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**MANUAL FOR ACTION IN THE PRIVATE SECTOR (MAPS)
SUMMARY REPORT OF PHASES I - V**

Prepared for
USAID/Swaziland

Prepared by
Office of Market Development and Investment, Bureau for Africa
Agency for International Development

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FOREWORD

The strategy developed in this report is not meant to be a complete statement of USAID's development strategy in Swaziland. It is meant to be a strategy and programmatic options menu that the Mission can use to identify and structure activities that will support development and growth objectives throughout the private sector. As such, it is meant to complement and be incorporated into, rather than substitute for, the overall Mission strategy being designed in the current Country Development Strategy Statement (CDSS) exercise.

The MAPS process has identified a full set of options for action in support of development in and throughout the private sector. The activities relate to major needs and opportunities identified through the various studies undertaken as part of the MAPS exercise. The most important of these needs are the following:

- To improve dialogue between the Government of Swaziland (GOS) and the private sector
- To increase GOS awareness of the private sector's needs and constraints
- To build and strengthen the infrastructure of business organizations, particularly that supporting micro and small-scale enterprises
- To promote integration between large and small-scale enterprises
- To increase the supply of labor by providing education and skills training relevant to the needs of the private sector
- To facilitate increased investment in the private sector
- To create increased opportunities for productive employment in Swaziland to close the growing employment gap

The activities outlined in this report are valid not just for A.I.D. in Swaziland, but also for other donors and agencies interested in supporting private enterprise development in Swaziland. Nevertheless, given USAID's dominant role as a donor and the reservoir of good will and receptiveness that it has accumulated after nearly 20 years of educating leaders in the country, the Mission will be looked upon for leadership in the areas oriented to private-sector development.

Some of the activities do not require an inordinate amount of staff time and financial resources, insofar as they fit well under existing Mission projects (particularly those listed under objectives 1 through 3 in report section IV). For example, many of the activities related to education complement or are in some degree already being undertaken in human-resources-development projects currently under way, and some of the activities related to marketing and policy could be undertaken as part of the Mission's Commercial Agricultural and Marketing Project (CAPM). However, some activities listed under objectives 1 through 3 (such as activities related to strengthening of business associations) may require that new initiatives be designed. Additional human and financial resources also may be needed.

The activities listed under objective 4 require more active involvement and followup; however, many of the activities, particularly those that entail promoting foreign investment, are attractive because they have the potential to produce significant short-term results in employment. These are also activities in which the Mission has limited experience and for which present

staffing appears not to be adequate. Hence the Mission may wish to postpone these activities until adequate staffing can be obtained. The presence of a full-time Private Sector Officer, perhaps in combination with a contracted Private Sector Advisor, is crucial in this regard. *The MAPS team highly recommends that A.I.D. consider placing a Private Sector Officer in the Mission along with an advisor and office support to enable important private-sector elements of the strategy to be undertaken.*

Finally, the MAPS exercise should go beyond this report. It is hoped that the report will be only the beginning in a longer process that will involve the private sector, using it to achieve the overall development objectives sought for the country. The studies sponsored by MAPS have provided a rich data base on Swaziland, which should be widely distributed and publicized.

The data can be used as part of a program to promote and enhance dialogue between the GOS and the private sector, and increase GOS awareness of the private sector's role in the economy and its needs and constraints. It may also serve to enhance Government of Swaziland planning capabilities. The data also will be of great interest to foreign investors. It will be possible to put together a short brochure using the data sets produced for the MAPS studies (as well as that from previous studies of relevance, such as the DIMPEX and Women in Development study). The brochure would provide basic data of interest to potential investors, to the GOS, to local and foreign business organizations, to nongovernmental organizations, and to other bilateral and multilateral donors operating or interested in operating in Swaziland. This activity could be complemented by the development (using the set of graphics produced from the MAPS description and survey) of a short slide presentation that may be used to enhance the dialogue between the GOS and the private sector, as well as serve as a resource for potential donors, nongovernmental organizations, and others wishing to work with the private sector in Swaziland.

ACKNOWLEDGEMENTS

The MAPS team wishes to express its appreciation for the full support and participation of the USAID/Swaziland Mission Director, whose vision of the utility of the MAPS exercise started the ball rolling, and to his staff. Without full participation by the Mission, the MAPS exercise could not have produced as useful a product as has been the case in Swaziland. In particular, Mr. Harry Johnson, the Deputy Director; Ms. Leticia Diaz, the General Development Officer and supervisor of private sector activities; and Mr. Max Gonson, the Mission's contracted private sector project officer, provided substance and support, and were greatly responsible for the success of the MAPS exercise.

The MAPS team also wishes to express its appreciation for the support of Dr. Warren Weinstein of the A.I.D. Bureau for Africa's Office of Market Development and Investment (AFR/MDI) for suggesting and facilitating the MAPS process in Swaziland. His onsite participation during the first phase of MAPS provided the proper orientation for future work and for carrying out tasks involving seven contracts and various international trips on schedule.

Mr. Derek von Wissel was contracted as the "mentor" of the MAPS exercise. As MAPS Process Monitor, he kept the process going while U.S.-based team members were not in-country, organized focus groups, monitored and provided guidance to Swazi contractors, and fully participated in the strategy and activity options development exercise. Without Mr. von Wissel, the MAPS exercise would not have produced results of the same degree of utility to the Mission, the Government of Swaziland, and the Swazi private sector.

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INTRODUCTION

In July 1989, USAID/Swaziland will submit its fiscal year 1991-1995 Country Development Strategy Statement (CDSS) to AID/Washington. To help it develop this strategy document, USAID recognized the need to assess which private-sector mechanisms and activities exist or can be developed and incorporated into this new strategy.

In October 1988, USAID/Swaziland requested that the Office of Market Development and Investment (AFR/MDI) of the Africa Bureau of A.I.D. organize and sponsor such a private-sector strategy assessment using the Manual for Action in the Private Sector (MAPS) framework. Work was begun on November 18, 1989, with the arrival in Swaziland of a three-person team to perform the first phase of MAPS and initiate efforts to follow. A report on this first phase of the MAPS exercise was produced in December 1988 and is available under the title "Swaziland MAPS Report--Phase I."

MAPS is being used in this strategic planning process along with a number of other studies recently completed or now being undertaken with Mission guidance and involvement, such as a Women in Development (WID) study being produced through a contract with LABAT-ANDERSON Incorporated and a Swaziland employment study. The MAPS process was performed in strict accordance with procedures described in the MAPS manual.

The MAPS process, which clarifies Mission objectives and seeks to identify means to accomplish those objectives through the private sector, is proving to be a particularly useful tool for Missions that are designing new or revised strategies. In Swaziland, it will be useful in policy discussions with the host government and will promote understanding within the Government of Swaziland (GOS) of the effect of public policy on private-sector activity. It also is providing the private sector with a forum in which to express its own development priorities to the Mission, to other donors, and to the GOS, so that more cohesive and comprehensive policies and projects may be developed and implemented.

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MANUAL FOR ACTION IN THE PRIVATE SECTOR (MAPS)

The following are the major findings of MAPS efforts and the resulting tentative private-sector strategy of the USAID Mission in Swaziland. This summary is based on work found in Annexes A through E.

I. OBJECTIVES OF THE STUDY

The general purpose of the study was to review the current development strategies and guidelines of A.I.D., the Mission, and the Government of Swaziland (GOS); the economic history, current position, and trends of the Swaziland economy; and the activities and stated needs of the private sector. The data from the review were used to recommend a strategy and specific actions for future development efforts by USAID/Swaziland.

The specific objectives were as follows:

1. To generate a more comprehensive information base for use in formulating a private-sector strategy, and developing USAID/Swaziland's fiscal years 1991-1996 Country Development Strategy Statement (CDSS) and new Mission development activities
2. To test assumptions behind existing USAID/Swaziland private-sector-oriented projects and strategies
3. To enhance project feasibility by verifying private-sector needs, support, and capabilities to implement new initiatives
4. To widen the Mission's network of private-sector contacts and increase its dialogue with leaders in the private sector
5. To generate a fuller menu of programmatic options from which new or expanded private-sector-oriented activities could be selected
6. To generate a private-sector development strategy to incorporate into the Mission's new CDSS.

II. STUDY METHODOLOGY

The study to date has consisted of the following five phases:

1. Articulation of Current Mission Strategy

The MAPS team articulated the current Mission strategy as summarized in Annex A of this report and described in detail in the "Swaziland MAPS Report--Phase I" of December 1988. Concurrent with the articulation exercise, subsequent phases of MAPS were planned, contracts for work to be undertaken in Phases II and III were prepared, potential contractors were identified, and initial contract negotiations were held.

2. Description of the Private Sector

Capricorn Africa Economic Associates of Mbabane, Swaziland, under subcontract with LABAT-ANDERSON Incorporated, produced a data base and graphics from existing sources of information. Capricorn's comprehensive study and report has been bound and is available (see Annex B for details). The description exercise had two objectives:

- To provide statistical information that would help guide private-sector strategy, CDSS, and new project development
- To support broader and longer-term USAID activities in favor of the Swaziland private sector and its contribution to the economic growth of Swaziland

3. Diagnosis of Private-Sector Constraints and Opportunities

Coopers and Lybrand (Swaziland), under subcontract to LABAT-ANDERSON Incorporated, was commissioned to conduct a survey of the private sector to obtain the perceptions of private-sector participants on growth of the Swaziland private sector. One hundred firms in the medium- to large-scale range and 100 firms in the micro to small-scale enterprise (SSE) sector were surveyed to determine the following:

- The private sector's perceptions of opportunities and constraints
- The most critical resource constraints
- The impacts of public policy
 - The initiatives that will receive greatest support among local leadership
- The impact of the competitive environment
- The capabilities and accessibility of the financial system to the private sector

4. Dialogue with the Private Sector

Three focus groups were conducted to discuss the findings of the description and survey work noted above. They consisted of businesspeople representing firms with as few as two persons and as many as 100 workers. Representatives from the manufacturing, finance, agriculture, construction, commerce, and service segments of the private sector participated. The objectives of this phase were to:

- Widen USAID's network of private-sector contacts
- Test and confirm the findings of Phases II and III
- Identify additional opportunities and constraints to growth
- Identify USAID interventions that the private sector felt were important and would support
- Identify and obtain opinions about potential implementing agents for USAID activities

5. Strategy Development

The analysis, examination of A.I.D. guidelines and other donor activities, and discussions with USAID/Swaziland staff have yielded a tentative private-sector statement, including objectives, and a menu of possible strategies arranged to show support of each objective. This exercise has also produced suggestions concerning the implementation process and criteria that may be used in specific activity selection.

III. STUDY FINDINGS AND IMPLICATIONS

The following is a summary of major findings. Complete findings from MAPS phases II through V can be found in the report annexes.

A. Phase II--Private-Sector Description

- The traditional nonwage agriculture sector accounts for more than 75 percent of total employment. The private sector contributes 69 percent to formal monetary sector employment.
- Growth in formal-sector employment has not been able to keep up with the growth in labor supply.
- Private-sector employment has fallen from 77 percent of total wage employment in 1969 to 69 percent in 1987. Moreover, industrial development is becoming increasingly capital intensive. The elasticity of formal-sector employment in relation to gross domestic product (GDP) has declined substantially over the past 10 years.
- Swaziland continues to be heavily dependent on the South African labor market. As a result, migrant wages continue to be an important source of income. It is estimated that 5.2 percent of the income nationally is derived from remittances from abroad (6.5 percent in the rural areas), and account for about 10 percent of cash income.
- Private-sector activity is dominated by a relatively small number of large firms. Enterprises employing more than 25 people represent 28 percent of the number of firms registered in the country, but account for approximately 87 percent of formal-sector employment.
- The private sector dominates almost all aspects of the monetary economy in Swaziland, accounting for about 71 percent of the GDP in 1986, including 14 percent from Tibiyo, the Crown's holding company. Parastatals accounted for almost 7 percent and central government accounted for 22 percent.
- Parastatals operate in almost all sectors of the economy, except manufacturing, and are dominant in the transport, communications, and public utilities subsectors.
- Losses from parastatals accounted for more than 2 percent of the GDP and 26.2 percent of government capital expenditure in 1988.
- Parastatal performance over the past 10 years has been generally poor, partially as a result of foreign-exchange losses, though overall losses have decreased slightly over the last few years and not all parastatals lose money.
- Public-sector borrowing has increased to cover parastatal losses.
- The Crown also participates in the economy through Tibiyo, which has a majority holding in 30 companies engaged in a wide variety of economic activities. Tibiyo gains equity through making cash investments, providing land, or borrowing against future dividends, but stays out of any direct management role in the companies in which it holds equity.
- The private sector in Swaziland also contributes significantly to new investment (almost 80 percent of total investment in 1987), and fiscal revenues.

- Company taxes, personal income taxes and sales taxes have become an increasingly important source of fiscal revenue, and in 1987 and 1988 accounted for 18.8, 14.2, and 10.5 percent, respectively, of total revenue. These taxes, internal sources of revenue, give the GOS more fiscal discretion than the Customs Union receipts.
- The private sector is the major producer of exports and the major earner of foreign exchange. The major earners of foreign exchange--sugar, wood, pulp, and in 1987-88, Coca Cola concentrate--are all produced primarily by large private companies.
- Of the 31 foreign firms registered in the country in 1986, more than 50 percent (17 firms) were from the Republic of South Africa (RSA), and another 3 were partly owned by RSA concerns.
- ITF (private) land represented only 44 percent of the total land under production in the country in 1985-86 (from 47 percent in 1971-72) but accounted for 79.7 percent of the total agriculture GDP.
- Swazi National Land (Crown) crop production has shown a dramatic increase since the drought of 1982, with much of the increase in production accounted for by increases in hectarage rather than gains in productivity.
- Swaziland's economy has become increasingly diversified. Although agriculture-based economic activity still accounts for 25 percent of the GDP and 50 percent of export revenue, other sectors have acquired increasing importance, particularly manufacturing and finance. In 1988, manufacturing contributed more than 25 percent to the GDP (up from less than 10 percent in 1966) and accounted for 20 percent of export revenues (giving Swaziland one of the highest proportions of manufactured exports in southern Africa). Mining's contribution has dropped to less than 1 percent from almost 20 percent in 1967-68.
- Sugar dominates agricultural and agro-processing activity; it is the leading earner of foreign exchange and the largest horizontally related industry in terms of value added, employment, and export earnings.
- In 1986, exports represented almost three-fourths of the GDP. Swaziland's exports as a proportion of the GDP are the highest in southern Africa.
- Export markets have become less diversified. The proportion of exports going to the RSA has increased from 16.4 percent at independence to 37.8 percent in 1986 (in part attributable to Coca Cola's exports).
- The growth of the GDP has accelerated in recent years and has generally shown positive growth in all but 3 of the last 10 years. Per capita GDP growth has been negative in 10 of the last 15 years (though it too has improved since 1986).

B. Phase III--Private-Sector Survey

- There are two private sectors in Swaziland--the private sector of large firms (more than 100 employees) and that of the micro and small firms (less than 25 employees). There are very few manufacturing or agribusiness firms in the middle.
- Key factors affecting the development of the larger firms are the following:

- Limited local supply of skilled (supervisory, technical, and professional) labor
- The poor quality of government services, particularly electricity, water, and refuse collection
- GOS policies
- key factors constraining the development of micro and small enterprises are:
 - Difficulties related to getting their product to market; specifically, distance from the market, lack of market infrastructure, transportation, and adequate market information.
 - Access to credit and capital. Firms in this size category rely heavily on nonformal sources of capital, particularly personal and funds provided by family and friends.
 - Micro and small enterprises want and require different things from business organizations than the larger firms. Large firms believe a business organization should serve as a vehicle to lobby government; small firms believe business organizations should provide assistance in credit and marketing.
 - Small enterprises by and large do not belong to any business association and there is very little contact between the larger and smaller firms.
 - The economic environment is perceived as having improved far more over the last year than the political and social climate in the country. This is attributed to the influence and problems being experienced by the RSA and is not necessarily a reflection of the domestic situation. The growth of the Swazi middle class, however, is becoming an important factor in social and political considerations; it is expressing a certain lack of satisfaction with GOS inefficiencies and misdirected traditional sector policies.
 - A substantial proportion of the firms interviewed believe agriculture and agro-processing activities promise the best return on investment in Swaziland.
 - Almost 80 percent of the firms interviewed believe that the RSA and the European Economic Community are the most promising export markets. Less than 1 in 10 firms believe African export markets (including the PTA and SADCC) offer many prospects.
 - Most firms interviewed (63 percent) were unaware of any benefits they may have derived or are deriving from international donor assistance.

C. Phase IV - Dialogue Sessions

- Preparation and training of Swazis is perhaps the major constraint to indigenous private-sector growth.
- There are problems with obtaining secure housing and industrial premises in urban areas, internal infrastructure (especially roads and transport), motivation and incentives being offered to Swazi workers, access to market information and knowledge of the principles of

marketing, and information on technologies (especially for the medium-scale businesses looking at further growth).

- Credit and collateral requirements represent a serious constraint for the micro and SSE entrepreneur and the traditional farmer on Swazi National Land (SNL).
- Other than the Swazi Federation of Employers for the larger enterprises, no business representation bodies or associations were generally recognized as effective and worthy of support.
- There is significant potential for backward and forward linkages in all sectors, but particularly in agriculture. Specialized small-scale agriculture itself can produce profits and is more easily undertaken than manufacturing.
- The Southern Africa Customs Union agreement and preferential treatment by the European Economic Community (Lome Convention) provide an excellent and easily accessed market for Swazi goods.
- SSE entrepreneurs expressed opinions that the unlicensed informal sector represented an intrusive and unfairly competitive sector since they did not have the same costs of operation, and that GOS control was largely ineffective.
- Incentives, when offered, will motivate higher levels of performance and productivity, but these incentives are not widely offered by major employers in Swaziland--advancement in large firms is perceived to be based on seniority, rather than merit.

D. Implications for Private-Sector Support

- Large and small firms have very different problems that are attributable to size and not subsector of operation. This must be considered in all USAID project interventions. For example, the financial system adequately caters to the needs of the larger enterprises located in Swaziland, but SSE and micro enterprises rely on financing outside the formal system. Efforts in the financial sector, therefore, should be tailored to the smaller Swazi businesses.
- Women in Development and MAPS studies show that the majority of micro and small-scale enterprises are women owned. Many of these enterprises operate in the rural sector. Hence, programs meant to address constraints faced by the smaller scale rural-based enterprises will be an effective vehicle for reaching women-owned establishments.
- MAPS studies have shown that areas of significant opportunities for private-sector growth (besides agriculture and agriculture-related industries) are tourism, general industry and manufacturing, SNL commercial agriculture and secondary income activities, SSE growth in general, and various social and marketing services presently performed by GOS parastatals (privatization).
- Private entrepreneurs indicate that they feel left out of decisions that affect them. Efforts to improve the regulatory environment should include consensus-building mechanisms that involve the private sector--potential areas of review are business incentives, land allocation and tenure, business premises, power supply, and the effect of the Southern Africa Customs Union on local business development).
- Integration of the two private sectors in Swaziland (the modern, foreign dominated large enterprises and the mostly Swazi micro and

small-scale enterprises) are desired by both sectors. There is a need to create a greater number of linkages, and business organizations can play a key role by providing networking opportunities.

- Entrepreneurs believe that USAID can contribute to the building of intermediary organizations and business associations which can promote private-sector growth and be vehicles for donor assistance.
- The creation of relevant labor skill training in the country should be a priority. This issue is not new. Past actions to address this situation, including the Industrial and Vocational Act (April 1986), which allows private sector participation in the training structure, have not reduced the problem. The question for A.I.D. then arises: Why does the problem persist?; why have past actions not alleviated this situation?
- Education and awareness of such concepts as market development, market forces, and entrepreneurship are not by themselves sufficient to stimulate greater participation of Swazis in productive economic activities. According to participants in the MAPS focus groups, USAID's educational and training activities must be supported by enlightened employment policies and incentives that reward employees for performance.
- Beneficiaries of USAID participant training (approximately 700) and other highly educated Swazis currently working in the public sector form a strong core group of skilled manpower. The USAID trained officials interviewed by MAPS are ready to facilitate dialogue between the public and the private sectors.
- Previous studies, including those carried out as part of MAPS, suggest that no private-sector program can ignore the influence of the Republic of South Africa. A realistic private-sector development strategy should consider not only negative impacts such as dependency and the "brain drain," but also build on the opportunities this market presents. New investment promotion, however, should rely as little as possible on the continuing strength of the South African economy.
- Because of the need to produce quick results to reverse the widening gap between school leavers and job openings, development efforts with short-term impacts must be undertaken alongside programs with longer term structural change objectives. To obtain short-term results, USAID cannot rely on future new project initiatives. It must leverage its limited funds through already existing A.I.D. regional and central programs to the maximum extent possible.
- A major donor in Swaziland, A.I.D. in 1987 accounted for more than 56 percent of total bilateral assistance and 46 percent of all donor assistance. While staffing and funding may be major constraints, A.I.D. is in a position to take a leadership role in private-sector development activities.

IV. RECOMMENDED USAID STRATEGY

A. Tentative Private-Sector Strategy Statement

To promote and assist growth in the private sector's contribution to national development, with emphasis on (a) the creation of an environment conducive to increased investment in productive sectors, and (b) programs providing Swazis with the incentives, knowledge, and skills needed to fully participate in the private sector.

Objective 1

To increase the awareness of the Government of Swaziland and traditional-sector leaders about private-sector needs and constraints.

Objective 2

To better prepare Swazis to enter the work force and become more successful entrepreneurs.

Objective 3

To strengthen business associations and local capacities to better contribute to and promote the growth of a more fully integrated private sector.

Objective 4

To accelerate (1) the rate of employment creation and (2) increases in export earnings through catalytic actions promoting new investments and expansions of private-sector activities.

B. Action Options

Under Objective 1:

Action options under this objective should have both long- and short-term impacts. They are oriented to increasing awareness about private-sector needs and constraints and fostering changes in policies that impede the growth of the private sector. Dialogue that includes the private sector is a key ingredient in all the options. Linkages created between business and the academic community (see objective 2) can also support many of these activities.

- **Introducing and Expanding Concepts of Market Development and Market Forces**

Plan and execute a long-term program that discusses concepts of the free-market system. Seminars, workshops, media presentations, and exposure tours to the United States and other countries should be included. These should be tailored to address overall economic planning, specific operations within market-force-based economies (for example, secondary financial market instruments and facilities), or specific subsectors of the Swazi economy.

An example raised during the MAPS private-sector strategy assessment was improving GOS understanding of how to maximize the benefits and minimize the problems in competition. In this case, studies or workshops would address such subjects as the affect of low-overhead, informal-sector businesses on small-scale enterprises, the Southern

Africa Customs Union on infant and growing industries, and the pull of trained manpower to jobs in more developed markets.

After the groundwork has been laid and critical areas have been covered, a national conference on the "enabling environment" might be held. This might in turn be followed by additional efforts to facilitate recommendations produced by the conference.

- **Clarifying Specific Policy Areas**

Sponsor specific studies of policies and regulations that are seen as problematic, especially in the consistency of their implementation. Such areas may include customs and sales taxes and localization and work/residence permits.

- **Improving the Incentives for Growth**

Work with the private sector and the GOS to analyze and improve incentives that affect the rate of economic expansion. Incentives in such areas as export promotion, Swazi business start-ups and expansions, credit and development finance, and investment promotion are examples.

- **Increasing GOS Capacity to Plan and Implement Growth**

Help to design and implement systems and studies that will provide donors, the GOS, and the private sector with the information needed to accurately analyze the current workings of the economy and plan for and implement changes. The planning data that need to be collected and disseminated have largely been identified during the MAPS process. Other areas of planning include upgrading and building a complete Swazi resource data base, conducting research on the characteristics of the country's small enterprise and informal sectors, and gathering information on business ownership ("who owns what"). The Department of Economic Planning and Statistics in the Prime Minister's Office is particularly important for monitoring and coordinating of implementation of GOS development plans, and this Department lacks the resources to do its job.

- **Improving Government of Swaziland Efficiencies**

Areas that need reform are the processing of documents through the GOS bureaucracy, the performance of parastatal enterprises (in part through assistance to the GOS Public Enterprise Unit), the quality of governmental services (such as the speed and accuracy with which licenses are issued), and the maintenance of infrastructure vital for private-sector operations.

- **Developing Support Infrastructure**

Assist the Government of Swaziland in performing long-term infrastructure planning exercises in such areas as land availability, premises for businesses and residences for workers, providing services, securing property, maintaining internal roads and railways, and providing access to ports and markets for exports.

Under Objective 2:

- **The Primary and Secondary Education Systems**

Increase basic interest in business and improve basic entrepreneurial and business skills through curriculum reform at the secondary level. Such curriculum reform might seek to:

- Introduce classes on economics and decision-making and expose students to the notion of market forces
- Develop a program of guest lectures and workshops where entrepreneurs and businesspersons share their experiences and insights on different aspects of running a business
- Develop programs that have students set up and operate their own companies as part of class projects to introduce marketing, business operations, and decision-making skills

- **At the University Level**

Improve managerial/supervisory labor skill education at the university level. The "case method" could be one way to encourage active student participation and problem solving. Activities that could be supported in this regard could include:

- Training faculty in the case study method
- Helping develop a case study library, focused on such areas of greatest need as marketing, accounting, decision-making, and other business operations.
- Fostering linkages between the university and SCOT and business schools in the United States and successful management schools in other developing countries, such as INCAE in Costa Rica, ESAN in Peru, the Lahore School in Pakistan (through a visiting professor system, seminars, and workshops).
- Improving and introducing into the curriculum basic principles of marketing, decision-making, and business operations.

- **Linkages Between the Formal Education System and the Business Community**

Establishing a system of incentives (sponsored in part by business contributions) that encourage faculty research into areas that have practical and immediate application to business management and operations, including appropriate technology and the following:

- Sponsoring periodic seminars and roundtables on management or policy issues
- Encouraging the use of business leaders as guest lecturers
- Fostering greater business input into business curriculum reform committees at the secondary and higher education levels by providing seats on such committees to businesspersons. The Directorate for Vocational Training of the Ministry of Labor, which works with businessmen, is a model worth investigating.
- Strengthening career counseling and job placement services at the university level (job fairs have already taken place)

- Establishing a program of business internships as a tool for facilitating the placement of graduates
- The Vocational Education System

Strengthening relevant technical skills training by improving the operation of vocational schools. Activities in this regard could include the following:

 - Training teachers in those skills that are particularly in short supply, such as basic accounting and marketing
 - Increasing business input in the development of vocational school curriculum
 - Fostering work-study programs with local businesses

Under Objective 3:

A.I.D. should give priority to creating an effective business council in Swaziland. At present, the micro and small-business sector wants but lacks representation. Existing representational organizations are considered unsympathetic and ineffective and have been unable to or lack the financial resources (with the possible exception of the Federation of Employers) to organize their own representation.

One low-cost recommendation is the involvement of returned participants in the activities of A.I.D. and the private sector. For example, the involvement of these participants in private-sector business councils could clearly have a salutary effect.

- Business Representation and Associations
 - Facilitate and support an existing business association(s), or Business Council if established, which will offer services in priority areas identified by the MAPS assessment. This support should include technical assistance in general institution strengthening and developing and marketing new services to the small and micro-scale entrepreneurs. The United States and International Chambers of Commerce or the U.S. International Executive Service Corps (IESC) can help to provide the necessary skilled personnel.
 - Through the business association(s) receiving A.I.D. support, promote linkages and regular communications (networking) between small and large businesses.
 - Use the MAPS and CARE data bases to help identify small businesses that can be contracted by larger firms to supply such services as gardening and landscaping, secretarial support, garbage collection, and vehicle maintenance.
- Integration Through Business Associations
 - Support the formation of backward and forward linkages between small- and large-scale enterprises by providing examples from other countries where such linking has been successful, such as Kenya, where car parts are supplied by small businesses under contract to major assembly plants.

Involve returned U.S. participants to the extent possible in the support of private-sector and business representational objectives.

Under Objective 4:

In considering the following strategies, A.I.D. should first pursue those of nominal or little cost and those that may be incorporated into current assistance programs. Most of these activities are intended to address confirmed short-term needs and should not await approval of the new CDSS or development of new projects.

In some areas, however, because of a lack of staff or available funding, A.I.D. may be able to do nothing more than keep the agenda item before the Government and donor community. For example, on-the-job and remedial training are critical needs that A.I.D. may lack the resources to address in any systematic way. Nevertheless, A.I.D. can perhaps play a catalytic role by keeping this issue on the agenda of the Government and the larger private-sector firms and/or by providing small seed-capital grants.

- **Access to Credit**

Training and assistance in understanding bank credit and paperwork requirements, and assistance in the identification of sources of capital and credit can be provided through an effective Chamber of Commerce, for example, or through Swazi banks, at nominal cost. Equally, given the importance of but lack of credit at the micro and small enterprise level, A.I.D. should give priority to the development of alternative credit schemes that can perhaps be delivered through CARE, other local nongovernmental organizations or local banks. This naturally assumes that A.I.D. can identify credit funds locally or from other donor, A.I.D. central, or regional sources.

- Examine and develop alternative financing schemes that recognize the collateral constraints of the micro and small enterprise.
- Provide training and assistance to help micro and small enterprises understand credit and collateral issues and requirements.
- Provide assistance in meeting bank paperwork requirements.
- Assist Swazi entrepreneurs in identifying sources of capital/credit.

- **Preparation of Feasibility Studies**

- Finance feasibility studies, as required, on a cost-sharing basis for micro and small enterprises.
- Provide marketing assistance, particularly for small- to medium-sized entrepreneurs.
- Provide feasibility and other assistance to Swazi small- to medium-sized entrepreneurs through the Africa Project Development Facility.

- **Access to Sites and Services**

- Promote the establishment of secure micro and small enterprise industrial production, marketing, and storage facilities.

- **Raw Materials and Other Supplies**
 - Promote the establishment of secure facilities and assistance to support micro and small enterprise bulk purchasing.
- **Availability of Transport**
 - Encourage support and assistance to micro and small entrepreneurs in the transport of raw materials, supplies, and inventory from secure bulk-storage facilities.
 - Encourage Government and donors to continue and broaden transport infrastructure support.
 - Examine alternatives for support of rural transportation cargo, such as tax and other incentives.
- **Training and Access to Manpower**
 - Encourage the development of improved on-the-job training programs in industry and government. As appropriate and when requested, assist with the design of such programs.
 - Assist with the development of, and offer limited financial assistance (scholarship support) to individuals and small firms for, training programs in management, accounting, and other business skills--both short- and long term.
 - Encourage the Government and donor community to also support the creation and strengthening of such training programs.
- **Marketing**

A.I.D. should assist in the area of marketing information either through direct assistance or through the brokering of international market information. Numerous organizations in the United States could provide marketing information of merit and potential value, possibly at low or nominal cost.

 - Provide marketing support to Swazi businesses, particularly small- and medium-sized firms, through regional A.I.D. projects.
 - Use IESC trade and investment (TIS) services to support the marketing efforts of the GOS Trade Promotion Unit.
 - Encourage the collection of regular market data by the Government.
 - Using A.I.D. Washington offices and support, facilitate market information linkages with U.S. trade and market information organizations.
- **Technology Development and Transfer**
 - Assist the Government, as requested, with technology issues and informational needs.
 - Facilitate technology linkages between the United States and Swazi Government and respective universities and private sectors, for example, subscription to the NTIS.

Encouraging Investment

Swaziland can benefit from the infusion of additional productive investment, particularly investment from companies from the United States that offer expanded market contacts, new technology, and American management approaches. The recent Overseas Private Investment Corporation investment mission has demonstrated the interest of U.S. investors in the region.

The Mission should move to capitalize on this interest by strengthening its capacity to support such investment missions. This can be done by carefully selecting a private-sector officer; increasing coordination with the organizations that organize and support investment missions (AFR/MDI, OPIC, and the Department of Commerce); and involving the Swazi private sector in the planning and organization of investment missions. Equally, USAID should facilitate and support expanded ties with investors in European markets where preferential access for Swaziland's products provides a comparative advantage.

While Swaziland has followed wise conservative financial policies, it should not ignore the losses that a large number of parastatals are incurring. USAID, through the Public Enterprise Unit (PEU), should encourage and support the privatization of these parastatals; placing the firms in private hands may well lead to improved levels of service as well as improved financial performance.

In its private-sector program, USAID should always keep in mind the benefits of backward and forward linkages and horizontal and vertical integration of productive capacity. Much growth can be accomplished by adopting a "buy Swaziland" ethic, particularly if efforts also are directed at ensuring that Swazi services and goods are of high technical quality.

- Promote productive foreign investment--particularly investment that is labor intensive, value-added, and environmentally nonthreatening.
- Encourage and facilitate investment promotion activities of the Government and donors.
- Encourage the privatization of Government parastatals.
- Promote country and regional trade and industry promotion activities.
- Consider expanded use of existing mechanisms that facilitate trade and investment contacts, such as Entrepreneurs International and other programs facilitating private-sector visitation and observation tours to the United States.
- Encourage and facilitate investments that have forward and backward linkages and that are vertically and horizontally integrated.
- Encourage, related to the above, value-added linkages between large firms and micro and small enterprises.

V. CONCLUDING REMARKS

A. Private-Sector Activity Selection

The list of activities for accomplishing private-sector strategy objectives is a menu of options for the Mission to pursue. Not all activities may be equally desirable (though MAPS has identified the need for all of them) or feasible given present policy and economic conditions and funding and staffing constraints. The addition of a private-sector officer should facilitate the implementation of the private-sector activities. Without such a person to maintain close contact with the private sector, many of the activities will remain outside A.I.D.'s reach.

The following three criteria should be used to assess the feasibility of undertaking MAPS recommended activities.

- All of the Preconditions for Success Are in Place
(For example, is there a need for a policy change? Is there a need to put a credit mechanism in place before assistance in preparing SSE feasibility studies is given?)
- Staff Time and Skills Are Adequate
(There must be a skilled private-sector staff member and present USAID staff should be trained and exposed to private-sector concepts and activities. The Peace Corps may also contribute with field support and sociocultural inputs.)
- Funds for Implementation Are Available
(Leveraged buy-ins and regional and central funding are included.)

In addition, private-sector activities should:

- Promote cost-effective employment generation
- Increase economic diversity
- Build entrepreneurial base
- Provide broad-based benefits
- Promote investment and/or trade links
- Contribute to spread of work and management skills
- Build stronger promotion/intermediary agencies
- Facilitate business creation and/or expansion
- Have support of private sector
- Be complementary to GOS and other donor activities

B. Conclusions

The above tentative private-sector mission statement, objectives, and strategic options, coming as they do at the beginning of a new CDSS planning cycle, present an opportunity for USAID to take more aggressive, coordinated,

and broad measures to support the private sector's contribution to economic development. However, as it is highly likely that USAID's resources will still be limited, the Mission faces a challenge to carefully prioritize and focus its efforts. It must leverage its limited resources in combination with those that may be available from A.I.D. central and regional sources.

In particular, USAID must increase its dialogue with the private sector, as a complement to its continued good relations and interchange with the GOS and other donors. The Mission's success at taking maximum advantage of centrally funded and regional A.I.D. facilities, as it has done in the case of MAPS, should increase, primarily through USAID's efforts. To do this, A.I.D.'s regional and Washington managements must appreciate the irreplaceable role that USAID's private-sector support plays in Swaziland, and the importance of Swaziland's private-sector-led growth in promoting market-based economy regional interests.

The strategy that presented is based on the MAPS exercise and related studies already completed. It has been designated a "tentative" strategy, however, because the Mission has yet to receive the results from two additional studies currently being undertaken--one on employment and the other on Women in Development (WID). The results from these two studies should be analyzed before the present strategy is considered to be final.

C. The CDSS and Future MAPS Efforts

The next step in USAID's private-sector strategy implementation and maintenance process is already under way. The incorporation of the private-sector strategy into the Mission's new CDSS (including the use of data generated during the MAPS strategy assessment process). An annotated outline of the CDSS, showing where private-sector concerns should be addressed in the CDSS, was prepared during the USAID/Botswana MAPS exercise and has been left with the Mission in Swaziland for use as a reference document.

In addition, AFR/MDI and the MAPS team are working with the Mission to identify a good private-sector advisor and develop new initiatives. Last, the MAPS process will be evaluated and results incorporated into the planning for future MAPS exercises.