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A Review of the
Indigenous Small
Scale Enterprises
Sector in Swaziland

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GEMINI

GROWTH and EQUITY through MICROENTERPRISE INVESTMENTS and INSTITUTIONS
7250 Woodmont Avenue, Suite 200, Bethesda, Maryland 20814

**DEVELOPMENT ALTERNATIVES, INC. • Michigan State University • ACCION International •
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A Review of the Indigenous Small Scale Enterprises Sector in Swaziland

by

David A. Schrier

Management Systems International and
Development Alternatives, Inc.

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SECTION ONE

INTRODUCTION

EXECUTIVE SUMMARY

Dr. David A. Schrier, team leader, was supplied by Management Systems International under a contract with Development Alternatives, Inc., both Washington-based consulting firms. Research was conducted August 6 through 24, 1990, in order to determine a quantitative profile of the indigenous small scale enterprise sector and to build an initial profile of Swazi entrepreneurs. This research is intended, in part, to guide an upcoming project paper.

The survey team predicts that there are approximately 1,951 indigenous small scale enterprises in Swaziland, as measured by our survey.

The data from the entrepreneurs suggest some interesting questions regarding previously held assumptions. Although results are impressionistic, the patterns presented are sufficiently strong to indicate that the characteristics of the indigenous Swazi entrepreneur do not follow the anticipated stereotypical patterns. The following conclusions address these differences:

1. The widely held notion that indigenous Swazi entrepreneurs demonstrate strong tendencies toward multiple ownership of enterprises should be reconsidered, at least for the specific population targeted by the survey.
2. A surprising number of enterprises can be started with a very small amount of capital. This capital is likely to be raised by entrepreneurs possessing generic capabilities for success in entrepreneurship.
3. The vast majority of entrepreneurs began their businesses without loans or credit. They began their enterprises with savings. This would support the above notion that credit is not likely to be a barrier to starting a business in Swaziland.
4. The widely held notion that enterprises owned by indigenous Swazi entrepreneurs do not tend to grow should be re-examined. Based on forecasts of sales and reports of hiring full-time employees during a two year period; growth among one third of such firms appears very strong, and meaningful among a majority of enterprises.
5. The absence of specific and measurable business goals among entrepreneurs is of concern. The use of such goals has been shown to be highly correlated with successful entrepreneurs in developing countries.
6. Entrepreneurs' understanding of how customers are attracted to the enterprise and why sales increase is very superficial. It seems that entrepreneurs do not know what attracts customers or how their enterprises are distinguished from those of their competition.

7. There are many potential untapped markets and subsectors for future penetration by indigenous Swazis. There is a tendency for subsectors to be dominated by monopolist and duopolist expatriates. This type of concentration leaves wide-open niches for the Swazis. Swazi entrepreneurs have the potential, given the proper training, to identify markets even better than the expatriate.

BACKGROUND

Following the approval of the Swazi Business Development Project, a Washington PID Guidance Cable sent in July 1990 specified that an analysis of the target group should be conducted on a subsector basis. The Guidance Cable indicated that this approach would be similar to the analysis of the Swazi Construction Industry, a study already undertaken by the Mission and included in the PID. Reference also was made in the Guidance Cable to the requirement to target the project's resources/services.

A scope of work based on the Guidance Cable was subsequently written that would include the following outputs:

- a. A quantitative profile of the indigenous, small scale enterprise sector in Swaziland;
- b. A profile of the target group, i.e. the entrepreneurs;
- c. A review of relevant literature; and,
- d. The development of a research format that would be useful for further studies.

Dr. David A. Schrier, team leader, was supplied by Management Systems International under a contract with Development Alternatives, Inc., both Washington-based consulting firms. The quantitative profile of the indigenous small scale enterprise sector and the profile of the Swazi entrepreneur is intended, in part, to guide the upcoming staff for writing the project paper.

The seventeen day level of effort for the team leader in Swaziland began with a briefing with Mission Staff and hiring of a survey team, and included the preparation of a draft report and receipt of feedback from the Mission staff, in country, prior to departure. The team leader was assisted three very able consultants from Khalipha Investments (Pty) LTD., a Swazi-based consulting firm. In addition, the application of a Lotus format and data processing was provided through the excellent and able help of Ned Wallace, M.D., M.P.H. The limited level of effort for this survey was based on the survey's intended use as an initial base line, to be followed after project authorization by a more in-depth study with a more substantial level of effort.

A cluster sample method was utilized to select Swazi entrepreneurs because time and resources did not allow for utilization of a stratified sample method. Fortunately, the team was able to secure enough interviews with both opinion leaders and entrepreneurs to yield empirically anchored profiles, sufficient to provide the intended baseline data. It should also be noted that this study appears to be the first empirically-based research effort providing a country perspective on entrepreneurs and the small scale enterprise sector.

The survey developed a taxonomy of 44 subsectors to define indigenous small scale enterprise in Swaziland. This taxonomy was used as a system map to guide the research effort. Two separate survey instruments were used to interview entrepreneurs and opinion leaders. The opinion leaders represented two separate populations: broad based thinkers (these are experts on a broad range of topics on a macro industry level); and subsector channel captains (entrepreneurs whose enterprises dominate a subsector). These data were assembled and displayed using Lotus 1-2-3. The analysis of data in the report is based on this raw survey data.

The survey team defined small enterprises as those operated by the entrepreneur and at least one employee. This eliminated one person operations. One group which accounts for a substantial number of very visible microenterprises in Swaziland are hawkers. For various reasons, the study excluded agricultural enterprises, mining, insurance, real estate, financial institutions, bottle stores, cinemas and nightclubs. Other subsectors, while not excluded in the study, were not included in the taxonomy. Where entrepreneurs were interviewed in those subsectors, however, their subsectors were noted. Based on these results, an improved subsector taxonomy is recommended in Section VII of the report.

SECTION TWO

METHODOLOGY

SUBSECTOR APPROACH

The goal of the small scale enterprise survey is to build a quantitative profile of indigenous small scale enterprise and is not meant to be a subsector analysis. It should, however, create to some degree a data base that is industry specific. In this sense, the insight resulting from the profile is designed to increase the Mission's ability to make an informed choice regarding the role that subsector analysis will play in the upcoming project paper.

In order to operationally define Swaziland's indigenous small scale enterprise sector for measurement, the survey team created a taxonomy of these subsectors (please see appendix). The taxonomy was a map for interviews and organized the presentation of data. Together, these subsectors were intended to be the Mission's project target, in the economic landscape sense. The entrepreneurs are the other target, although they are analyzed together, as one population.

TARGETING

The concept of targeting, just introduced in the section above, required two types of identification in the small scale enterprise survey:

- a. kinds of entrepreneurs, and
- b. degree of industry focus.

Such targeting on kinds of small enterprises was expanded to consider geographic dispersion. The survey team focused on the following six areas, assumed to comprise approximately 90%, or most of SSE economic activity in Swaziland, according to the Mission's project parameters. These areas are:

1. Mbabane;
2. Manzini;
3. Matsapha;
4. Nhlangano;
5. Piggs Peak;
6. Lubombo.

SURVEY INSTRUMENTS, SOURCES OF DATA AND ASSUMPTIONS

The most valid and reliable method for determining a quantitative profile of indigenous small scale enterprise in Swaziland would be to either count them using a census approach, or to apply a measurement instrument based on a statistically grounded parametric, experimental design. A separate questionnaire was developed for each category of respondent.

Opinion leaders were selected for two kinds of expertise:

- Broad based knowledge of small scale enterprise across many subsectors; and
- Subsector industry channel captains, selected based on their focused and in-depth knowledge of one subsector.

Examples of broad based opinion leaders would be bankers, small business faculty at the university, a recognized expert at SEDCO (the government organization for directing assistance to entrepreneurs), the statistician directing the trade census at the Central Statistics, trade promotion director at the Ministry of Trade, and others one can easily pick out from the list of opinion leaders in the appendix.

Subsector industry channel captains were selected from the list of opinion leaders in the appendix. For example, in order to understand subsector number twenty, air conditioning and refrigeration repair services, the team selected the expatriate owner of one company forming a duopoly controlling repair parts. This knowledgeable channel captain was able to indicate with certainty that there were eleven such repair enterprises nationwide, their locations, numbers of employees in each enterprise, niches of each, and growth in demand.

The survey team spent three person days in each of the province cities interviewing entrepreneurs. The majority of time was spent in Mbabane, Manzini and Matsapha. There is a fair representation of each area in proportion to the overall population distribution of Swaziland. One recurring thought with respect to possible bias in the coverage of the sample space among entrepreneurs was whether the survey team was capturing a segment of the entrepreneurial population that is the "visible" segment, and whether a "less visible segment" was not being represented.

DATA PROCESSING AND FORMATTING WITH LOTUS

After consideration of the type of information to be collected, the number of respondents anticipated and the desired output format, it was decided to use the data management component of LOTUS 123/Symphony.

Data Input. An Entry Form was designed using Symphony. Information recorded by the interviewers was entered in two master data bases, one for Opinion Leaders, and one for entrepreneurs. Several macros were created to facilitate input.

Data extraction. The database was sorted by sector. A draft of the output was reviewed, corrected and refined by the interviewers.

For the Opinion Leader printout, the responses were presented by sector. For each sector, responses to every question asked of the Opinion Leaders were combined and printed to two pages.

For every entrepreneur printout, responses to each specific question were noted from all entrepreneurs and printed on two pages.

Analysis. Printouts were used along with comments/observations of interviewers to assist the consultant in report preparation.

Future research. This method of data entry and printout could be facilitated in the future if the number of respondents were known beforehand, and the responses to the questions were not longer than 50 words in length. With further consideration, it should be possible to increase the ease with which long responses can be handled.

Data records. Two discs containing data recorded were given to the consultant:

<u>File name</u>	<u>Contents</u>
INTNAMES	NAMES OF PERSONS INTERVIEWED
OPIN-LDR	OPINION LEADER DATA
ENTREPREN	ENTREPRENEUR DATA
METHODS	METHODS USED (THIS NOTE)

SECTION THREE

LITERATURE REVIEW

This brief review of literature targeting the small scale indigenous enterprise sector in Swaziland reveals very little empirical work relevant to the parameters of the upcoming USAID project. Almost all literature is thoughtfully produced, but not useful for building quantitative profiles of the target group utilized by AID.

Many of the empirical studies conducted in Swaziland are based on SEDCO's projects, where enterprises enjoy a range of subsidized assistance. The USAID survey team did not use these enterprises in its sample, reasoning that the substantial differences between characteristics of subsidized and non-subsidized enterprises would distort conclusions. This literature review examines studies relevant to USAID's target population. Since the PID has been reviewed already, it will not be reviewed here.

The CARE International study on culture deserves some attention, particularly the section written by T. Ginindza. This fine work addresses Swazi culture and business. It seems that most stereotypes used to explain the economic success of expatriates versus Swazis might possibly be traced to this report or similar approaches not reviewed here. The use of metaphor, quotations and explanations of culture are very persuasive and well reasoned. A useful example of this study's contribution would be the Swazi's culture causing the concealment of wealth. Where such a stereotype exists and is used to interpret observations of Swazi business, the result is interesting speculation. Take for example the tendency for Swazis to own multiple enterprises is an observation that some may have made.

One wonders whether there is a basis for reasoning that multiple enterprise ownership is the case at all, yet this has been a common observation of indigenous enterprise in Swaziland. Our survey did not confirm the stereotype of multiple ownership. Continuing to consider the impact of wealth concealment, if one drops the stereotype of multiple enterprise ownership, the search for another possible impact might reveal this commonly held belief as causing low sales growth for indigenous enterprises versus expatriate enterprises. It was very handy to reason that it was caused by the unfocused energy of Swazi entrepreneurs owning multiple enterprises.

Such is the problem of good anthropological thinking. It would be valuable to AID if stereotypes and assumptions of culture would be checked out empirically with respect to validated observations of the conduct of indigenous entrepreneurs and their enterprises. A continued dependence and over-reliance on "armchair" reasoning could be dangerous for designing and implementing small scale enterprise programs.

The Coopers and Lybrand study was of little use. The reliance on a sophisticated statistical sampling model was the wrong methodological choice for building a profile of the small scale enterprise sector. Funding for the study would have been wiser spent on a census. Because Swaziland is relatively small and distances easy to cover, survey/census method would have been preferable.

The 1985 literature review by Gina and Gule is a fine product. The integration of past studies with USAID planning needs is indeed informative. The review, however, harkens back to the same issue — the studies reviewed by Gina and Gule are thought pieces and not empirical work. It is, nonetheless, one of the best overall background studies of the small scale enterprise sectors in Swaziland. To date, the best background study of the small scale enterprise sector is the USAID 1990 PID.

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In conclusion, there is very little in the way of literature that is relevant for guiding the upcoming USAID SSE project. The literature in existence falls mostly outside the parameters of the USAID target, is non-empirical and is based largely on armchair reasoning.

Literature Reviewed

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6. Coopers and Lybrand Associates, "Baseline Survey of Small Economic Activities in Swaziland," October, 1989.
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9. Matsebula, M.S., "Characteristics of Swaziland's Urban Informal Sector: Size, Proprietor's Profiles, and Production Environment," Project Paper No. 6, Economics Department, University of Swaziland, July 1986.
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SECTION FOUR

ANALYSIS OF DATA

PROFILE OF INDIGENOUS SMALL SCALE ENTERPRISE BY SUBSECTOR

The small scale enterprise profile is built by data collected by industry subsector. Each of the forty-four subsectors was analyzed separately and assembled into a profile. Measurement was restricted to enterprises that have at least one full-time employee and up to twenty-five, and had to be Swazi owned. The following enterprise categories were not included: agricultural enterprises, construction, mining, insurance, real estate, financial institutions, bottle stores, cinemas and nightclubs.

The team was prepared to capture multiple sources of data on each subsector through the Lotus program, although the subsector specific data was largely generated by the channel captains, or a broad-based opinion leader. It seems that the opinion leaders tend to be expert on only one subsector.

The following data gives some information for each subsector. Perhaps the best developed data is for the commercial hauling subsector. This approach is intended to provide the Mission with a type of data that looks at the ways enterprise is organized in its natural setting in the economic environment. While together, the data could build a quantitative profile of the total SSE sector, there are too many gaps in the data to approximate that figure, i.e. the total number of such enterprises.

Many subsectors were not measured, and others were measured incompletely. There should be no doubt that the methodology can build a solid profile of industry subsectors in Swaziland with an appropriate level of effort. Its use here is meant to give a basic perspective of the subsector and to collect data which will contribute to a profile.

OVERVIEW OF THE SMALL SCALE ENTERPRISE SECTOR

The survey team estimates that there are approximately 1,951 indigenous small scale enterprises in Swaziland, as measured by our survey. This number was arrived at through aggregated answers to Question #1 on the opinion leader survey. The team feels somewhat uncomfortable with this number, although given the circumstances and level of effort available, we are confident about the approach utilized to arrive at it.

The team was optimistic about the potential start-up of Swazi SSE. This is based on the observation that many potential markets are untapped and subsectors currently have a tendency to be dominated by monopolist and duopolist expatriates. This type of concentration leaves niches wide open for the Swazi because the Swazi has the potential, given the proper training, to identify markets better than the expatriate.

In addition, the potential for Swazi business start-ups is great given that enterprises in many subsectors require very little seed capital. These positive factors, indicative of potential, underscore the value of the upcoming AID Private Sector project.

INITIAL PROFILE OF SUBSECTORS

Subsector #1: Clothing and Shoe Production

Clothing production as it is used here refers to cutting and sewing operations that produce quantities of clothing in various sizes. This type of enterprise is different from tailoring shops that produce one item at a time, designed and measured for a particular client.

The number of such enterprises is quite large, placing clothing production among the largest subsectors by total number of enterprise. The range of size is from one full-time employee to six, and the average enterprise size is four employees. Total market growth of this sector is forecast to be flat in upcoming years. It seems that market growth will be for South African chains that buy in quantity, often dumping styles cheaply that haven't moved in South Africa. These South African products are cheap and carry brand names that seem to be in high demand. Small Swazi producers cannot compete in the brand name sense of demand.

The demand in the domestic market is largely in the school and work uniform areas. Swazi competition is from imports and not from one another. The opinion leader felt that the number of firms is stable with not much entry and exit. Many enterprises just struggle and go on, but some do fail. The biggest problem is that these owners are craftsmen and focus on what they want to produce. They do not listen to the market, and remain locked inflexibly into their favorite styles.

While this sector is dominated by women, they have more problems obtaining credit than men. This problem is culturally-based because, in most cases, the husband will be contacted for some reason during the application process. If the husband says anything negative, the spouse will not get credit.

Entry into this subsector requires as little as E500 up to E25,000. Space is usually in the entrepreneur's home or rented. Credit is readily available from MITC, BMEP, Asikhutlisan Co-op. etc. Many organizations target credit to eligible borrowers in this subsector. Banks often lend here as well. The "funny" operators, shylocks, are also active as sources of credit and charge very high rates of interest.

Subsector #3 Paper Products and Packaging

This subsector respondent answered for packaging, specifically for the manufacture of polyethylene film for packaging. His factory works three shifts, seven days a week, and he is the only producer of plastic packaging material in Swaziland. The team is unable to report on any manufacturers of paper packaging products.

Start-up of polyethylene plants is expensive and specialized expertise is needed. Resins must be imported from South Africa and Australia. Otherwise, plastic packaging must be imported.

Subsector #5 Catering

The entrepreneurs in this sector do not like to invest in equipment, and don't understand the market. They produce the food they want to produce and not what is in demand. There is not much failure in this subsector, and many enterprises enter. This type of business is culturally compatible to

the Swazi, in this sense a lifestyle venture. This subsector is typified by enterprises with no growth in sales, and entrepreneurs do not plan. Delivery of take-away foods has not been penetrated.

Subsector #6 Irrigation and Water Treatment

Response in this subsector addresses enterprises that manufacture irrigation equipment, and bore hole irrigation service companies. One is a totally different type of business from the other.

The respondent explained that there are only three companies manufacturing irrigation equipment in all of Africa, and two are in Swaziland. This is a highly specialized manufactured product with high start-up costs. Since both are expatriate firms and the potential for Swazis to start-up in this section of the subsector is small, the analysis of irrigation manufacturing ends here.

Bore hole and irrigation services are highly demanded in Swaziland. Often when such services are needed, a community will purchase as a group and bring in a South African firm. There are two enterprises in bore hole and irrigation, both are expatriates. There is nothing impeding a Swazi from entering the field in a creative way that reduces the high capital requirement.

The demand for drilling is quite strong as 70% of land in Swaziland now requires this water source. Throughout Africa, only one third of land has water, so this market has to grow in Swaziland and throughout the region. Drilling equipment is expensive, as is the transport to go with it. In addition, highly specialized knowledge is required in sedimentology, drilling, mechanics, and plumbing.

While start-up is expensive, loans are available. Competition is largely with South African firms. The demand for water, however, outpaces competitive forces.

Subsector #8 Retail Food (Markets to include Butchers)

The number of employees working full-time in these enterprises ranges from two to twenty, with an average of five. The number of enterprises tends to remain stable and stores are well known and established in their respective communities. While there is much competition, location has a tendency to cause geographic monopolies.

Competition is stiff, particularly from branches of large South African grocery chains. These branches have price and distribution advantages over the Swazi firms due to volume buying and discounts associated with scale. Swazis find it difficult to compete on price. Swazi firms are actually diminishing due to these factors. Enterprises change hands frequently, due to both poor management and competitive disadvantage.

A common problem of the Swazi entrepreneur, particularly those in the food business, is that of separating the enterprise from family and personal identification. The extended family may make demands and the entrepreneur tends to lose perspective of profit and loss result. "People tend to help themselves and the business cannot cope."

Swazi enterprises tend to observe successful South African firms and attempt to copy their success. This often leads to problems when the Swazi tries to compete on price. There are other ways to compete and these can be learned and utilized by the Swazi entrepreneur.

New entrants are the Asians. Often they use a Swazi front because they cannot get a license. Start-up costs are high, but there are ways to start with only E 6,000. A more conservative start-up range would be E35,000-150,000. The demand for food will increase strongly with population growth. This is what is driving the new entrants.

Swazis are successful in the meat side of retail food, particularly when they own cattle and take advantage of retail as forward penetration. Butcher shops are attractive to the Swazis and they share some competitive advantage in this area. Lately, however, strict health regulations have forced start-ups to be much more expensive in retail meat. Start-up loans are very rare in retail food.

Subsector #10 Hardware

This subsector became the home for the "general dealer." This type of establishment mixes many lines of general merchandise such as hardware, clothing, furniture, and even food. Many Swazis have built themselves up in this field from starting as hawkers.

Enterprises in this category tend to range from between five to eight employees, with an average of six. At the upper end of the market, such stores reach twenty five full-time employees. Most store space is rented, and people get started with capital ranging from E10,000 to E500,000. Hawkers frequently break into small enterprise within this sector.

Opinion leaders report quite surprisingly that these stores rarely go out of business. These businesses tend to be well managed, and entrepreneurs understand their customers' demands. Owners get into trouble when they stock items with infrequent turnover that ties up working capital. While competition is intense, it does not affect enterprises to the extent that they go out of business. Everyone has their niche and uses it. Only large firms can afford to advertise. Demand is always constant for these goods and will always be there.

Subsector #11 Chemists

This retail subsector is experiencing no growth and little entry and exit of enterprises. These stores average five full-time employees, with large stores ranging to as large as eleven. Start-up costs range from between E80,000 to E150,000. Most tend to rent the premises. Trade credit is extensively used by wholesalers extension of 30 day credit.

This subsector is not experiencing growth in demand. Prescriptions represent a dead part of the business, and profit is sought in over-the-counter medicines, cosmetics and other consumer goods. Access to the right stock of pharmaceuticals is a problem. Bank credit is difficult to arrange.

The primary factor for success is the ability of the pharmacist to deal with people, i.e. his/her combination of personality and sound advice. Secondary factors include the right stock. Chemists have been experiencing some enterprise failures lately. One went under recently in Manzini. Part of the problem has been that doctors are selling pharmaceuticals in their offices.

Subsector #12 Restaurants

Restaurants can be started with as little as E10,000 and this seems to be a very culturally compatible enterprise for the Swazi. So many had been started in Nhlanguano that the authorities had to stop issuing licenses.

The range of full-time employees runs from two to eight, with an average of five. Bank loans are very difficult to obtain, so start-up is usually on a cash basis. The demand for restaurant food is growing rapidly in Swaziland, and so is the competition. Demand is forecast to continue growing because of rural-urban migration, and this definitely increases demand for cooked food. Generally speaking, the number of people in towns is growing.

Restaurants offer opportunities for women entrepreneurs. Women outnumber men three to one in restaurant trade seminars.

Subsector #13 Computer Sales

This is another subsector dominated by expatriates. There are only two Swazi firms in Mbabane. Start-up is costly due to the capital intensive nature of the inventories, and specialized knowledge is required. So far, Swazi entrepreneurs do not show an interest in this type of enterprise. Start-up would require a minimum of E200,000 and could range to E450,000. Credit requires a good banking record. Surprisingly, the demand for this equipment is not growing, but has become stable.

The low end of the market is price competitive, downright cut-throat. The high end of the market would achieve higher margins through the customer's needs for installation, training, service contracts, and software. The relationship with a name brand distributor/manufacture is problematic. With the right economic climate market growth will resume. This subsector is wide open to women. New entries have not been Swazis, although they are from Zimbabwe.

Subsector #18 Audio/visual and Communication Equipment Repair

There are only two fairly large well established repair shops in Mbabane, and one in Manzini; there are thirteen "back-door" enterprises. The established shops are owned by expatriates. The others are Swazis. Some of these may have an employee, which would enable them to fit into the AID SSE category, and others may not. The largest enterprises employ eight people full-time.

Demand is growing for these services with the increased popularity of TV. What creates business is reputation and advertising. Consumers are very careful with their videos and TVs. Reputation is built by good work. Many of the backyard types actually damage equipment and create new jobs for the more competent firms.

Another factor that determines success is the ability to stock repair parts. Another factor is the requirement for good technicians, who are indispensable for a successful enterprise. The primary reason these firms go out of business is because they employed incompetent technicians.

Subsector #22 Automobile and Truck Repair

The high end of this market is the factory authorized repair shop. They have a monopoly on repair for vehicles under warranty and charge what they want. The low end is the "bush mechanic" who has a reputation for botched jobs.

Business for mechanics has been growing rapidly and is forecast to continue. There are more cars on the road, the cars are aging, and the roads are bad. These conditions are ideal for growth.

Start-up is as low as E40,000 at the low end of this subsector, and up. Truck repair specialists require much more capital because diesel equipment is specialized and more precisely calibrated than automobiles. Entrepreneurs tend to rent facilities and own their equipment. Loans are available to these enterprises.

The competition is most intense in straight mechanical repair. The panel beater is reported to have the highest profit margins and is widely accepted to be the best work to get, especially insurance related.

The most common problem confronted is a shortage of skilled mechanics. A customer insists on good work, and price is second. Shops tend to specialize in either electrical or mechanical repair. There are many new entrants, and few go out of business. Swazis are quite successful at these repair businesses.

Subsector #23 Trades

"Trades" comprise a category of a wide range of enterprises such as carpentry, plumbing, welding, masonry and others taught at the Swazi vocational institutes. There is a strong demand for trade services and a dramatic increase in the number of Swazis completing programs in the trade schools. SCOT, a leading government trade school, has just begun a department for entrepreneurs in trades. Lately there has been a tendency to open businesses in welding and carpentry.

The combination of rising unemployment among youth and trade school programs creates a large pool of skilled workers who want to open businesses. It is widely known, however, that expatriates dominate the trade oriented businesses.

Swazis have a problem in the business end of the trade subsector. They tend to charge by the day and lose sight of the cost of the job. The big problem in trades is how to price and get the job done economically. Space is a big problem for the new entrant, particularly because business locations are normally far away from where business is done. Marketing is the bottleneck.

The failure rate for trade oriented enterprises is high, perhaps fifty percent. These people are good targets for training. SCOT apparently has diagnosed this need correctly. The subsector analysis on construction that was included in the PID offers insight into trade enterprises.

Subsector #25 Security Services

Security services is a booming market that is surprisingly difficult for new entrants to penetrate. There are no Swazi firms in this subsector except for one forestry guard company. Enterprises operating in this subsector average 350 employees. A small firm would have 150 full-time employees, a large one 500.

Growth in security services is due to a rapidly increasing crime wave in Swaziland. The crime wave is due to high unemployment rates among Swazi youth that creates a mentality of desperation. Also adding to the problem is the population of refugees who are not allowed to work.

The starting capital required would be in the vicinity of E1,000 per employee. This would include hidden costs such as uniforms, a laundry on the premises, background checks, constant training due to high turnover, and vehicles for transporting personnel to and from the site.

Swazis continue to enter but are having a rough time. Their operations are run on a shoestring, and they go under easily. These enterprises appear easy to manage but the work requires constant attendance and performance.

Sector #28 Cleaning Services

This subsector divides itself into commercial cleaning services for businesses and residences, and dry cleaning and laundries. Surprisingly, there is only one commercial cleaning company in Swaziland. It is owned by an expatriate. Unfortunately due to the recent loss of a large commercial contract, this firm has diminished in size and is just hanging on.

An important contract was lost when the management of a large building decided to hire its own cleaning staff. Such is the thinking of building owners. The owner of the cleaning enterprise is counting on the burdensome requirement for supervising cleaning staffs to drive businesses to purchase commercial cleaning services. But so far the "contract out or internal hire" decisions have been made in favor of cost cutting.

Dry cleaners and laundries have their problems too. High capitalization costs of the equipment is a barrier to entry. These businesses in Mbabane are characterized by high absentee ownership and poor management. It is said that many are marginal and may go under.

Subsector #29 Beauty Services

This subsector is important for a number of reasons, not the least of which is its ease of entry for women entrepreneurs. It is one of the subsectors that they dominate almost exclusively. In addition, capital requirements for start-up are low. Profits until recently have been strong and few, if any, go out of business. Demand is growing due to many recent new entrants, and there is some concern that the subsector is starting to become saturated.

Subsector #36 Commercial Hauling

There is a trucking association beginning to form, which is the first one of its kind in the history of the industry. The commercial hauling industry is one that divides itself into the following two distinct categories of enterprises:

- a. Enterprises owning one to three, seven to thirty ton trucks that operate within Swaziland, and
- b. Enterprises that operate more than one, seven to thirty ton trucks that have South African licenses and operate between Swaziland and South Africa.

The survey team had initially thought that commercial hauling would include enterprises owning one or more small trucks up to one ton, which operate in a free market structure at key transportation points throughout the country. This is not the case at all, however.

While significant differences distinguish one category of enterprise from another, perhaps the most striking differences distinguish the enterprise type that operates in the one ton category.

One ton, open bed trucks are seen lined up at markets and key transportation points throughout Swaziland. One time deals are cut between customers and drivers to carry both people and small shipments of just about anything over a short distance. This subsector however is not treated by the government licensing and regulating bodies as fitting within commercial hauling, but rather within the passenger hauling category.

There was substantial agreement that there appears to be an oversupply of this service in the cities. On the other hand, there is evidence that demand in excess of supply for this commercial transportation service exists in the agricultural sections that lie a substantial distance from the cities.

Enterprises That Operate One to Three, Seven to Thirty Ton Trucks Domestically

There are approximately ninety Swazi owned enterprises that operate large trucks, from seven to thirty tons, for hauling within Swaziland. The predominant market for this end of the subsector is sand and gravel. Large loads, besides sand and gravel (and logs to some extent), do not tend to move within Swaziland (those dynamics are discussed under the international hauling section that follows). While these enterprises support their owners quite well, they typically hit a threshold at about three trucks. At four trucks and above, such firms begin to compete with the large South African trucking companies for contracts on large construction jobs.

It is a widespread belief among the approximately ninety Swazi firms in this category, that a growth threshold of three trucks is difficult to transcend because of an "old boy network" that will always favor the South African, unless structural relationships in the industry change.

These firms are very well capitalized enterprises, and perhaps the best example of successful indigenous Swazi owned enterprises for any subsector the survey team has studied. Vehicles in this seven to thirty ton scale, ones that are by no means the most expensive examples, would cost in the neighborhood of E150,000. Others can cost much more. Because of the demanding needs for capitalization, those that operate in this niche tend to be stable, well managed enterprises.

Enterprises that Operate More than One, Seven to Thirty Ton Truck Between Swaziland and South Africa

There are approximately ten Swazi enterprises that specialize exclusively in hauling across the border. Because Swaziland is a land-locked country that produces few raw materials for industry and consumer goods, these goods are in constant demand and are typically hauled into Swaziland by truck from South Africa. When Swazi finished goods are exported, they are shipped back out by truck. This market, the most lucrative with respect to total market size and profit margin in the commercial hauling subsector, is almost totally dominated by the South Africans.

The Swaziland/South Africa market segment has the highest profit margins because where fixed costs of operating any size truck are about the same, the increased capacity of the largest trucks produce much more revenue.

Fixed costs would include the driver, insurance, the office overhead operation including marketing, etc.

The approximately ten Swazi enterprises in this business are doing quite well and, due to their size, many would not fit into the AID target of small scale enterprise. However, it is also widely known that the true ownership of these ten "Swazi" firms is often a facade for the true owners, the South Africans.

The international long haul firms are very important to the small scale enterprise level, not only in commercial hauling, but also in a direct way to subsidiary small scale enterprises such as truck repair, aftermarket repair parts, export business support services. They indirectly contribute to Swaziland's overall economy as far as total employment is concerned.

Because of structural business relationships in the subsector based on laws that favor the dominance of South Africa in trucking, and the lax enforcement of those laws that were "intended" to even the odds for the Swazi, the growth of commercial hauling enterprises at all levels in the seven to thirty ton market is stifled, particularly the domestic firms.

The inability of the ten largest Swazi international trucking companies to grow due to structural impediments of law and "old boy network," causes the growth of the entire Swazi hauling industry to be capped. The hauling enterprises have saturated this end of the market insofar as conditions permit Swazi firms to do so. As a result, there is no room for the domestic firms to target growth on this market. This end of the market is already fully saturated due to the "rules of the game."

There are policy level changes that could be made that would even the odds for the largest firms to compete against the South African firms. For example:

- a. There could be enforcement and strengthening of laws that require Swazi firms to be owned, **really owned**, and staffed by people residing in Swaziland.
- b. Second, before firms contract (these would be the large expatriate ones) in Swaziland for hauling to and from South Africa, a law should be put into force that requires an announcement to consider bids from Swazi firms. This would permit a real market price structure to function.

Because there is not a functioning "market" in the economic sense, this not only stifles the growth of Swazi companies, but also causes a premium to be paid for hauling that is passed forward to the Swazi consumer and onto the factor prices of production. The diseconomies passed onto the Swazi consumer cause the consumer to pay what amounts to a subsidy for this system, built on discrimination against the Swazi.

Furthermore, these diseconomies hold true for the industrial sector. There the net impact is higher factor costs of production for goods produced in Swaziland. This subsidy is paid both for raw materials and the export of goods and these together must be passed to the buyer, thus causing a competitive disadvantage to Swazi industrial development. Because of the extraordinary nature of Swaziland's dependence on commercial hauling, the factors described above actually cause a diseconomy to the entire Swazi people. In this sense, not only is the hauling industry stifled in Swaziland, but the Swazi people are paying subsidy to an inefficient "old boy network."

Subsector #37 Printing and Graphic Arts

This subsector offers a lot of opportunity to Swazi entrepreneurs. The demand for signs and graphics is growing rapidly as a result of the popularity of advertising. Enterprises tend to have a range of full-time employees from two to three, and start-up costs can be as low as E3,000.

Enterprises entering with a minimum of capital tend not to own printing equipment and must obtain printing services elsewhere, often at a company they compete with for the graphic service. In the case of sign writing, very little equipment is needed, just a brush and paint. On the other hand, if capital is available, a compressor would be handy in the case of sign painting, or printing equipment in case of graphics.

Lacking equipment is a disadvantage because it leads to subcontracting which drives prices up. Clients tend to be late paying so that poorly capitalized firms suffer on both ends. Graphics are increasingly required due to more magazines and more advertising. South African firms insist on good signs. An important ingredient to success is having a good artist. Customers tend to buy quality, not price. This can be important to those depending on subcontracting.

Subsector #39 Secretarial Services

This is a very important subsector emerging just recently. It is a subsector that will be dominated by women and is an important service to other commercial subsectors. There are six secretarial firms, all expatriate owned. There are new entrants and the market seems to be absorbing them easily. The real problem is getting good people that have the right skills. Such people are in demand and are difficult to contract.

Start-up capital is manageable, but a computer and printer are indispensable. Some feel that the population of Swazi executive secretaries will soon produce Swazi entrants to this subsector. So far, demand outstrips supply and there is enough work for everyone.

Subsector #42 Import/Export Services

These tend to be small firms and many are Swazi owned. These tend to be small but do reach as large as twelve full-time employees. Capitalization for start-up may be as low as E3,000 to E5,000 and businesses can be run out of the home. Judging from licenses issued, this field is growing. However, many of these start-ups are one time deals and tend to be no-starts, or cease operations quickly. Only a very select few are established, legitimate firms.

This subsector is one of the more mysterious ones insofar as defining exactly what services are offered. In fact, many of these enterprises exist to make deals, and are really acting as middlemen.

Swaziland is an ideal country for import-export. Goods flow across borders with relative ease due to treaties and customs unions. For those doing business as middlemen, a truck is an important piece of equipment. Contacts help a lot. Perhaps it is for this reason that Swazis do not do well in this subsector. It is difficult for them to crack the "old boy network."

PROFILE OF THE INDIGENOUS SWAZI SMALL SCALE ENTREPRENEUR

The data from the entrepreneurs suggests some interesting questions with respect to previous ideas discussed in the literature. Although results are impressionistic, the patterns presented in this section are sufficiently strong to indicate that characteristics of the indigenous Swazi entrepreneur do not follow the anticipated stereotypical patterns discussed during the team leader's in-country briefing. This data is indeed interesting.

Size of Enterprise

The team used the number of full-time employees to approximate size. Sales and asset value would have been better, although the Swazi survey team insisted that entrepreneurs would not answer such questions, thinking that the interviewer was from the income tax office.

- One-third of the enterprises measured were operated by one entrepreneur and one full-time employee;
- One-third of the enterprises measured were operated by the entrepreneur and two full-time employees; and
- Approximately twenty-five percent of enterprises are operated by the entrepreneur and a range of three to ten full-time employees.

Forty percent of the enterprises report that there has been no change in the number of employees over the last two years; approximately sixty percent report some change. Of those reporting changes, sixty percent of the enterprises increased the number of full-time employees, and forty percent reported decreases. The most frequent reason expressed for hiring was sales growth.

Assets and Capital Requirements for Start-up

Assets were measured in the broad context of whether a person owns or rents land, building and equipment. The Swazi team again reasoned that the entrepreneurs would think the interviewer was from the income tax department if numbers were requested for net worth. A figure was requested, however, for capital required for a modest start-up of a similar enterprise. These figures were reported by the entrepreneurs without a problem. A follow-up question returns to the subject of assets with respect to the use of loans and credit.

Ninety percent of the entrepreneurs rent land and building; only ten percent own their land and building. Land and building ownership is strongly associated with enterprises employing more than ten people. All entrepreneurs report they own their equipment.

Fifty percent of the entrepreneurs report that similar enterprises could be launched with less than E10,000 of start-up capital. Twenty percent reported that enterprises could be started with capital ranging between E25,000 and E40,000. The rest are more or less evenly distributed above E40,000.

The range of start-up capital reported to be required by entrepreneurs in the same subsector varied widely in the areas of cleaning services and tailoring. This seems to indicate that either there are different business within subsectors, thus offering entering entrepreneurs a choice of entry for minimizing capital requirements, or there are simply different and creative ways to start a business in a sector that minimizes the capital requirement.

Number of Enterprises Owned by An Entrepreneur and Distribution of Time Worked

Two-thirds of entrepreneurs interviewed reported that they only own one enterprise and one-half of those reporting ownership of more than one enterprise simply own another branch of that same business. It seems then that only one-third of Swazi entrepreneurs have "diversified" in the sense that they own another enterprise substantially different than the one where they were found for the interview. Eighty percent of the entrepreneurs report that they fully own their enterprise leaving twenty percent owned by partnership.

Two-thirds of the entrepreneurs report that they spend 100% of their working life at one single enterprise that they own. Of those owning another enterprise, the majority report that they spend 100 percent of their time at the enterprise where they were interviewed. Not surprisingly, those reporting less than 100% of their time spent at one enterprise correlated with multiple enterprise ownership.

Less than ten percent of entrepreneurs are members of an organization related to business. However, one who reported such membership did not remember the name of the organization.

Use of Banks and Credit

Over ninety five percent of entrepreneurs interviewed have either a personal bank account, a business bank account, or both. Twenty five percent report having both personal and business accounts.

Entrepreneurs divided about equally on the use of credit. Only fifteen percent report being turned down for credit at the bank. The most frequently mentioned reason for being turned down concerned the guaranty.

Enterprise Growth by Sales and Entrepreneurial Goals

Eighty five percent of entrepreneurs report that sales have been growing. More than one third expect sales to grow by more than 25% in the next year. Only one enterprise expects a sales decrease. Approximately one-third of the entrepreneurs expect sales to increase ten percent or less. Many did not volunteer a percentage figure.

The open-ended response regarding explanations for growth or decline in sales reflects a superficial knowledge for these changes among two-thirds of the entrepreneurs. Superficial reasoning refers to attribution of factors external to the entrepreneur and not "actionable" by the entrepreneur. There seems to be a passive reasoning for sales growth among these entrepreneurs. Clearly one-third of the entrepreneurs' responses indicates causal factors related to the way customers demand products and services or the way these are offered.

Unfortunately, none of the responses regarding business goals were specific and measurable in a way that relates to business. Because setting specific and measurable business goals is a critical factor among successful entrepreneurs, these responses are of some concern.

Problems Facing Entrepreneurs

There was a wide distribution of problems mentioned, although based on frequency of mention, the following are listed in order of priority:

1. Credit.
2. High costs and transportation (tied for second place).
3. Shortage of skilled labor.
4. Space.

The credit problem is tricky to interpret without an in depth understanding of the business. On one hand, the availability of credit is a necessary ingredient for entrepreneurs. On the other hand, the inability of an owner of an ongoing enterprise to provide sufficient guaranty and track record to inspire a banker is of concern. Based on several interviews with bankers, the team leader sees no reason to doubt that credit exists and bankers want to develop relationships with creditworthy customers.

There do seem to be some diseconomies in factor costs in Swaziland. Informal and "off the record conversations" with industry channel captains and various successful expatriate entrepreneurs suggest that profit margins, in many enterprise areas, are quite high. Perhaps the absence of sufficient numbers of indigenous Swazi businesses cause many products to become "bid up." Certainly subsector specific business dynamics in commercial hauling (see the analysis for that subsector) cause transportation costs to be quite high. Overall, however, there seems to be a very scattered response to the question on problems faced by entrepreneurs.

Problems Faced Specifically by Women Entrepreneurs (please see data in Appendix 10)

SECTION FIVE

CONCLUSIONS

1. The widely held notion that indigenous Swazi entrepreneurs demonstrate strong tendencies toward multiple ownership of enterprises should be reconsidered, at least for the specific population targeted by the survey. Judging from the Coopers study, our August 1990 survey is the first empirical result based on this specific population.
2. A surprising number of enterprises can be started with a very small amount of capital. This amount of capital is likely to be raised by entrepreneurs possessing generic capabilities for success in entrepreneurship.
3. The vast majority of entrepreneurs began their businesses without loans or credit. They began their enterprises with savings. This would support the notion above that credit is not likely a barrier to enter business in Swaziland.
4. The widely held notion that enterprises owned by indigenous Swazi entrepreneurs do not tend to grow, should be re-examined. Based on forecasts of sales and reports of hiring full-time employees during a two year period, growth among one-third of such firms appears very strong and meaningful among a majority of enterprises.
5. The absence of specific and measurable business goals among entrepreneurs is of concern. The use of such goals has been shown to be highly correlated with successful entrepreneurs in developing countries.
6. Entrepreneurs' understanding of how customers are attracted to the enterprise and why sales increase is at a very superficial level. It seems that these entrepreneurs do not know what attracts customers or how their enterprises is distinguished from the competition.
7. There are many potential untapped markets and subsectors for future penetration by indigenous Swazis. There is a tendency for subsectors to be dominated by monopolist and duopolist expatriates. This type of concentration leaves niches wide open for the Swazi. Swazis have the potential, given the proper training, to identify markets even better than the expatriate.

SECTION SIX

RECOMMENDATIONS FOR FURTHER RESEARCH

- A. COMMERCIAL HAULING TO BE CONSIDERED FOR FUTURE STUDY AND INCLUSION INTO THE PROJECT SCOPE FOR INTERVENTIONS AT THE POLICY LEVEL
- B. IMPROVED SUBSECTOR TAXONOMY RECOMMENDED FOR FUTURE USE
- C. ADDITIONAL QUESTIONS TO CONSIDER FOR USE IN FUTURE SURVEYS (APPENDIX 4)

APPENDICES

28"

LIST OF RESPONDENTS FOR ENTREPRENEUR AND OPINION LEADER INTERVIEWS

OPINION LEADERS		ENTREPRENEURS	
LAST NAME	TYPE OF BUSINESS	LAST NAME	BI-PRODUCT / SERVICES
MALLOLA	SEEDS (23)	SONA	MANUFACTURE OF COFFINS, TRUCKS FOR WHEELS (1)
MALHAR	SWIFT BANK (8)	SOLOS	SHOE REPAIR AND MANUFACTURING OF LEATHER BAGS (44)
MALHOTRA 17	MINISTER OF COMMERCE (10/12)	EVINGSOEN	PACKAGING AND PRINTING OF PLASTIC PRODUCTS (3)
MALHOTRA 17	MINISTER OF COMMERCE (12)	BLANKIN	RETAIL OF CLOTHING, SHOES, CASSETTES, VIDEOS, RECORDS (9)
PAUL	BAHAI & BAHAI (10)	AGAR	CRAMBLI SHOP (11)
BEOLERA	AUTO ELECTRICAL (22)	MATEE	RETAIL HEALTH PRODUCTS, MEDICINE, MEDICAL SERVICES (17)
LATAORA	C.A.R.V.E. (37)	HLOPHE	REPAIR RADIOS AND WATCHES (18)
VLENNIA	STATIONERS AND TEXTBOOKS	MANKANYA	AUTO REPAIR, PANEL BEAT, STONE (22)
LATTADANI	HANDICRAFT TRAINING (23)	TAMPA	PANEL BEATING AND WELDING (23)
LATTADANI 2	SMALL BUSINESS FINANCE (10)	DEPTING	CAFFE-TA (23)
SALTA	SIGN MANUFACTURE (44)	GAYELZE	CARPENTRY AND JOINERY (23)
ARBIT 1	IMPORT AND EXPORT AGENTS (42)	PAOLELA	PANEL BEATING AND WELDING (23)
ARBIT 2	IMPORT AND RETAIL (CLOTHING) (44)	BLANKIN	CLEANING SERVICES (28)
ARBIT 3	WATER EQUIPMENT SERVICES (6)	GRUZO	DRY CLEANING (28)
KWELLO	CLEANING SERVICES (28)	GRUZO	MANUFACTURING PRODUCTS SHOE AND TRAINING (29)
GRANDORA	CHAMBER OF COMMERCE (8)	MATELLA	HAIR DRESSING / PRODUCT SALE (29)
THABE	SEEDS (1)	CARYCHAL	TRAVEL AGENCY - SELLING TICKETS (32)
MOGIANO	TECHNICAL TRAINING INSTITUTE (23)	PHONWE	VAN HIRE (33)
BIELLA	HANDICRAFTS (44)	GLAN	SELLING AND REPAIRING OF CARS (35)
TOURIS	GENERALIST OFFICE (6)	MUSO	VAN HIRE (35)
SAVIO	MOTOR REPAIR (22)	MALONGO	HAULING CEMENT, TOOLS, DUMP FRAMES, TIMBER, ETC. (36)
MOYENBE	SECURITY SERVICES (25)	NTSALINTSALI	SIGN WRITING, SIGN SCREENING, PORTRAITS, NEON SIGNS (37)
FISH	WHOLESALE PHARMACY (11)	FRANZU	SIGN WRITING/SIGN SCREENING (37)
GLAZON	ELECTRONICS (18)	MANKANYA	SECRETARIAL SERVICES (31)
VAN KLEVEN	COMPUTER (13/26)	MALUSH	FURNITURE FOR SCHOOLS, OFFICES, HOUSEHOLDS (23)
CLAYTON	BEAUTY PRODUCTS (29)	BITHOLE	FURNITURE MANUFACTURE (23)
LAVERON	CATERING SYSTEMS (5)	HLOPHE	RETAIL SECOND HAND GOODS (14)
LAVERON	PLASTICS (3)	MALLOLA	FURNITURE REPAIR UPHOLSTERING (40)
LAVERON	WHOLESALE GOODS (8)	MALHOTRA	SHOE REPAIR (41)
LAVERON	IMPORT EXPORT (12)	MALLOLA	SEWING AND DRESSMAKING (41)
MALHOTRA	HANDICRAFTS (44)	CLAYTON	DRESSMAKING, ALTERATIONS, AND HANDICRAFTS (41/44)
		BALINDOR	MENDING CLOTHING, SHOE AND RADIO REPAIR (41/18)
		MABUZA	SEWS AND SELLS CLOTHING, SHOE MAKING REPAIRS (44)
		MOTENK...	SELLING AND SALE OF HANDICRAFTS (44)
		BELOLA	ELECTRICAL AND MECHANICAL REPAIRS, SALE OF SHOPS (22)
		GRAN	SALE OF GENERAL GOODS (10)
		TARBU	MAKE METAL BATHS, BUCKETS, AND CHIMNEYS FOR STOVES (44)
		VON-LAYLA	AUTO PARTS RETAIL (44)
		MALYALO	SHOE REPAIR (44)
		SHONGWE	MAKE METAL BATHS, BUCKETS, TINS, TOOL BOXES (44)
		CHANE	PICTURE FRAMING AND UPHOLSTERY, CONCENTRATES ON CARPENTRY (25)
		SAFA	SUPPLIES, RETAIL OF OFFICE AND OFFICE FURNITURE (23)
		MALLOLA	WELL BUILT SHOPS & SHOPS (23)
		MALLOLA	SELLING TILES AND BRICKS (8)
		BRUNOW	KNITTING CLOTHING AND TRAPPOLETS, RETAIL OF SHOES (44)
		MOSKALISA	SHOE REPAIR (44)
		MALLOLA	SELLS MOTOR SHOPS (44)
		DUBE	MANUFACTURING BRICKS (44)
		MARONZA	MANUFACTURING SOAP (44)
		BRANDIZE	PHOTOGRAPHY AND PICTURE FRAMING (44)
		KANKANYA	PRODUCE CUSTOM PLATES, BRASS BRACKET, PANS/PLATES (44)
		MALHOTRA	FIXES ALL TYPES OF RADIOS (18)
		MUYEND	MAKE GRAIN AND WATER TANKS (44)
		VILAKATI	RETAIL OF PETROL AND OIL (44)
		MOLLI	PHOTOS, FRAMING, SALES, REPAIR (44)

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UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT
USAID MISSION TO SWAZILAND

P.O. BOX 750, MBABANE, SWAZILAND
TEL. 46430, TELEX 2016 WD

August 14, 1990

To Whom It May Concern:

USAID is undertaking research on the number and characteristics of Swazi entrepreneurs in preparation for designing a project to assist the Swazi small business sector. David Schrier, Treasure Nxumalo, Karen Henwood and Jeremiah Skosana have been engaged by USAID to carry out this research, and I humbly request your assistance in providing them with the information they desire. The information they collect will not be published but will be used in an aggregated form by the team that will design the Small Business Development Project.

Should you have any further questions regarding the purpose of these interviews, please do not hesitate to contact me.

Sincerely,



Charles Jenkins
Private Enterprise Office

AD

QUESTIONNAIRE FOR OPINION LEADERS

Name _____; Sex _____ Title _____

Type of Business _____ Sector expertise _____

Comments on expertise:

1 Estimate the number of small scale enterprises by sector:

Sector	A	B	C	D	E	F
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

A=Mbabane; B=Manzini; C=Matsapha; D=Piggs Peak; E=Nhlangano F=Lubomb

2 This question addresses the concept of average size of enterprise in each sector and area. (Use sector and area identification)

2 A What is the range and average number of employees working in such an enterprise?

2 B What is the range of capital invested?

2 C What are the tendencies regarding renting or leasing equipment and or facilities?

2 D Can you describe typical patters of indebtedness for enterprises in this sector?

Five horizontal lines for writing the answer to question 2 D.

3 A Is the number of enterprises in this sector growing or diminishing? Please explain your answer.

Five horizontal lines for writing the answer to question 3 A.

3 A 1 If you answered that the sector is growing, about how many enterprises have entered the sector during the past 2 years for the cities/areas you are knowledgable about? _____

Two horizontal lines for writing the answer to question 3 A 1.

3 A 2 Why do they enter?

Five horizontal lines for writing the answer to question 3 A 2.

3 B 1 If you answered that the sector is not growing, about how many enterprises have have gone out of business during the past 2 for the cities/areas you are knowledgable about? _____

Two horizontal lines for writing the answer to question 3 B 1.

3 B 2 Why do they go out of business?

Five horizontal lines for writing the answer to question 3 B 2.

4 A What are the factors that cause enterprises to be successful in this sector?

Four horizontal lines for writing the answer to question 4A.

4 B What are the factors that cause enterprises to fail in this sector?

Four horizontal lines for writing the answer to question 4B.

5 A Is there much competition between firms in this sector?

Four horizontal lines for writing the answer to question 5A.

5 B Please describe the intensity of the competition.

Four horizontal lines for writing the answer to question 5B.

5 C Please describe the ways the competition competes.

Four horizontal lines for writing the answer to question 5C.

6 Is the demand for products/services likely to grow in the future? (Y,N) _____. Please explain your answer.

Three horizontal lines for writing the answer to question 6.

QUESTIONNAIRE FOR ENTREPRENEURS

Name _____ (sex) _____ Entrepreneur _____

Town _____ Female Spouse _____

Name of business _____ Manager _____

Sector identification number (s) _____

1 Please describe the primary products/services that your business is engaged in. (Use this information to identify the sector)

2 A How many employees work in this enterprise fulltime? _____

Part time _____; Have the number of employees changed in the

B Have the number of employees changed in the last 2 years (Y,N) _____

Please explain any changes in the work force in your company.

3 A What types of assets does the business use to operate? for example what kind of physical premises are involved, such as land, building equipment, etc. A

ASSET	OWNED	RENTED
Land	_____	_____
Building	_____	_____
Equipment	_____	_____

Comments: _____

3 B How much money would you estimate a person needs to start a modest business in your sector? E _____.

Comments: _____

4 A Please explain if the business is owned by one person or by partner
Individual ownership ____; Partner ____ (number of partners __)

4 B Percentage of ownership _____

4 C What percent of the time is the owner here to run the business ____

4 D How many business are owned by the owner of this business? _____

4 E Is /are the owner(s) members of any organizations related to business or commerce? (Y,N) ____; Which ones _____

5 A Does the owner of the business have a bank account? (Y,N) ____
If so, is it a business account(B) or personal account (P) ____

5 B Has the owner used a loan to finance this business or was another method of financing used?

5 C Was the owner ever turned down when applying for a loan from the bank?

6 A Would you say that the sales generated by this business have been growing? (Y,N) ___;

B Please explain _____

6 C What is your forecast for future sales in this company for the next year? (Percent increase (I) or percent decrease(D)) ___% (I,D)___

6 D Please describe any business goals that help to guide you.

7 A What is the biggest problem you face in this business? _____

7 B Do you think that problems are different for women business owners

Please add additional observations below (indicate the item involved)

LANDSCAPE PROFILE - SMALL SCALE ENTREPRENEUR

GEOGRAPHICAL AREA

ID	SUBSECTOR	GEOGRAPHICAL AREA						ID
		MBABANE A	MANZINI B	MATSAPHA C	NHLANGANO D	PIGGS PEAK E	LUBOMBO F	
PRODUCTION								
1	Clothing and Shoe Production							1
2	Food Processing							2
3	Paper products and Packaging							3
4	Auto Sales / Heavy Equipment							4
RETAIL								
5	Catering Services							5
6	Irrigation/water treatment							6
7	Construction							7
8	Food							8
9	Clothing and Shoes							9
10	Hardware							10
11	Chemists							11
12	Restaurants							12
13	Computer Hardware							13
SERVICES								
14	Accounting							14
15	Engineering							15
16	Consulting							16
17	Medical Services							17
18	A/V, Communication - Repair							18
19	Training and Education							19
20	Air Conditioning/ Refrigeration							20
21	Electrical Services and Repairs							21
22	Automobile and Truck Repair							22
23	Trades (painters, carpenters, etc)							23
24	Delivery and Courier Services							24
25	Security Services							25
26	Computer Software/Data Processing							26
27	Interior Design							27
28	Cleaning Services (comm/domestic)							28
29	Beauty Services							29
30	Health and Fitness							30
31	Dyeing and Processing							31
32	Tourism and Travel Services							32
33	Packaging Services							33
34	Public transportation							34
35	Vehicle Hire (car and truck)							35
36	Commercial Hauling							36
37	Printing and Graphic Arts							37
38	Sales and Marketing Representatives							38
39	Secretarial Services							39
40	Furniture Repair							40
41	Tailoring							41
42	Import/Export Services							42
43	Commercial Elect/Mechanic Repair							43

APPENDIX FOUR

POSSIBLE FUTURE SURVEY QUESTIONS

A partial list of questions to ask opinion leaders with respect to business dynamics and profile characteristics of each subsector might include the following:

Estimation of the number of small scale enterprises (by major region, if possible).

Average size of enterprises in that subsector, specifically things like: number of employees and capitalization (renting or owning facilities, typical patterns and ranges of indebtedness).

Trends for new enterprise entrants and enterprise failures (How many have gone into and out of business as a trend? Also important is the "why" question for each trend).

Strengths and weaknesses of businesses in this subsector (What drives success and what drives failure? Attention to danger points could be used here. There is a connection between this question and the question above).

What is the tendency for small scale enterprise profitability in this subsector? Is there potential for enterprises to grow in this subsector?

Are there any technological considerations either currently causing change in this subsector or likely to in the future?

Describe the nature and intensity of competition between enterprises in this subsector.

What is the relative development impact of this subsector on Swaziland?

Is this subsector likely to grow? If so, why?
To what extent will its growth be demand driven?

What are the trends in consumer demand for products/services in that subsector?

We need a gender specific question here.

A partial list of questions to ask opinion leaders with respect to an overall profile and business dynamics of small scale indigenous enterprise, and the characteristics of indigenous entrepreneurs would include the following:

Describe the primary strengths and weaknesses of indigenous entrepreneurs.

Describe the level of effort and dedication of effort that the Swazi entrepreneur typically devotes to his/her enterprise?

Is there a tendency, as some have described, for a Swazi entrepreneur to open additional businesses, rather than concentrate on one single business? If you answered "no", why is such a tendency discussed so much? If you answered "yes", describe this tendency and share your opinion on the impact of this strategy.

What are the conventional business goals of Swazi entrepreneurs and why do they go into business in the first place? Do you see a difference between the Swazi who opens a business and the Swazi who prefers a career of employment?

Some say that a new kind of potential entrepreneur is beginning to emerge in Swaziland, a more aggressive, able and profit oriented entrepreneur than seen in the past. Is this true? If you answered "no", why does one hear such speculation in business circles? If you answered "yes", who are these people, and, by their participation in enterprise, do they have the potential to collectively increase the participation of indigenous Swazis in the economic success of this country?

What are the problems faced by Swazi entrepreneurs? Would this explain the differences in the disproportionate proportion of expatriate success in business compared to Swazis?

We need a gender sensitive question here.

The strategy for the opinion leaders with focused subsector industry knowledge (for example, the subsector industry captains mentioned above or directors of a trade association) would be to focus on the total characterization of that particular subsector, and not much more. That would be an interview drawn from the first list above and not the second.

The following section focuses on the instrument for entrepreneurs. Closed-ended questions to be used for the entrepreneurs would include such information as:

Type of business insofar as primary and secondary products/service: (this would correspond to the industry taxonomy selected by the team, the basic building block for all data files is the specific subsector that data fits into. Do you agree?)

Nature of physical plant (this would include land, building and equipment and whether these are leased or owned)

Number of employees, (the number of employees now, and for the last few years)

Urban, rural or parry urban

Number of businesses owned wholly or in partnership

Banking relationships (such things as type of bank account, if any, use of credit whether a loan was obtained, never applied or turned down)

Membership in any businesses organization

Their opinion of the trends for the entry or exit of competitors

(this is a partial list, a completed list will be developed by the team)

How many hours do you work each week on this business, on the average? How many hours outside this business do you work each week? How do you spend the hours you work outside the business?

Some semi-structured and open-ended questions that I have thought about would include:

Tell me a story about your business, the most important story that would teach me something about the _____ (beauty salon business, the car repair business, etc).

What is the biggest problem you face in this business? Describe it and tell me how you handle it. Would every _____ owner say the same thing about their biggest problem? What would they say?

Is this a good business to be in? Can you pay your bills and support a family? Is there enough money left over to re-invest and grow? Are your sales growing? Do you have any plans for expansion?

Describe your biggest competitor. Is competition an important factor? How do you and your competitors distinguish yourselves in the market place? (try to get factors involving product, service or customer factors). Are new businesses opening up that you know about? Any go out of business? Why did they go out of business? (get them to tell you a story of a person who went out of business if is recent enough to be relevant)

How would you describe the demand for your products? (i.e. who buys it?) Is the demand for your product growing, diminishing or staying the same? How has demand been changing or be likely to change in the future? How? And what do you think will happen to the _____ business in general within Swaziland? (this question gives us the basics of a subsector forecast)

Are you a full time entrepreneur in this business? If not, please explain. Why did you go into business? You answered earlier (on the closed ended questions above) that you work on this business xxxxx hours per week. Why do you work (so many hours if its high, so few if less than 40 hours per week)? (For those answering that they work yyyyyy hours somewhere else) You mentioned that you worked yyyyyy hours elsewhere. Why do you do so? Would your business, your overall income and wealth be greater if you concentrated all of your energy into this single business, or another single business? Please explain.

We need some gender sensitive questions for the women's issues.

APPENDIX 5

A FALSE START ON THE CENSUS

ATTEMPTS TO USE TRADE CENSUS DATA

The Government of Swaziland has a fine array of professional talent in the Central Statistics Office. The taxonomy of industry subsectors used by this section is taken directly from the United Nations, **Indexes to the International Standard Industrial Classification of All Economic Activities** (please see appendix for selected sections from this classification system). This very well organized system, is much like the one used by the U.S. Government for organizing all trade and economic activity of industry (**Manual of Standard Industry Codes**, published by the Office of Budget and Management, GPO; Washington D.C. 1977).

The survey team leader spent over four hours with the statistician in charge of the Swazi trade statistics, attempting to produce an independent reference point for the quantitative profile the survey team is attempting. The explanation of this odyssey is worthwhile, if only to save time for future research that might consider this independent source of quantitative information on the Swazi economy, and to make some recommendations for the improvement of that data base.

The Central Statistics Office produces an "Annual Registry of Companies in Swaziland." The Registry is broken out into the four digit level of the UN Standard Industrial Classification which is very similar to the specificity of the industry taxonomy used in the AID survey. Unfortunately, the last breakdown of companies by employee size was in 1980. Since then, new companies are listed with "0" employees. The senior statistician and the AID survey team researcher anticipated the need to adjust (a) for companies registering but never initiating operations; (b) for companies that fall within small scale enterprises under the AID definition but who never register (i.e. remain informal); and (c) for all companies registering to match parameters of AID's definition of small scale enterprise.

While each of these were serious issues that would require a correction for survey purposes, it did not seem like a major problem. The benefits of an independent reference point for the survey would be worth the trouble, notwithstanding the required cognitive leaps. The exercise reminded the researcher of the saying; "I know the table is crooked, but its the only one in town."

The AID researcher calculated the number of companies reported under each four digit code in the Annual Registry by matching each with the specific subsectors in AID's survey taxonomy. The goal was to approximate the number of small scale enterprises operating according to the AID subsector taxonomy. The two uses of subsector types matched nicely and the calculations were quite easy to make.

After many hours of tedious calculations and adjustments based on the senior statistician's "guesstimates," the researcher emerged with the number of small scale enterprises operating in Swaziland according to The Annual Registry, using AID's definition in the survey taxonomy. The statistician laughed out loud at the number, and remembered something that we did not consider. The companies listed in the Annual Registry are never adjusted for companies going out of business. There is simply no way then to get useful data from the trade statistics in Swaziland.

What is required in Swaziland is a physical census of business where subsequent annual calculations are made for the Annual Registry that would track and adjust for no-starts, and those withdrawing from operation for any reason. This would be a worthwhile exercise and one with a minimum of expense, due to the tiny private enterprise sector.

APPENDIX 6

RAW SURVEY RESULTS

FACTORS AFFECTING WOMEN'S PARTICIPATION

Question: Please list major factors that influence women's entry or success in a given sector.

Responses:

- Women lack confidence. Married women must have their husband's consent in order to get a loan.
- The lack of accessibility to credit. It is a culture-based problem because in most cases, at some point, the husband will be contacted to say something in the application. If negative, she will not get credit.
- Regarded as man's business. Small percentage of women own, but larger percentage run the business. In Swazi culture, women don't own property, therefore difficult for them to raise capital to start a business.
- Shortage of start-up capital for women because they cannot seek loans from banks because of women's status in Swazi society - being a minor - needs consent of husband.
- There are quite a few who go into the pharmaceutical subsector.
- It is difficult for women to enter this business because they can't get start-up loans from a bank because they need consent of their husband, and also those without husbands have no one to act as surity.
- Should not be barriers. Many executives in computer business are women. The field is neutral as far as culture is concerned.
- Lack of women in technical side of electronics.
- Sociological factors hinder women. They have not been encouraged by society. "Consider this a man's job."
- Man is the factor - women don't have confidence in themselves to do this. Some trade schools don't encourage women to enroll. This subsector is mostly the domain of men.
- Women tend to lack the skills for some jobs (carpentry).

- Element of discipline handling with staff. Need men to handle personal discipline often. Only need a good business mind for the rest. A woman can run such a business.

- None in terms of success. Financial access for women is restricted therefore they cannot enter the sector easily.

- It is the way training is done in Swaziland. At school, no art subjects are taught. At vocational schools, it is assumed to be a trade and hence women are kept out. Has not been introduced as a fine art subject.

- Most of these businesses are started by women and sold to women (hawkers, shop owners and customers).

APPENDIX 7

RAW SURVEY QUESTION RESULTS: THE NEWLY EMERGING SWAZI ENTREPRENEUR

Questions: "Some say a new type of indigenous Swazi entrepreneur is emerging in Swaziland. They say this entrepreneur is more aggressive, goal-oriented and highly motivated to become an owner of a business. Do you think such a population is emerging? Please explain."

Responses:

- Yes, it is emerging. For instance, Swazis engage in vegetable sales (aggressive and goal oriented), average age is 32 or younger, do not want to work for someone else.

- Some merit to the statement. Swaziland has an increase in young people who are educated. Also experienced older people in business. Both groups offer promise. Shrinking job market and new character of vocational institutions contributes. Customers: individuals with textbooks, stationery - sell mostly to companies.

- Awareness among young people of not wanting to be employed — however, many not at the age to accept and handle the responsibility.

- Yes. This new entrepreneur is encouraged by work conditions under employment. No longer content with salary.

- I think there is a new type because I am seeing a lot of business owners. (Swazi small businessmen tend to operate a hardware shop under the guise Swazis to operate entirely hardware-oriented small business — needs capital they do not have).

- Swazis are becoming more business-minded but are not trained in business management. Young ones coming up. Mostly middle-aged.

- Yes. Particularly Swazis exposed to external educational training — goal oriented and highly motivated. Swazi pharm. (Wholesale the only such company in Swaziland has clients in all six major towns: includes small shops/private practitioners).

- Yes, there is a new type of indigenous Swazi entrepreneur emerging in Swaziland. Especially women in Swaziland seem to be more determined than ever — they are highly motivated - when we have our trader seminar three-fourths of the people who turn up.

- Have not seen this trend. See emergence of highly skilled Zambians/Zimbabweans in the market. High tech field, will be a long time before Swazis form a team.

- Yes. Influx of Mozambique refugees — health effect. Swazis realizing foreigners do succeed. Media indoctrinating entrepreneurship.

- Not in my experience with the group in discussion — they seriously need training. I do from time to time see enthusiasm and motivation but it is rare.

- There are motivated people, but there are serious barriers to owning a business, e.g., financial institutions do not provide capital for start up.

- Yes, locals becoming more business minded. Difficulties: big companies using the competition of South Africa. Now use local painters, e.g., Roystons. Can buy paints locally — manufactured in South Africa. Have to produce good quality using new.

- Subject of graphic arts/printing in Swaziland growing quickly. Big printing houses run by expats. Swazis penetrate this subsector from the graphic arts — does not require capital. Trade schools do not encourage female entrepreneurship.

- No comment.

- Definitely disagrees with respect to the handicraft subsector.

LANDSCAPE PROFILE - SMALL SCALE ENTREPRENEUR

GEOGRAPHICAL AREA

ID	SUBSECTOR	MRABANE A	MANZINI B	MATSAPHA C	NHLANGANO D	PIGGS PEAK E	LUBOMBO F	ID	
=====									
PRODUCTION									
1	Clothing and Shoe Production	75	100	25	50	25	50	1	325
2	Food Processing							2	
3	Paper products and Packaging							3	
4	Auto Sales / Heavy Equipment	4	3					4	7
RETAIL									
5	Catering Services	25	28	8	3	6	12	5	82
6	Irrigation/water treatment							6	
7	Construction							7	
8	Food		37			5		8	42
9	Clothing and Shoes							9	
10	Hardware/General dealer	140	150	60	16	1	70	10	437
11	Chemists	4	2	2	1	1		11	10
12	Restaurants	120	130	50	80	40	60	12	430
13	Computer Hardware	2						13	2
SERVICES									
14	Accounting		8					14	8
15	Engineering							15	
16	Consulting		2					16	2
17	Medical Services							17	
18	A/V, Communication - Repair	15						18	15
19	Training and Education							19	
20	Air Conditioning/ Refrigeration	1	3	2	1	1		20	11
21	Electrical Services and Repairs							21	
22	Automobile and Truck Repair	100	15	4		2	4	22	125
23	Trades (painters, carpenters, etc)	1	35	60		20		23	116
24	Delivery and Courier Services							24	
25	Security Services							25	
26	Computer Software/Data Processing							26	
27	Interior Design							27	
28	Cleaning Services (comm/domestic)	2	4	1		6	0	28	7
29	Beauty Services	14	23	3	3	6		29	59
30	Health and Fitness							30	
31	Dyeing and Processing							31	
32	Tourism and Travel Services	1						32	1
33	Packaging Services							33	
34	Public transportation							34	
35	Vehicle Hire (car and truck)		40		10	12		35	62
36	Commercial Hauling							36	
37	Printing and Graphic Arts	3	5	2	1			37	11
38	Sales and Marketing Representatives							38	
39	Secretarial Services	6						39	6
40	Furniture Repair	3	1	0		1		40	5
41	Tailoring				20			41	20
42	Import/Export Services							42	
43	Commercial Elect/Mechanic Repair							43	

4/5

44 SALE OF GENERAL GOODS (CLOTHES)
 44 MAKE METAL BASINS, BOXES, AND CHIMNEYS FOR STOVES
 44 AUTO PARTS RETAIL
 44 SHOE REPAIR
 44 MAKE METAL BINS, BUCKETS, TINS, TOOL CASES
 44 PICTURE FRAMING AND UPHOLSTERY, CONCRETE BRICKS OR CHIM
 44 SUPPLIES (RETAIL) ON LORRY AND OFFICE FURNITURE
 44 WELD BURGULAR BARS & GATES
 44 SELLING FEAT AND DAIRY PRODUCTS
 44 KNITTING JERSEYS AND TRACKSUITS. RETAIL OF SOCKS
 44 SHOE REPAIR
 44 SELL MOTOR SPARES
 44 MANUFACTURING BRICKS
 44 MANUFACTURING SOAP
 44 PHOTOGRAPHY AND PICTURE FRAMING
 44 PRODUCE CLUTCH PLATES, BRAKE SHOES, ETC. PACE/PLA 20
 44 FIXES ALL TYPES OF RADIOS
 44 MAKE URIN AND WATER TANKS
 44 RETAIL OF PETROL AND OIL
 44 PHOTOS, FRAMING, BUSES, REPAIR
 44 REPAIRS BUSES, ETC. BURGULAR PROOFING, WELDING

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APPENDIX 9

STATEMENT OF WORK

SMALL BUSINESS SURVEY

OBJECTIVE:

1) To further define and quantify the target group, indigenous Swazi entrepreneurs, for the proposed Swazi Business Development (SBD) project. 2) To provide information and a format that could contribute to a comprehensive baseline study to be conducted at the beginning of the SBD project.

PERSONNEL:

One international consultant with extensive experience in survey design and small business development will be retained to design and oversee the activity and to relate the results to the Project Paper design. This person will be the team leader of the consultancy.

The team leader will be assisted by a team of at least three local consultants who are familiar with Swaziland and who have experience in designing and conducting business surveys. These local consultants will be hired by the contractor.

SCOPE OF WORK:

The output of the consultancy will be a report on the characteristics of the indigenous small business sector that is the target of the SBD project. The consultants will prepare a survey questionnaire and then administer the questionnaire, using a variety of techniques, including group meetings, individual interviews as well as review of existing documentation on small business. An analysis of the data will complete the report.

The following membership lists and reference documents should be reviewed and used:

- Small Enterprises Development Company (SEDCO) report from the Management Consultancy Division, April 1990. This contains data on 103 entrepreneurs operating in the seven SEDCO estates.
- Business Women's Association (BWAS) membership list of 60 women business owners.
- Account information from the five banks in Swaziland — Barclays, Standard Chartered, BCCI, Union Bank, Swazi Development Bank.
- National Provident Fund Data — This contains information on number of employees.

- Membership lists from the Swaziland Commercial Amadoda (SCA).
 - Rise Management Consultancy of Manzini developed these lists in the course of a 1989 consultancy under the auspices of CARE International.
- Coopers & Lybrand survey of small business conducted for CARE International.
- Membership lists from Sibakho Chamber of Commerce.
- Lists of companies with business licenses obtainable from the Registrar of Business.
- Review of the Swaziland Commercial Amadoda, a study done for CARE International in 1989, which contains a questionnaire on small business.

TIMING:

The consultancy will require 4 weeks of effort for the international consultant, and three weeks for the locally-based consultants. The study must be completed prior to the start of the PP design, which will begin in early September, 1990.



STATISTICAL PAPERS THE SERIES III No. 4, REV.2, Add.1
INDEXED EDITION

**Indexes to the
International Standard
Industrial Classification
of All Economic Activities**

UNITED NATIONS

PART II. DIFFERENCES BETWEEN THE PRESENT AND THE PRECEDING VERSIONS OF THE CLASSIFICATION

The following table summarizes differences between the version of the International Standard Industrial Classification presented in this publication and the version presented in the document Series M, No. 1, April 1958, set out below. The differences are classified according to the category of the present version of the ISIC.

Present version of ISIC		Corresponding major group and group(s) of preceding version of ISIC	Differences in scope of major groups and groups between present and preceding version of ISIC
Major Group	Title of category		
<u>Major Division 1. Agriculture, Hunting, Forestry and Fishing</u>			
100	<u>Agriculture and Hunting</u>	01, 03	Excluded are cemetery upkeep; veterinary services and animal hospitals and care centres; and leasing and renting out of agricultural machinery and equipment.
101	Agricultural and livestock production	011	Landscape gardening is included.
102	Agricultural services	012	Landscape gardening; cemetery upkeep; veterinary services and animal hospitals and care centres; and leasing and renting out of agricultural equipment and machinery without drivers are excluded.
110	<u>Forestry and Logging</u>	02	
121	Forestry	021	
122	Logging	022	
130	<u>Fishing</u>	04	Excluded are factory-type vessels engaged in processing only which can be treated as separate establishments.
1301	Ocean and coastal fishing	041, 042	Excluded are factory-type vessels engaged in processing only, i.e., not also catching and taking fish, crustacea and other ocean and coastal water products, which can be treated as separate establishments; and the operation of cultivated oyster, pearl and laver beds and farms.
1302	Fishing not elsewhere classified	043	The operation of cultivated oyster, pearl and laver beds and farms is included.
<u>Major Division 2. Mining and Quarrying</u>			
210	<u>Coal Mining</u>	110	Included is the agglomeration, at the mining site, of coal or lignite into briquettes and packaged fuels.
220	<u>Crude Petroleum and Natural Gas Production</u>	130	
230	<u>Metal Ore Mining</u>	12	
2301	Iron ore mining	121	
2302	Non-ferrous metal ore mining	122	
290	<u>Other Mining</u>	14, 19	
2901	Stone quarrying, clay and sand pits	140	
2902	Chemical and fertilizer mineral mining	192	
2903	Salt mining	191	
2909	Mining and quarrying not elsewhere classified	199	
<u>Major Division 3. Manufacturing</u>			
<u>Manufacture of Food, Beverages and Tobacco</u>			
311-312	Food manufacturing	20, 312	
311	Slaughtering, preparing and preserving meat	201	The fabrication of meat pies and puddings is included
312	Manufacture of dairy products	202	
313	Canning and preserving of fruits and vegetables	203	
314	Canning, preserving and processing of fish, crustacea and similar foods	204	Included are factory-type vessels engaged in the processing only of fish, crustacea and other ocean and coastal water products which can be treated as separate establishments

Present version of ISIC	Title of category	Corresponding major group and group(s) of preceding version of the ISIC	Differences in scope of major groups and groups between present and preceding version of ISIC
6 3311	Articles, planing and other wood stiles	251	
3312	Manufacture of wooden and cane containers and small cane ware	252	
3313	Manufacture of wood and cork products not elsewhere classified	259	Includes the manufacture of footwear made entirely of wood
19/2 3320	Manufacture of furniture and fixtures, except primarily of metal	260	Excluded are the manufacture of furniture and fixtures primarily of metal and the production of moulded plastic furniture
	<u>Manufacture of Paper and Paper Products, Printing and Publishing</u>		
341	Manufacture of paper and paper products	27	
6 342	Manufacture of pulp, paper and paperboard	271	The manufacture of off-machine coated, glazed, gummed and laminated paper is excluded.
1 342	Manufacture of containers and boxes of paper and paperboard	Part of 272	
2 3419	Manufacture of pulp, paper and paperboard articles not elsewhere classified	272	Excludes the manufacture of containers, boxes and bags of paper and paperboard.
24 3520	Printing, publishing and allied industries	280	
	<u>Manufacture of Chemicals and Chemical, Petroleum, Coal, Rubber and Plastic Products</u>		
351	Manufacture of industrial chemicals	311, part of 319	The manufacture of white spirit and composite thinners is excluded; the manufacture of ethyl alcohol from sulphite residues of pulp manufacturing is included.
1 3511	Manufacture of basic industrial chemicals except fertilizer	Part of 311	
3 3512	Manufacture of fertilizers and pesticides	Part of 311, part of 319	The manufacture of white spirits and composite thinners is excluded; the manufacture of ethyl alcohol from sulphite residues of pulp manufacturing is included.
7 3513	Manufacture of synthetic resins, plastic materials and man-made fibres except glass	Part of 311	
352	Manufacture of other chemical products	313, 319	The manufacture of composite thinners is included.
11 3521	Manufacture of paints, varnishes and lacquers	313	The manufacture of composite thinners is included.
3 3522	Manufacture of drugs and medicines	Part of 319	
4 3523	Manufacture of soap and cleaning preparations, perfumes, cosmetics and other toilet preparations	Part of 319	
4 3529	Manufacture of chemical products not elsewhere classified	Part of 319	Included is the manufacture of prepared photo-chemical materials and sensitized film, paper and cloth.
353 3530	Petroleum refineries	321	The manufacture of white spirits is included.
2 354 3540	Manufacture of miscellaneous products of petroleum and coal	329	Excludes the manufacture of coal and lignite briquettes and packaged fuels at mining sites. Includes coke ovens in iron and steel works which it is feasible to treat as separate establishments.
355	Manufacture of rubber products	30	
1 3552	Tyre and tube industries	Part of 300	
3559	Manufacture of rubber products not elsewhere classified	Part of 300	
354 3 3560	Manufacture of plastic products not elsewhere classified	Part of 399 and certain activities from a number of other groups.	
	<u>Manufacture of Non-Metallic Mineral Products, except Products of Petroleum and Coal</u>		
1 361 3610	Manufacture of pottery, china and earthenware	333	

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Present version of ISIC			Corresponding major group and group(s) of preceding version of the ISIC	Differences in scope of major groups and groups between present and preceding version of ISIC
ISIC Major Group	Group	Title of category		
①	3115	Manufacture of vegetable and animal oils and fats	312 and part of 209	The part of 209 consists of the manufacture of olive oil, margarine, compound cooking fats and blended table and salad
2	3116	Grain mill products	205	
3	3117	Manufacture of bakery products	206	The manufacture of macaroni, spaghetti, noodles and similar products is included.
3	3118	Sugar factories and refineries	207	
	3119	Manufacture of cocoa, chocolate and sugar confectionery	208	
	3121	Manufacture of food products not elsewhere classified	209	Excluded are the manufacture of meat pies and puddings; olive oil, margarine, compound cooking fats and table and salad oils and of prepared feeds for animals and birds.
	3122	Manufacture of prepared animal feeds	Part of 209	
313		Beverage industries	21	Excluded is ethyl alcohol distilled from sulphite residues of pulp manufacturing; included is the bottling of natural spring and mineral water at the source.
X	3131	Distilling, rectifying and blending spirits	211	Excluded is ethyl alcohol distilled from sulphite residues of pulp manufacturing
	3132	Wire industries	212	
	3133	Malt liquors and malt	213	
4	3134	Soft drinks and carbonated waters industries	214	The bottling of natural spring and mineral waters at the source included.
314	3140	Tobacco manufactures	220	
32		<u>Textile, Wearing Apparel and Leather Industries</u>		
	321	Manufacture of textiles	23, 24	Excluded are the repair services listed below, in respect of each group.
6	3211	Spinning, weaving and finishing textiles	231	Excluded is the manufacture of woven carpets and rugs
3	3212	Manufacture of made-up textile goods except wearing apparel	244	Excluded is the repair for the general public of the household made-up textile goods of this group.
0	3213	Knitting mills	232	Excluded are establishments primarily engaged in the repair of knit wear for the public.
2	3214	Manufacture of carpets and rugs	Part of 231, part of 239	Excluded is the repair of carpets, rugs and mats for the general public
	3215	Ropeage, rope and twine industries	233	
	3216	Manufacture of textiles not elsewhere classified	239	Excluded is the manufacture of unwoven carpets and rugs and mats and tatting, except of rubber. Included is the manufacture of linoleum and other hard-surfaced floor covering (excluding rubber, plastic or cork) irrespective of type of backing material.
55	322	3220 Manufacture of wearing apparel, except footwear	243	The manufacture of umbrellas and canes and the repair of wearing apparel for the general public, are excluded.
	323	Manufacture of leather and products of skins, leather substitutes and fur, except footwear and wearing apparel	29	Establishments specializing in the repair of luggage, handbags and other leather goods for the public, are excluded.
0	324	Tanneries and leather finishing	201	
0	325	Fur dressing and dyeing industries	202	
4	326	Manufacture of products of plastics and leather substitutes, except footwear and wearing apparel		Establishments specializing in the repair of luggage, handbags and other leather goods for the general public, are excluded.
2	327	Manufacture of footwear, except rubber and plastic footwear	341	The production of footwear by moulding plastic material and the manufacture of footwear made entirely of wood are excluded.
55	328	Manufacture of footwear made entirely of wood	35	Includes the manufacture of footwear made entirely of wood
331		Manufacture of leather and leather substitutes, except footwear and wearing apparel		

Present version of ISIC			Title of category	Corresponding major group and group(s) of preceding version of ISIC	Differences in scope of major groups and groups between present and preceding version of ISIC
Division	Major group	Group			
3	362	3620	Manufacture of glass and glass products	332	
	369	0	Manufacture of other non-metallic mineral products	331, 334, 339	
	0	3691	Manufacture of structural clay products	331	
	1	3692	Manufacture of cement, lime and plaster	334	Included is the manufacture of Keene's and similar cement and of lime and plaster
	21	3699	Manufacture of non-metallic mineral products not elsewhere classified	339	Excluded is the manufacture of Keene's and similar cement lime and plaster.
37			<u>Basic Metal Industries</u>		
	0	371	Iron and steel basic industries	341	Excluded are thoseovens in iron and steel works which it is feasible to treat as separate establishments.
	0	372	Non-ferrous metal basic industries	342	
38			<u>Manufacture of Fabricated Metal Products, Machinery and Equipment</u>		
	0	381	Manufacture of fabricated metal products, except machinery and equipment	35, part of 26	Excluded are the manufacture of small arms and accessories and the specialized repair and servicing of hand tools, locks and other hardware, and cutlery for the general public. Included are the manufacture of small metal ware; and the production of machinists' precision hand tools.
	4	3811	Manufacture of cutlery, hand tools and general hardware	Part of 350	Excluded are the specialized repair and servicing of hand tools, locks and other hardware and cutlery for the general public. Included is the manufacture of machinists' precision hand tools.
	3	3812	Manufacture of furnitures and fixtures primarily of metal	Part of 260	
	12	3813	Manufacture of structural metal products	Part of 350	
	26	3819	Manufacture of fabricated metal products except machinery and equipment not elsewhere classified	Part of 350	Excluded is the manufacture of small arms and accessories. Included is the manufacture of small metal ware.
		382	Manufacture of machinery except electrical	36	Included are the fabrication and assembly of digital and analog computers, and accessories; the manufacture of small arms and accessories; and the production of all engines and turbines which are not made in establishments mainly engaged in manufacturing transport equipment or in manufacturing specialized engines and turbines for given types of transport equipment. Excluded are the production of vacuum cleaners, floor polishers and waxers and of certain electrical household cooking and laundry equipment; establishments specializing in the servicing and installation of household refrigerators, household washing machines and laundering equipment, household cooking equipment, etc. and of typewriters for the general public; and the production of machinists' precision hand tools.
	0	3821	Manufacture of engines and turbines	Part of 360	Included is the production of all engines and turbines which are not made in establishments mainly engaged in manufacturing transport equipment or in manufacturing specialized engines and turbines for given types of transport equipment.
	0	3822	Manufacture of agricultural machinery and equipment	Part of 360	
	1	3823	Manufacture of metal and wood working machinery	Part of 360	Excluded is the manufacture of machinists' precision hand tools.
	4	3824	Manufacture of special industrial machinery and equipment except metal and wood working machinery	Part of 360	
	2	3825	Manufacture of office, computing and accounting machinery	Part of 360	Included is the fabrication and assembly of digital and analog computers and accessories. Excluded is the repair of typewriters for the general public.
	2	3829	Machinery and equipment except electrical not elsewhere classified	Part of 360	Included is the manufacture of small arms and accessories. Excluded are the production of vacuum cleaners, floor polishers and waxers and certain electrical household cooking equipment; and establishments specializing in the repair, servicing and installation of household refrigerators, household washing machines and laundering equipment, household cooking equipment, etc.
	383		Manufacture of electrical machinery apparatus, appliances and supplies	37	Included are the manufacture of vacuum cleaners, floor polishers and waxers and certain electrical household cooking equipment; and the production of gramophone records and pre-recorded magnetic tapes. Excluded are the fabrication and assembly of

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	Corresponding major group and group(s) of preceding version of 1937	Differences in scope of major groups and groups between present and preceding version of 1937
0 Manufacture of electrical apparatus and apparatus	Part of 370	digital and analog electronic computers and accessories and establishments specializing in the repair, servicing and installation of radio and television sets, gramophones, tape recorders and household and personal electrical appliances for the general public.
1 Manufacture of radio, television and communication equipment and apparatus	Part of 370	Excluded are the fabrication and assembly of digital and analog electronic computers and accessories; and establishments specializing in the repair, servicing and installation of radio and television sets, gramophones and tape recorders for the general public. Included is the production of gramophone records and pre-recorded magnetic tapes.
2 Manufacture of electrical appliances and accessories	Part of 370	Included is the manufacture of vacuum cleaners, floor polishers and waxers and certain household cooking equipment. Excluded are establishments specializing in the repair of household and personal electrical appliances for the general public.
3 Manufacture of electrical apparatus and supplies not elsewhere classified	Part of 370	
4 Manufacture of transport equipment	38	Excluded are group 38- (Repair of motor vehicles) and the repair of motorcycles, bicycles and other vehicles for the general public. The manufacturing of engines and turbines for transport equipment is covered in the categories of the major group only if carried on in establishments primarily engaged in fabricating and assembling the specified transport equipment or in producing specialized engines or turbines for the specified transport equipment.
5 Shipbuilding and repairing	381	
6 Manufacture of railroad equipment	382	
7 Manufacture of motor vehicles	383	
8 Manufacture of motorcycles and bicycles	385	Excluded are establishments specializing in the repair of motorcycles and bicycles for the general public.
9 Manufacture of aircraft	386	
10 Manufacture of transport equipment not elsewhere classified	389	Excluded are establishments engaged in the repair of baby carriages, sleighs, etc..
11 Manufacture of professional and scientific and measuring and controlling equipment not elsewhere classified, and of photographic and optical goods	391, 392, 393	Excluded are the production of photo-chemical materials and sensitized film plates and paper; and establishments specializing in the repair of cameras, binoculars and photographic equipment, and watches and clocks for the general public
12 3951 Manufacture of professional and scientific, and measuring and controlling equipment not elsewhere classified	391	
13 3952 Manufacture of photographic and optical goods	392	Excluded are the production of photo-chemical materials and sensitized film, plates and paper; and establishments specializing in the repair of cameras, binoculars and photographic equipment for the general public.
14 3953 Manufacture of watches and clocks	393	Excluded are establishments specializing in the repair of watches and clocks for the general public
15 <u>Other Manufacturing Industries</u>	394, 395, 399	Excluded are the moulding and extruding of plastic goods; the fabrication of small metal ware; the production of gramophone records and pre-recorded magnetic tapes; and establishments primarily engaged in repairing jewellery, musical instruments, athletic goods, toys, fountain pens, etc. for the general public. Included is the production of umbrellas and canes.
16 3901 Manufacture of jewellery and related articles	394	Excluded are establishments primarily engaged in the repair of jewellery.
17 3902 Manufacture of musical instruments	395	Excluded are the production of gramophone records and pre-recorded magnetic tapes; and establishments primarily engaged in the repair of musical instruments for the general public.
18 3903 Manufacture of sporting and athletic goods	Part of 399	Excluded are the production of these goods by moulding or extruding plastic materials; and the repair of sporting and athletic goods for the general public.
19 3909 Manufacturing industries not elsewhere classified	Part of 399	Excluded are the production of the goods by moulding or extruding plastic materials; and the repair of the goods for the general public

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 COTTAGE INDUSTRIES
 STONE CUTTERS

Present version of ISIC			Corresponding major group and group(s) of preceding version of ISIC	Differences in scope of major groups and groups between present and preceding version of ISIC
Division	Major group	Title of category		
<u>Major Division 4. Electricity, Gas and Water</u>				
41	410	Electricity, Gas and Steam	51	Included are establishments which sell a significant amount of electricity to others, as well as produce electricity for the parent enterprise.
	① 4101	Electric light and power	511	Included are establishments which sell a significant amount of electricity to others, as well as produce electricity for the parent enterprise.
	4102	Gas manufacture and distribution	512	
	4103	Steam and hot water supply	513	
42	420	<u>Water Works and Supply</u>	521	
<u>Major Division 5. Construction</u>				
50	500	<u>Construction</u>	400	Included are the activities of preparing and constructing building sites and drilling oil, coal and natural gas wells on a turnkey or contract basis; and activities of enterprises which are primarily engaged in construction and which can be separately reported.
<u>Major Division 6. Wholesale and Retail Trade and Restaurants and Hotels</u>				
61	610	<u>Wholesale Trade</u>	611	Excluded is the bottling of spring and mineral water at the source.
62	620	<u>Retail Trade</u>	612	Included is the rental of household and personal goods to the general public.
	63	<u>Restaurants and Hotels</u>		
631	6310	Restaurants, cafés and other eating and drinking places	852	Included are railroad dining car restaurant and drinking facilities operated as independent businesses; and eating and drinking facilities in plants and offices which can be separately reported.
632	6320	Hotels, rooming houses, camps and other lodging places	853	
<u>Major Division 7. Transport, Storage and Communication</u>				
71		<u>Transport and Storage</u>		
	711	<u>Land transport</u>	711-714, 719	Excluded are dining-car services operated as an independent business and ambulance services. Included is the leasing and rental of railroad cars.
	7111	Railway transport	711	Included are suburban railroads. Excluded is dining-car service operated as an independent business.
	7112	Urban, suburban and inter-urban highway passenger transport	712	Excluded are suburban railroads.
	7113	Other passenger land transport	713	Excluded are the rental of automobiles without drivers; and ambulance services.
	7114	Freight transport by road	Part of 714	
	7115	Pipeline transport	719	
	7116	Supporting services to land transport	Part of 714	Included are the rental of automobiles without drivers; and the leasing and rental of railroad cars.
	712	<u>Water transport</u>	715, 716	Included is the leasing and rental of ships.
	7121	Ocean and coastal water transport	715, part of 716	
	7122	Inland water transport	Part of 716	
	7125	Supporting services to water transport	Part of 716	Included is the leasing and rental of ships.
	713	<u>Air transport</u>	717	Included is the leasing and rental of aircraft.
	7131	Air transport carriers	Part of 717	
	7132	Supporting services to air transport	Part of 717	Included is the leasing and rental of aircraft.
	719	Services allied to transport	718, 72	Excluded are the leasing and rental of railroad cars, ships and aircraft.
	7191	Services incidental to transport	718	Excluded are the leasing and rental of railroad cars, ships and aircraft.
	7192	Storage and warehousing	720	
72	720	<u>Communication</u>		

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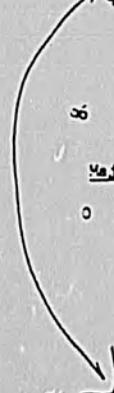
Version of ISIC Title of category	Corresponding major group and group(s) of preceding version of ISIC	Differences in scope of major groups and groups between present and preceding version of ISIC
<u>Finance, Insurance, Real Estate and Business Services</u>		
<u>Financial Institutions</u>		
62	62	
621	Part of 610	
622	Part of 610	
623	Part of 610	
624	630	
<u>Real Estate and Business Services</u>		
630	640	
631	83	Included are establishments primarily engaged in geological surveys and prospecting on a fee or contract basis. Excluded are the leasing and rental of machinery and equipment; and authors, music composers and other artists who work on own account (are self-employed).
632	831	Included are notaries public.
633	932	Excluded are establishments primarily engaged in data processing and tabulating services of a general character on a fee or contract basis.
634	Part of 932	
635	833	Included are establishments primarily engaged in geological surveys and prospecting on a fee or contract basis.
636	Part of 939	
637	Part of 939	Excluded are notaries public; and authors, music composers and other artists who work on own account (are self-employed).
638	Part of 939	Included is the rental and leasing of agricultural machinery and equipment.
<u>Community, Social and Personal Services</u>		
910	810	
920	522	Included are char, chimney and window cleaning, janitor, exterminating, fumigating and disinfecting, and similar services.
<u>Social and Related Community Services</u>		
930	821	
931	823	
932	822, part of 012	Included are ambulance services
933	822	Included are ambulance services
934	Part of 012	
935	825	
936	826	
937	824, 827	
938	824	
939	829	
<u>Recreational and Cultural Services</u>		
940	841 - 842	
941	Part of 841	Included are authors, music composers and artists who work on own account (are self-employed).
942	Part of 841	
943	Part of 842	Excluded are entertainers and producers of programmes for radio and television who work on own account.

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Present version of 1930		Corresponding major group and group(s) of preceding version of 1920	Differences in scope of major groups and groups between present and preceding version of 1930
Division	Major Group	Minor Group	Title of category
	100		Recreational, amusements and entertainment services
	100		Amusement, public amusements, and other independent activities not elsewhere classified
	200	200	Recreation, museum, botanical and zoological gardens, and other recreational services not elsewhere classified
	300	300	Amusement and recreational services not elsewhere classified
15			<u>Personal and household services</u>
	400		Repair services not elsewhere classified
	500		Repair services not elsewhere classified
	511	240, 350, parts of certain other groups	Repair of footwear and other leather goods
12	512	240, part of 255	Electrical repair shops
	513	Part of 370 and of 300	Repair of motor vehicles and motorcycles
108	514	300, part of 305	Watch, clock and jewellery repair
3	519	Part of 305 and of 390	Other repair shops not elsewhere classified
	520	Parts of 350, 390, 395 and 399	Laundries, laundry services, and cleaning and dyeing plants
17	530	350	Domestic services
	550	350, part of 359	Miscellaneous personal services
	591	355	Barber and beauty shops
32	592	356	Photographic studios, including commercial photography
49	599		Personal services not elsewhere classified
36	600	600	International and Other Extra-Territorial Bodies
<u>Major Division C. Activities not Adequately Defined</u>			
0	000	0000	Activities not adequately defined.

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9592 (1) Driving Schools
(2) Undertakers