfolio of projects which will end in the next 12 to 18 months. Over the past year, a major effort has been devoted to enhancing prospects for sustainability in several of the projects.

The Family Life Association of Swaziland (FLAS) seems likely to prosper after the FHS project ends. During the past year, the project has completed the renovation of building for the FLAS clinic in Mbabane and the construction of a headquarters building for FLAS is scheduled for completion in 1995. Owning these facilities will relieve FLAS of major recurring expenses which they incurred to rent facilities. A small endowment, which was established in 1992, provides significant income to help defray operating costs. FLAS, at this point, seems to be a well managed organization which can continue to provide approximately the same level of services for the foreseeable future, without further AID support. Further, its excellent reputation should allow it to garner support from other donors.

The Business Management Extension Program (BMEP) worked with three AID funded consultants over the past year to develop a sustainability plan. This led to a significant restructuring of the program and the services which BMEP offers with a view to making the services more nearly self financing. BMEP, with its existing staff, has been able to expand some training programs for clients who are able to pay the full costs of the services. However, BMEP's main focus remains on the beginning entrepreneur

who probably cannot be expected to pay the full cost of the training and intensive technical support which is needed. Thus, we foresee that BMEP will continue to require grant support. With the solid reputation that it has developed, we are hopeful that they will be able to attract the needed funds from another donor. Part of the sustainability assistance also focused on BMEP's board of directors. The board has been restructured to some extent but, to date does not seem to be taking the active role that is needed in setting policy and supporting the management.

The CAPM project changed its focus in 1993 from working primarily with marketing organizations to developing farmer organizations to perform the marketing function. While there has been real progress in development of the organizations, and their capacity for managing the packsheds and sales, there is a real question whether they will be strong enough to continue without outside support when the project ends in 1996. The project has dropped one of the original three organizations which was developing very slowly. The project resources for the remaining time are now concentrated on the two stronger farmer organizations.

The project has sponsored one sustainability workshop which brought together representatives from the farmer organizations with people from the Ministry of Agriculture and Cooperatives (MOAC) and other donors. The workshop seems to have succeeded in focusing the MOAC's attention on the need for increased government attention to the CAPM farmer organizations as the project phases down.

We have also been actively looking for support from other donors. An Israeli advisor, jointly funded by the MASHAV program and the Mission, will begin work with the project this year, and will stay for about 12 to 15 months after the project ends. The Peace Corps is considering assigning two to four advisors to work with the farmer organizations after the project ends.

We believe that, if the endowment for SGBT is finally approved, it will be able to continue its support to small business development in Swaziland. To expand its program and utilize the full potential of the organization, SGBT will need access to new capital for its lending program. In this regard, we hope that the African Enterprise fund will be operating soon and will take a close look at SGBT as a vehicle for investing in Swaziland.

The EPMT project seems to be succeeding in institutionalizing the management information system, the head teacher training function, and the development and utilization of Continuous Assessment (CA) methods and materials in the Ministry of Education. By the end of the project, it is expected that the CA instruction will be in place in math and English in grades one through three. Expansion of the CA approach to cover all subjects in all primary grades within a reasonable amount of time will probably require some further donor support. Both the World Bank and the British have taken some interest in the approach and may be able to provide some assistance to the Ministry.

SECTION III. PROGRESS TOWARD STRATEGIC OBJECTIVES AND RELATED INDICATORS.

STRATEGIC OBJECTIVE 1. INCREASE CONTRACEPTIVE PREVALENCE RATE

As pointed out in last year's report, the indicators for this S.O. are fairly narrowly defined to measure the results of the project which is limited to assistance through an NGO, the Family Life Association of Swaziland (FLAS). Efforts to develop a more comprehensive program with the GOS in 1992 failed.

Last year we reported progress on achieving GOS support for a social marketing program with SOMARC. Unfortunately, the GOS withdrew support from the program shortly after last year's report was submitted. The reasons for this reversal are not entirely clear but it might be worth noting that a second organization which receives AID support (PSI) came into Swaziland with an alternative proposal which helped to sidetrack the nearly completed negotiations with SOMARC. As far as we know, PSI did not use any AID money for their Swaziland activities. While competition among social marketing organizations might sometimes be useful, the rivalry in this case has not been productive. As far as we know, there is not yet any social marketing program operating in Swaziland.

However, as mentioned in earlier reports, we believe that the FLAS program, especially its Information, Education and Communication (IE&C) activities, is having and will continue to have, a national level impact which cannot be captured by the indicators. FLAS's IE&C campaign reaches a national audience through a variety of methods, including frequent ads in the two daily newspapers, frequent TV spots and three popular weekly radio shows. Since it is the only public information campaign for family planning, we believe that some highly visible results over the past 12 to 18 months can be attributed to FLAS efforts.

The elevation of national consciousness about the problems of rapid population growth has been obvious. Reports in the press increasingly allude to the dangerous population growth rate. Government ministers and other officials, who seldom mentioned the problem two years ago, now seldom talk about any development problem, from health care to education to farming, without mentioning that rapid population growth exacerbates the problem. In this year's speech to open parliament, the king mentioned control of the population growth rate as one of the four top development priorities for Swaziland. The "danger facing the nation from uncontrolled population growth" was also mentioned prominently in the Minister of Finance's annual budget speech in February 1995. Both events are unprecedented in Swaziland.

FLAS operates only three clinics in the population centers of Swaziland (Mbabane, Manzini and Malkerns). Part of the intent of the FLAS program has been to raise the national consciousness about family planning and hence, the demand for family planning

services, to induce the GOS to make more family planning services available in the government clinics which cover the entire country. We do not have any data on delivery of family planning services in GOS clinics but the demand does seem to be rising.

The FLAS clinics themselves have had a rapid increase in clientele. Total visits to FLAS clinics, for all services increased from 5,200 people in 1992 to 11,000 in 1993 and 20,000 in 1994. In 1994, 48% of all FLAS clinic patients accepted some form of contraceptives.

New FP users in the clinics show rapid gains, increasing five fold from 1992 to 1993 and doubling again in 1994. From 1993 to 1994 total distribution of oral contraceptives increased by 72% and injectables increased by 75%.

While FP continuation rates in most African countries are reported at around 50%, FLAS has set a target of 90% continuation rates, (or, 10% dropout rate). In 1994, the continuation rates at the three clinics averaged 81.9%, showing some increase over the 1993 rate of 80.8%.

FLAS's impact is greatly increased by their program to set up FP programs in industrial clinics, as shown by the 1994 data for Program Outcome (PO) 1.4. As reported last year, the original intent of introducing this program in five industrial clinics was met in 1992. Four clinics were added to the program in 1993 and an additional nine joined the program in 1994, for a current total of 18 participating industries.

Progress on P.O. 1.5, Increased knowledge of FP among students and adults under 45, will be measured in the contraceptive prevalence survey scheduled for November 1995. FLAS's media campaign has been designed to address problems identified in the 1988 survey which established the baseline.

Additionally, tracking surveys are being conducted, using smaller samples, to determine the effectiveness of the individual radio and TV spots and newspaper ads. The surveys will reveal whether the intended messages are being understood and allow for modifications as required.

The indicators for P.O. 1.5, which are necessarily abbreviated in the log frame, are more fully explained below.

1988 Family Health Survey - Baseline

1. Knowledge of FP benefits - percent females and percent males who have knowledge of at least one effective contraceptive method.

2. Reduction of misunderstandings & fears among females about contraception - percent of previous contraceptive users who report that they discontinued use because of negative side effects.

3. Enlightened attitudes about FP, STD treatment and HIV/AIDS - percent of men and percent of women who believe that they should use contraception.

4. Improved knowledge & attitudes about sexual responsibility & FP among teenagers - percent of females and percent of males who have correct knowledge of the fertile period.

STRATEGIC OBJECTIVE 2, INCREASE THE NUMBER OF SWAZIS WHO EFFECTIVELY DIRECT, MANAGE, AND PARTICIPATE IN NATIONAL DEVELOPMENT.

As noted in last year's API report, the Mission does not believe that the indicators in the program log frame effectively measure either progress toward the S.O. or the effect of the two projects which support the S.O. Nevertheless, we believe that progress can be documented at the level of the Program Outcomes, (POs).

Results for P.O. 2.1, indicator number 1, are disappointing. The rate at which pupils drop out of primary school increased by one percentage point from 1993 to 1994. One could speculate on many factors outside the control of the project, and of the Ministry of Education (MOE), which might lead to this result. For example, the lasting effects of the drought in parts of the country, along with increasing unemployment in the formal sector and the increasing cost of basic staples may have made it more difficult than usual for many parents to pay the required school fees. The indicator is influenced by too many exogenous variables to be a reliable measure of the program's effectiveness.

Other developments are more encouraging. The need for increased efficiency in the education system, which is one of the main themes of the Education Policy, Management and Technology project (EPMT), is clearly gaining acceptance. With project assistance, the MOE convoked a National Education Symposium in May 1994. The symposium was attended by a wide spectrum of interested parties, including private companies, other government ministries, other donors and representatives of parent organizations. The Ministry used many of the planning tools developed by the project to present a compelling case for educational reforms. The result is extensive support for the Ministry's innovative programs and the formation of a permanent, broad based, "Quality Working Group" to continue participating with the Ministry in improving the effectiveness and efficiency of the education system. The need for efficiency, the Symposium, and the establishment of the Quality Working Group were all highlighted by the Minister of Finance in his 1995 budget speech.

Data from the project initiated Management Information System (MIS), along with the planning model developed by the MOE with assistance from the EPMT project and World Bank, have been used during the past year to make such key decisions as budget allocations, allocation of teaching posts and planning of teacher housing. Due to severe problems with budget deficits, caused in large part by ballooning payroll costs, the GOS has set a goal

of reducing the current number of teaching posts by 400. Using MIS data, the Ministry has been able to review all teaching posts on a school by school basis, along with other data, such as enrollment, to assure the best utilization of the limited teacher positions. Data showed that, in 1992, housing was provided for 21% of the teachers. A goal has now been set to increase this number to 30% by the end of 1995, with an equitable distribution of housing among schools. Based on this plan, 122 of the planned 175 houses have been completed and the remainder are under construction.

We noted in last year's report that there was increasing respect within the government for the MOE's budget planning capabilities. This was graphically illustrated during the preparation of this year's government budget. The Ministry of Planning abandoned its longstanding practice of making line by line adjustments in the MOE's budget request. The Principal Secretary of the Planning Ministry acknowledged that, if cuts had to be made, the MOE was best able to determine which programs should be cut.

Although there is no indicator for repetition rates, decreasing these rates is one of the key factors in improving efficiency of the system, a primary objective of the EPMT project. The first data on the impact of Continuous Assessment and Head Teacher Management Training suggest that the interventions are successful. Although it is too early to be assured of a long term trend, the repetition rate for children in grade 1 has dropped in the last two years since the effect of the project has been felt. After a decade of rising repetition rates, the rate fell from 21.1% in 1992 to 19.7% in 1993 and, more rapidly, to 17% in 1994.

Data for Program Outcomes 2.2 and 2.3 are straightforward and show that in nearly all cases the Performance Targets were exceeded. However, the causal link between these Program Outcomes and the Strategic Objective is tenuous and a quantifiable effect of the performance targets on the Strategic Objective cannot be documented.

Some further detail on the 449 people who were trained in country might be useful to illustrate the intent and potential impact. Of the 449 middle level managers and professionals who were trained, just over 60% were women. This reflects the intensified efforts under the STRIDE project during this period to identify women at the mid levels of government and the private sector and to increase their potential for further promotion. The 368 trainees who were from government agencies were nearly all from the accounting and audit departments of various ministries reflecting the objective of strengthening this critical function.

The main effort for the remainder of the STRIDE project will be focused on Program Output 2.4 but the definition of "Community Leaders" has been somewhat broadened from the original intent of the project. There are three areas which have been chosen for concentration of the remaining training resources because we

believe they will have the greatest potential impact. These are:

- 1) Training of the recently elected parliamentarians.
- 2) Working with and facilitating a tripartite group comprising labor, employers and parliament, for joint training in conflict resolution and economic planning.
- 3) Strengthening the capacity of the Business Management Extension Program to train new entrepreneurs.

These new training initiatives started too late to be reflected in the FY 1994 data but so far in 1995, the following accomplishments have been recorded:

1. A two day workshop sponsored by STRIDE and the Federation of Swaziland Employers (FSE) addressed the topic of industrial relations in Swaziland. It was attended by 85 people, including the Secretary to the Cabinet, Parliamentarians, Principal Secretaries, CEOs of large private firms and parastatals, and leaders of labor unions and employers associations.

The outcome of this workshop was the formation of a Tripartite Working Group comprising the secretary generals of the four major labor unions, two principal secretaries from government ministries, CEOs of three private companies and one parastatal, and officials of the FSE. The STRIDE office is the secretariat to the group which is charged with moving forward an agenda to jointly examine current national issues of economic and political change.

2. The project also co-sponsored with the FSE, a one day "Introduction to Scenarios Development" workshop which was attended by 45 parliamentarians, principal secretaries from concerned ministries, leaders of labor unions, and CEOs of large private firms and parastatals. Ten of these individuals had attended the previous industrial relations workshop and so maintained the continuity of the Tripartite Group.

It was resolved at this second workshop that key decision-makers from the industrial relations and scenario workshops should gather again for a three-day workshop to write several scenarios of the nation's future and to produce a video to be shown to the general public for its input. This effort is intended to spur activities parallel to those being slowly undertaken by government and to get the private sector and labor more productively involved in creating a consensus National Development Strategy.

3. STRIDE co-sponsored with the Labor Department's Tripartite Training Committee a workshop convened to examine the ILO proposed notion of attaching a "Social Clause" to the GATT agreements. The workshop was attended by 60 people including CEOs, senior labor leaders, ministers and principal secretaries, Parliamentarians, and representatives from the traditional leadership. At the end of the workshop employers and labor unions provided

government with a joint position paper to be presented by the Government of Swaziland to the ILO in March 1995. This consensus paper has now gone to the Cabinet for approval.

4. Ninety-five Parliamentarians and thirty observers attended a STRIDE-funded "Budget Development" workshop intended to educate Senators and Assemblymen about the budget process so that they can play a more active and constructive role in debates about government budget priorities.

This is the first in a planned series of project-funded workshops intended to strengthen parliament and help its members better understand their roles as elected representatives. The response from the parliamentarians to the first workshops was almost universally positive and there is a lot of enthusiasm and demand for more training. The STRIDE Steering Committee will be working with the parliamentary leadership to establish priorities for future sessions.

A small amount of STRIDE resources have also been used to supplement funding from RHUDO/Pretoria to work with municipal officials in preparing for strengthened municipal governments after municipal councilors are elected for the first time in 1995. Technical assistance and two workshops have resulted in a new, draft Municipal Code, which will provide a solid framework for the elected city and town councils when they assume office.

We have also been able to utilize the some of the post's 116e, Democracy and Governance funds to contribute to this effort by assisting the Ministry in preparing for and conducting the municipal elections.

Strategic Objective number 3, Expand the Swazi-owned Business Sector

We noted in last year's report that the indicators to measure the effect of S.O. 3 were being modified because the data for the originally stated indicators was not available. We attempted to modify the indicators to measure, as nearly as possible the same effect with available data. Another year's experience shows that this was only minimally successful.

We believed that the data on Swazi owned businesses from the Registrar of Companies would provide a good time series of data. The table shows that, according to the records of the Registrar of Companies, the number of companies decreased from 1993 to 1994. Upon further examination, we discovered that the registration fees were significantly increased and many companies which had been registered but were inactive had dropped from the roles. One possible way to eliminate inactive companies from the data base would be to merge the registration with the records of trading license maintained by the Ministry of Commerce. The registrar of Companies agreed that this would be useful and asked for AID assistance to design a system to do it.

We said last year, and still believe, that the tax records would provide useful data on the growth of sales and assets, indicator three. The tax office agreed that they could provide data, disaggregated by company size, but will do so only after clearance from the Ministry of Finance. We have sought the Ministry's support but have not yet received any data.

The indicators related to the CAPM project were modified in last year's API report. We believe all but one of the redesigned indicators are satisfactory and more useful than those used in previous years. For all but indicator no. 4 under the S.O., we have been able to collect the data needed to report comparable numbers this year.

Last year, we changed the fourth indicator for S.O. no. 3 to measure only export sales, rather than total sales by small farmers, because we could not track the domestic sales but had reasonably good data on export sales. This year, fresh vegetable prices were extremely high in the region and many farmers sold through informal channels to traders coming in from South Africa. Thus, the tracking system was able to capture only a portion (the project estimates about half) of the export sales.

The high prices for produce were a mixed blessing for the CAPM project. On the one hand, as shown by indicator 2, Program Output 3.1, project farmers achieved a substantial increase in income per hectare. However, the arrival of informal traders at the farm gate, with cash in hand and willing to pay more than the price offered by the cooperative packhouses, had a negative effect on the development of the farmer organizations. The organizations, and the concept of programmed cooperative marketing is too new for the farmers to understand the longer term benefits of loyalty to the organization versus the short term gains in selling to a trader who may not be around when the demand in the region returns to normal levels.

Beyond the accomplishments shown in the remaining indicators related to the CAPM, the following achievements are noteworthy:

- . **Participation of Women.** About 40% of the commercial farmers who received marketing and production assistance from the project were women. Of the farmers who received loans, with assistance from the project, 20% were women. This is a significant accomplishment in a society where women are considered minors and most women farmers are limited to "kitchen gardens".
- . **Impact upon GOS National Development Strategy.** The Ministry of Agriculture and Cooperatives (MOAC) has targeted rural income generation through small farmer production and marketing of high-value fruits and vegetables as one of their highest priorities in the GOS's new National Development Strategy. This is a new priority in the agricultural sector, and results directly from CAPM's success with small farmers in Swaziland. It is a

particularly welcome change from MOAC's previous over concentration on maize production.

- . **Increased Farm Productivity and Quality.** CAPM-assisted small farmers have increased their yield per hectare for selected crops by a factor of as great as three since 1991. The current yield of 30 tons of tomatoes per hectare compares favorably with yields obtained by medium technology farmers in South Africa. The quality of produce has improved significantly as farmers grow to meet regional, as well as local demands. Swaziland small farmers collectively marketed their produce into South African markets on a sustained basis for the first time.
- . **Significant Increases in Total Production.** CAPM-assisted small farmers produced 1300 tons of tomatoes during the 1994 winter season, and successfully marketed their produce to local and regional markets. This represents a four-fold increase over total production levels at the beginning of the project for participating farmers.
- . **Growing Farmer Organizations.** Two farmer organizations have been established and registered with initial membership of 80 and 40 farmers respectively, and are growing in membership. The GOS and CAPM collaborated on the establishment of two, farmer owned packsheds to serve vegetables producers. Sales in one organization exceeded E500,000 in the first season. While not quantifiable, the development and management of their own organizations has had observable effects on participating farmers as they begin to realize the potential of self-empowerment through democratically operated group enterprises.
- . **Small Farm Finance.** CAPM, working with Swazi Development and Savings Bank officials, has developed a group loan program linked to detailed production and marketing business plans. For the first time, small farmers were able to obtain loans at near-commercial interest rates for financing seasonal inputs, which are substantial in high-value horticulture. Small farm finance has been steadily growing, and in the last winter season small farmers in one organization received a total loans of E420,000. At season's end, fifty percent of farmers had already repaid their loans, and remaining repayment is proceeding to the Bank's satisfaction. In a society where women are regarded as minors, and most often operate at the "kitchen garden" level, it is particularly significant that 20% of these loans for commercial operations went to women.
- . **Agribusiness Growth.** CAPM has stimulated the growth of new small farmer horticultural enterprises in Swaziland and ancillary activities to support the industry. Two seedling nurseries have been established, one of which is producing 250,000 seedlings per month. Prior to this, farmers had no option but to import seedlings from South Africa. The farmer organizations themselves have developed various

profit-making enterprises to coincide with their primary marketing function. Local input suppliers report increased sales, and feasibility studies are underway for several value-added processing facilities (tomato, chutney and jam processing plants) for small farmer produce. Employment of skilled and semi-skilled labor is increasing at CAPM assisted farms and farmer organizations, and in agribusinesses related to high-value horticulture.

- . **Minister of Economic Planning Recognizes USAID Efforts in Ag Sector.** In a February, 1995 speech, the Minister of Economic Planning had high praise for the CAPM project, saying that CAPM is now successfully organizing and training farmers to become successful commercial producers of high-value horticultural crops, and that key factors in CAPM's approach are programming production and post-harvest activities to meet market demand. The Minister also noted that, we are often too short sighted in looking for the benefit of development projects. He said pointed out that, in the success of CAPM farmers, one can easily see the payoff from research, extension and training delivered by the earlier USAID-financed Cropping Systems Research Project.
- . **University Focus on Agricultural Service and Agribusiness.** A CAPM supported linkage between the University of Swaziland's Faculty of Agriculture (UNISWA) and Ohio State University resulted in a new UNISWA mission statement and focus. UNISWA has developed a long-term strategy to function as a service-oriented institution which will provide teaching, non-formal training, and research similar to the mandate of U.S. land grant colleges. The linkage program also resulted in the development of an off-campus agribusiness internship program, and UNISWA, on its own, is now developing an on-campus student enterprise program. In doing this, UNISWA is procuring an additional farm and expanding other facilities. For the first time, UNISWA has conducted a series of technical, non-formal training workshops for the public and private sector, and is actively participating in training and strategy planning for CAPM-assisted farmer organizations.

The most significant issue for the CAPM project is sustainability. With less than a year of project assistance left, can the nascent farmer organizations be brought to a stage where they can continue to manage their affairs without project assistance? Can the GOS, or other donors provide the needed assistance?

A sustainability workshop held by CAPM and the GOS, in February 1995 focused attention on this issue. There is some evidence that the GOS is beginning to address this issue more seriously than in the past. A standing steering committee is being formed to direct development of small horticultural farmer organizations and their businesses. The committee will be composed of key

farmer representatives, public and private sector individuals who will advocate and advise the two present farmer organizations, and promote the expansion of this model into others suitable areas in Swaziland. The Ministries of Agricultural and of Economic Planning plan to coordinate efforts to seek required support from other donors.

Both the Business Management Extension Program (BMEP) and the Swazi Business Growth Trust are gaining recognition within the country as Swazi institutions which play the leading role in development of Swazi small businesses.

When the Central Bank of Swaziland reduced their support staff through an early retirement program in 1994, the Bank contracted BMEP to provide a series of business training programs for the retiring employees. Three other NGOs engaged in a variety of community and women's development projects contracted with BMEP to provide business training and technical assistance to aspiring entrepreneurs from their projects.

In this year's budget speech to Parliament, the Minister of Finance emphasized the need for business growth and said, "Swaziland has several schemes for providing finance to entrepreneurs. Let me outline some of these activities." He then went on to describe three programs. In only one of which did he describe concrete achievements. What he said about SGBT is worth quoting in full:

"Swaziland Business Growth Trust (SBGT) continued to grow in 1994. 450 firms received 90 day loans and a total of 650 new jobs were created in 1994. Franchising as a tool for small business development has been promoted by the Trust. In addition, SBGT's lending program has extended with 765 loans being disbursed with a total value of over E3 million. SBGT has also established satellite offices at Pigg's Peak and Nhlangano."

The increasing participation of businesswomen in the programs, as shown in the indicators should be emphasized. Women were about 57% of the total participants in business training courses. (indicator 3.1.B (1). Women received over 61% of the total loans provided by SBGT and BMEP in 1994. (Indicator 3.1.A) Of the SBGT assisted firms that increased their capital and net worth in 1994, nearly 63% were women owned. (Indicator 3.1)

(Note on indicator 3.1.A - FY 92 and 93 numbers included data from the Central Bank's Small Loan Guarantee Program. Their report for 1994 is not yet available. The best estimate is that it would add about 400 loans to the total but there is no breakout by gender. To compare the 1994 SSE data to the earlier years, 263 CB loans should be deducted from 1992 and 310 from 1993.)

We noted in last year's report that, at their inception, BMEP had trouble attracting clients for free courses, and that gradually increasing fees in 1992 and 1993 did not diminish the demand. In 1994, BMEP nearly doubled the fee for their long-term training

course and the first two courses offered at the higher costs were both oversubscribed. BMEP's revenue from operations increased by over 40% from 1993 to 1994. The 1994 income was more than eight times that for 1991. From 1991 to 1994, the total number of people trained per year has grown six-fold and the percentage of total trainees who are women has grown from 55% in 1991 to 85% in 1994.

Even with a stagnant Swazi economy, SBTG's clients are making real progress. Among the more than 200 businesses with whom SBTG worked in 1994, the average increase in sales was 77% and the average increase in business assets was 69%.

To meet an obvious need in the country, SBTG established an agro-business program. Although this unit only began operations in mid year, they already have a portfolio of 36 borrowers with loans totalling about E500,000 (\$142,000).

Franchising is another new SBTG activity which got underway in 1994 and shows great promise in providing opportunities for Swazi small businesses. Previously, this method of doing business has had only a limited application in Swaziland. Franchises have only been granted to larger, established businesses, almost exclusively expat owned. In 1994, SBTG began an aggressive program to make franchising opportunities available to small Swazi entrepreneurs.

Two approaches have been used. First, SBTG has taken more than 70 potential franchise holders to Johannesburg to introduce them to various franchisers. From this effort, two Swazis are now operating franchise businesses and six more are working with SBTG to complete franchise agreements. The second approach has been SBTG's acquisition of three Area Master Franchise Licenses, (Phone Spaza, Maxi Movies, and Coca Cola vending). After acquiring the master license, SBTG can then grant local franchises to local entrepreneurs. With the process less than a year old, 4 Phone Spaza franchises are already operating with 10 more agreements in process, and 4 Maxi Movie and 6 Coca Cola franchises are being negotiated. By next year, this could provide some good, "People Level" success stories for Congress.

Although the indicator numbers for Program Output 3.2 do not look encouraging, there are positive developments in the strengthening of business associations. Some of the associations are becoming more aggressive in, and adept at meeting the needs of members. For example, when it became obvious that a major highway construction program would provide subcontracting opportunities for local truckers, the association did a study of the project's needs and of the cost to provide services, and secured members' approval for a unified proposal which allowed the prime contractor to deal with a single proposal rather than a series of 10 or 12 smaller proposals.

The construction contractors' association has worked with SBTG to develop, test and market new, lower cost construction techniques which are based on local materials. These, along with

SBGT's home acquisition loans, should accelerate the construction of housing for lower income clients.

In early 1994, SBGT's subsidiary, the Growth Trust Corporation (GTC) received a financial license, thus since the last report, SBGT has become a part of the financial network in Swaziland. A closer working relationship with the commercial banks in the country has several advantages. Many SBGT clients have never dealt with commercial banks. Since SBGT client accounts are maintained in the commercial banks, clients become familiar with bank operations and become known to the bankers. The more than 400 clients who have now "graduated" after completing a year with SBGT have also established a relationship with a commercial bank. It is now a standard and regular practice for SBGT to refer some clients to the commercial banks, often after helping the client to prepare business plans and loan applications, and for commercial banks to refer clients to SBGT.

Last year's report commented on the effect of SBGT's successful operations on changing the long-standing perception in Swaziland that small businesses were not credit worthy. There is concrete evidence this year that the perception is changing. The commercial banks are now willing to share in loans to selected small businesses, if SBGT is also involved. There are now 38 businesses who have a total of E1.2 million (\$342,000) in loans which are financed half by GTC and half by a commercial bank. This is a move in the desired direction of SBGT clients becoming graduates of the program who can establish regular credit programs with the commercial banks.

Finally, as part of the banking community, SBGT is working with the commercial banks to develop new small claims court procedures which, if enacted, would simplify collection procedures and make small loans more attractive to the commercial banks.

IV. OTHER PROGRESS IN PRIORITY AREAS

While some of the accomplishments are mentioned under S.O. 2, it seems worth highlighting activities in the Democracy and Governance area which have been brought about by combining resources from several programs. Both the Embassy and USAID consider the successful operation of the parliament which was elected in 1993 to be critical for the political advancement of Swaziland. In 1995, for the first time, municipal councilors will be elected rather than appointed. Successful democratic, participatory government in the two cities and six towns could provide a useful lesson in democratic governance for a population in which it is a relatively new concept.

Resources from the STRIDE project have been combined with funding from the 116e account, funds available from the RHUDO/Pretoria office and programs funded by USIS to provide training, technical assistance, and limited material support to the parliament and the municipal governments.

A series of related consultancies have been funded by the STRIDE

project and its predecessor, the SWAMDP project to assist the GOS in structuring policies to improve the environment for private sector investment. A series of short-term consultancies have led to development of a new Insurance and Pensions Act which is now before the Parliament, a new Investment Code which is awaiting Cabinet action, and a new Companies Act which is in final drafting stages. If these instruments, along with new securities legislation, for which technical assistance is planned in 1995, are adopted by the GOS, the climate for both domestic and foreign investment in Swaziland will be greatly enhanced and Swaziland will be able to compete effectively with other countries in the region for private investment resources.

Finally, we should mention Swaziland Railways which was assisted by the SARP Regional Project. In late 1993, the management of the railroad was smoothly handed over from the AID financed management team to the AID trained Swazi management team. With project assistance, Swaziland Railways has been transformed from being a major drain on the government's budget to a profit making enterprise. It was given a special award by the Public Enterprise Unit in 1994 for being the best managed parastatal. The "SADC Top Companies Report, 1994" ranks Swaziland Railways number 29 in their "Top 100 Businesses and Industries for 1993".

OBJECTIVES	INDICATORS	BASELINE (YR)	Planned and (Actual) FY94 Report					
			FY90	FY91	FY92	FY93	FY94	FY95
Strategic Objective 1 Increase contraceptive prevalence (CP) rate	1. Increase CP rate Source: Population Survey 2. (DELETED)	17% (1988)			22% (22%)			30%
Prog. Outcome 1.1 (DELETED)								
Prog. Outcome 1.2 Increase commercial availability of contraceptives	Condoms sold through new commercial outlets (thousands) Source: SOMARC project data	0 (1993)				334 (0)		401
Prog. Outcome 1.3 (DELETED)								
Prog. Outcome 1.4 Increase family planning services proved through industrial clinics	1. Increase CYP in industrial clinics 2. New FP acceptors in indus. clinics 3. Condoms distributed by indus. based distributors (thousands) Source: Project Data	0 (1992) 0 (1992) 0 (1992)				(2,447) (1,841) (87.7)	2,725 (4,611) 2,025 (7,386) 105.3 (384.8)	2,998 2,228 120.3
Prog. Outcome 1.5 Increase knowledge of family planning among adults under 45 and students	1. Knowledge of FP benefits 2. Reduction of misunderstandings and fears among females about contraception 3. Enlightened attitudes about FP, STD treatment and HIV/AIDS 4. Improve knowledge and attitudes about sexual responsibility and FP among teenagers. Source: FHS Project reports	(1988) 82%.F 90%.M 60% 80%.M 91%.F 13%.F 6%.M						90%M 90%F 30%F 90%M 100%F 20%F 13%M

OBJECTIVES	INDICATORS	BASELINE (YR)	Planned and (Actual) FY 94 Report							
			FY90	FY91	FY92	FY93	FY94	FY95		
Strategic Objective No. 2 Increase the number of Swazis who effectively direct, manage and participate in national development	1. Increased number of children who complete 7 years of primary school on time.	160/1000 (1988)	160/1000 (172/1000)	160/1000 (178/1000)	160/1000 (183/1000)	170/1000 (175/1000)	180/1000 (189/1000)	200/1000		
Prog. Outcome 2.1 Improve the quality of basic education	1. Improved student achievement in grades 1-4 math and English measured by criterion referenced tests. 2. Fewer children drop-out of primary school	Grade 1, (1994) Eng. 9.5% Mastery 47.7% Borderline Math 23.8% Mastery 47.7% Borderline 46% (1988)	N/A	N/A	46% (35%)	46% (35%)	46% (41%)	42% (39%)	38% (40%)	36%
Prog. Outcome 2.2 Improve the effectiveness of Swazi mid-senior managers	1. Number of Swazi managers who complete academic and technical training	N/A	N/A	10 long term fellows (degree training US) (10)	16STT (US/TC) (11) 10 LTT US (11) 120 In-C (448)	8 STT (US/TC) (10) 10 LTT (US) (13) 120 In-C (957)	8 STT (US/TC) (16) 10 LTT (7) 120 In-C (449)	8 STT (US/TC) (16) 4 LTT		
Prog. Outcome 2.3 Strengthen business education in tertiary institutions	2. Increased number of Bachelor of Commerce graduates 3. Increased number of students studying AAT level III at SCOT 4. Number of students trained in computer applications for business - Source: SCOT, UNISWA, STRIDE 5. Increase number of qualified business faculty (MS or better)	45 (1990) 0 (1992) 0 (1990) 40% Unqualified (1990)	45 0 0 (40%)	52 (50) 0 0 (10) 40% (5%)	52 (52) 0 320 (269) 30% (0%)	53 (50) 20 (20) 440 (480) 20% (0%)	88 (69) 25 (21) 580 (792) 0% (0%)	127 25 580 0%		

OBJECTIVES	INDICATORS	BASELINE (YR)	Planned and (Actual) FY94 Report					
			FY90	FY91	FY92	FY93	FY94	FY95
Prog. Outcome 2.4 Traditional and community leaders more actively promote the economic development of their areas	1. Increased number of leaders trained in economic development	0 (1990)	0	0 (73)	30 (65)	435 (0)	450 (0)	450

OBJECTIVES	INDICATORS	BASELINE (YR)	Planned and (Actual) FY94 Report					
			FY90	FY91	FY92	FY93	FY94	FY95
Strategic Objective No. 3	1. Increase # of Swazi-owned small business (Calendar Year date) Source: GOS Registrar of Companies	634 (1990)	(634)	(678)	(781)	(920)	1200 (872)	1,500
Expand the Swazi-owned small business sector	2. Increase in employees of small(1.50 employees) businesses (To be modified) Source: National Provident Fund	Ave. 2.12 (1991 (excluding owner)		2.72 (N/A)	2.79 (N/A)	2.86 (8.4) (1,865 Cos.)	2.93 (8.54)	3.00
* Defined as having at least one paid employee in addition to the owner and a fixed place of business	3. Increase in number of businesses having 5-50 employees with increased sales or assets (To be modified) Source: GOS Tax Records	Est. 500-1000; to be refined during FY 92			(Refined Baseline) (N/A)	5% (N/A)	15% (N/A)	25%
	4. Exports of vegetables produced by Swazi small commercial farmers (MT) Source: CAPM Project	Negligible (1991)			(128)	(300)	1,000 (367)	1,500
	5. National fresh produce imports (Annual, calendar year) Source: NAMBoard	23,357 metric tons (1990)	(23,357)	(20,768)	22,082 (21,878)	21,282 (17,986)	20,582 (N/A)	
Prog. Outcome 3.1 Increase service and production capacity	1. No. of SBD assisted firms which increase capital and net worth Source: SBD project	0 (1992)			0	(21)	+ 15% (144; 91F, 53M)	+ 25%
	2. Average annual income/per hectare for project farmers Source: CAPM Project	E3,000 (1991) CAPM baseline study		(E3,000)	(N/A)	(E4,500)	E6,300 (E7,154)	E8,500
Sub-Prog. Outcome 3.1A Increase access to institutional credit	1. Increase in project assisted institutional loans extended small business and farmers Source: SBD/CAPM, BMEP, Central Bank	19 (1988)	(29) SSE	303 (32) SSE	353 SSEs (102F 168M)) 3 firms (3) 15 farmers (2F, 13M)	403 SSEs (278M,125F)) 5 firms (3) 24 farmers (3F, 17M)	453 SSEs (238M,376F) 33 Farmers (22F, 53M)	503 SSEs

OBJECTIVES	INDICATORS	BASELINE (YR)	Planned and (Actual) FY94 Report					
			FY90	FY91	FY92	FY93	FY94	FY95
Sub-Prog. Outcome 3.1B Improve business management skills	1. Increase number of people trained Source: SBD, BMEP, CAPM projects	28 Male, 35 Female (1992)		300 (28 M, 35 F)	900 (309 M, 307 F)	1,300 (601 M, 464 F)	1,800 (822 M, 1,073 F)	2,300
Sub-Prog. Outcome 3.1C Accelerated irrigated small farm technology transfer	1. No. of farmers adopting new technologies annually 2. Introduction of new horticultural crops Source: CAPM Project	0 (1991) 0 (1991)		5 (0) (1)	65 (100:84M, 16F) 10 (6)	100 (168:126M, 42F) 15 (17)	135 (277:113F, 164M) 18 (17)	260
Prog. Outcome 3.2 Strengthen business associations	1. Increase in paid membership (% of member paying dues) Source: SBD project	To be estab. by SBD project FY94			(Baseline) (N/A)	20% (N/A)	40% (N/A)	60%
Sub-Prog. Outcome 3.2A Increase services provided by business associations	1. Increase in programs provided to members Source: SBD project	5 (1992)			(5)	40 (51)	50 (90)	140
Sub-Prog. Outcome 3.2B Increase business association initiation and participation in policy dialogue	1. Increase in forums for dialogue Source: SBD project	0 (1992)			0	1 (4)	2 (2)	3
Prog. Outcome 3.3 Increase access to markets	1. Increase in # of regional markets supplied with fresh produce	2 (1991)		2	17 (9)	25 (9)	30 Delete	

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OBJECTIVES	INDICATORS	BASELINE (YR)	Planned and (Actual) FY94 Report					
			FY90	FY91	FY92	FY93	FY94	FY95
Sub-Prog. Outcome 3.3A Increase provision of goods and services to large business and GOS	1. No of SBGT assisted small businesses with subcontracts to large businesses or the GOS Source: SBD project	0 (1991)		(0)	0 (4)	5 (24)	10 (5)	15
	2. No. of SBGT assisted Swazi construction firms having a contract with the GOS Source: SBD project	0 (1991)		(0)	0 (4)	3 (26)	6 (8)	10
Sub-Prog. Outcome 3.3B Improve market information for fresh produce	Number of farmers receiving market information signalling product quality, quantity and timeliness demand details Source: CAPM project	0 (1991)		(0)	70 (100:84M,16F)	100 (168:126M,42F)	134 (227:164M, 113F)	230
Sub-Prog. Outcome 3.3C Improve marketing chain for fresh produce	No. of farmer organizations effectively managing production, grading, packing and marketing of vegetable crops. Source: CAPM project	0 (1992)		0	(0)	(1)	3 (2)	3
Sub-Prog. Outcome 3.3D Increase supply of fresh produce to specialty markets	1. Increase in sales to specialty/niche markets Source: CAPM project	Negligible (1991)			E100,000 (E47,000)	E600,000 (322,000)	E1 million (Deleted in project redesign)	

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OBJECTIVE TREE OF USAID/SWAZILAND

JANUARY 1994

COUNTRY
PROGRAM
GOAL

TO EXPAND SWAZILAND'S
ACCELERATING ECONOMIC
GROWTH INTO A
PROCESS OF EQUITABLE
AND SUSTAINABLE
DEVELOPMENT THAT
EMPHASIZES THE QUALITY
OF LIFE OF ALL SWAZIS

TARGET OF OPPORTUNITY
-- Promote U.S. investment
-- HIV/AIDS Prevention

PROGRAM
SUB-GOAL

REDUCE THE
POPULATION
GROWTH RATE

INCREASE
EMPLOYMENT
GENERATED BY THE
SWAZI-OWNED
AND/OR MANAGED
SECTOR OF THE
ECONOMY

STRATEGIC
OBJECTIVES

INCREASE
CONTRACEPTIVE
PREVALENCE
RATE

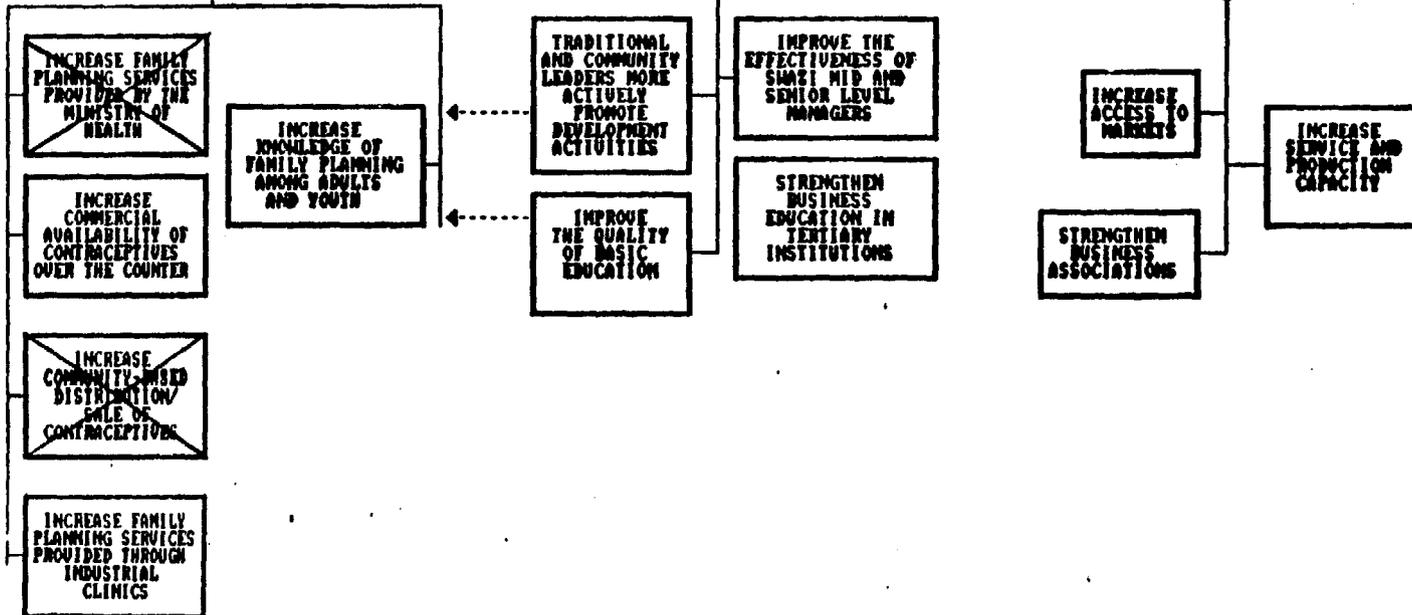
INCREASE THE
NUMBER OF SWAZIS
WHO EFFECTIVELY
DIRECT, MANAGE
AND PARTICIPATE
IN NATIONAL
DEVELOPMENT

EXPAND THE
SWAZI-OWNED
OR MANAGED
SMALL
BUSINESS
SECTOR

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TARGETS



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