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AN ACTION PLAN FOR BUSINESS LINKAGES IN ZIMBABWE

FINAL REPORT

*Bureau for Private Enterprise
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1. **INTRODUCTION**

A business linkage is a mutually-beneficial relationship between a buyer and a supplier. Business linkages have the potential to promote private sector development in that they enhance the operational efficiency of the buyer (often large and more sophisticated companies), as well as the growth of the supplier (often small firms).

This document, an Action Plan for Business Linkages Development in Zimbabwe, represents a key step in what has been an on-going process of gathering information and gaining support for the concept of business linkages development in Zimbabwe. The Action Plan outlines a strategy for launching a pilot project to test and evaluate various approaches to business linkages development. As such, its intent is to assist USAID and others move beyond the "design phase" and into the "action phase."

The Action Plan for Business Linkages Development in Zimbabwe builds on a number of prior activities and analyses funded by USAID Zimbabwe. Some of the key events leading up to this Action Plan include the following:

(i) ***The Design of the Zimbabwe Business Development Project***

The Zimbabwe Business Development Project (ZBDP) aims to increase economic growth that results in job creation, increased foreign exchange earnings, and broadened distribution of the ownership of the productive assets of the economy. It is a three year, USD 5.5 million project. The Business Linkages Initiative is one of three operational components of ZBDP, the other two components being Export Processing Zones and Volunteer Business Advisory Services.

(ii) ***Diagnostic Assessment of Business Linkages***

The Diagnostic Assessment prepared in July 1992 provides the analytical foundation for the design of a Business Linkages Initiative. The Diagnostic Assessment assesses government policies and other factors that have an impact on the development of business linkages in Zimbabwe; it examines existing linkage institutions and relations

within the country; and it reviews business linkages programs in South Africa and the United States with an eye to drawing lessons that might be applicable to the Zimbabwean context.

(iii) **Sectoral Research on Business Linkages**

Research papers were prepared on business linkages in three key sectors: garments and textiles, leather and leather products, and metals. Based on interviews with at least fifty businesses, these papers examine business linkages in the three sectors and identify opportunities for growth based on the development of business linkages.

(iv) **Business Linkages Workshop, Harare**

A Business Linkages Workshop was held on June 11, 1992. The objective of the Workshop was to present and discuss a preliminary model for a business linkages project. The model identified the potential participants in a linkages program and what their role and responsibilities in the program could be. Workshop participants included representatives from large corporate companies, the indigenous business community, and business support organizations.

(v) **Exposure Tour, South Africa**

A delegation of 17 people from Zimbabwe attended a three-day exposure tour to South Africa in early July 1992. The objective of the tour was to expose a select group of Zimbabwean business, corporate, banking and development people to business linkages programs currently underway in South Africa.

The Action Plan presented in this document draws on the experience gained through these activities and analyses. The Action Plan is outlined in three parts:

- * Chapter 2 examines the environment for promoting business linkages in Zimbabwe: the critical success factors, as well as the barriers and opportunities, for large firms and indigenous businesses.

- * Chapter 3 presents a detailed action plan for an eighteen month business linkages pilot project, including a monitoring and evaluation plan.
- * Chapter 4 outlines several alternatives for moving beyond the pilot phase into full-scale implementation.

This Action Plan represents a collaborative effort among many individuals. The document was prepared by Sydney Lewis of Coopers & Lybrand, Darrol Robertson of NSA Management, and Tessie San Martin of J.E. Austin Associates. However, three other individuals provided considerable input to the Action Plan: Leon Raff of NSA Management, Ethan Dube of Standard Chartered Merchant Bank, and Professor Donald Mead of Michigan State University/University of Zimbabwe.

The design team would like to extend its gratitude to USAID Zimbabwe for its support in conducting the many activities leading up to and including this Action Plan. The team also wishes to extend its appreciation to all of the individuals in the Zimbabwean business community, who so willingly provided their valuable perspectives and time to the benefit of this initiative.

2. BUSINESS LINKAGES: PROSPECTS FOR ZIMBABWE

Business linkages are not new or unknown in Zimbabwe. A variety of companies, from the larger conglomerates focused on the domestic market to medium-sized export-oriented firms in the country, already rely on a network of suppliers. But these networks involve largely, if not exclusively in most cases, white-owned companies. The issue is therefore not how to promote business linkages *per se*, but how to encourage relationships between the larger businesses with established markets, a skills base and access to technology and capital (which are still mostly white-owned) and the smaller indigenous-owned enterprises which generally lack access to all these factors.

The experience with business linkages initiatives around the world, including neighboring South Africa, suggests certain preconditions must be present for the development of sustainable, commercially-oriented business linkages between large established firms and indigenous enterprises. Without addressing these critical "success factors", the emergence of new viable, profitable relationships between large established business and the indigenous Zimbabwean suppliers will not occur. The business linkages initiative sponsored by USAID will have to address these issues, if it is to be successful.

Recent assessments of the business climate in Zimbabwe have evaluated how the policy environment, the structure and culture of Zimbabwe's businesses, and the business support infrastructure in the country affect these critical factors. This section evaluates the prospects for the emergence of viable business linkages in Zimbabwe in light of these findings.

2.1 CORPORATE BUSINESS COMMUNITY

2.1.1 CRITICAL FACTORS FOR SUCCESS

The corporate business community will only fulfill its vital role in the success of a business linkages initiative if:

(i) **SOUND COMMERCIAL PRINCIPLES APPLY**

Corporate companies interviewed as part of the development of the Action Plan were adamant that they were unwilling to make any compromise to the commercial principles of:

- * the lowest price wins the contract;
- * the highest quality wins the contract;
- * delivery of the right product/service on the promised by date is imperative.

(ii) **MINIMAL EFFORT IS INVOLVED**

While interviews with a variety of large companies in Zimbabwe suggest they are in principle willing to establish new buyer-supplier relationships with indigenous-owned businesses, it is also clear that they are generally unwilling to expend a great deal of time, effort and expertise on unearthing suitable opportunities within their organizations and locating and "nursing" suitable suppliers within the indigenous business community. Establishing any sort of new supplier relationship will therefore depend on how well the initiative supports and minimizes the costs involved in the tasks of:

- * continuously analyzing the corporate structure and locating suitable supply and "spin-off" opportunities;
- * continuously locating, changing and building suitable suppliers and entrepreneurs within the indigenous business community.

(iii) **COMMITTED SENIOR MANAGEMENT TEAM**

Entering new supplier relationships and/or creating new supplier opportunities for indigenous firms requires in many cases fundamental

changes in the culture and operating procedures of large companies. This will not take place without the support of the organization's senior management team, particularly the Managing Director and the Director in charge of procurement. Ideally, this commitment would embrace the following five areas:

- * support for the basic premise upon which the business linkages initiative is founded i.e. the growth of Zimbabwe's indigenous business community;

- * monetary support to:
 - expand their company's purchasing resources to cope with an increased number of suppliers;

 - release skilled internal resources to assist with the transfer of technical knowledge into the indigenous business community;

 - foster the recapitalization of selected viable businesses;

- * organizational support in the following areas where the business linkages initiative will make a direct impact:
 - adjusting the company's purchasing culture to a "relationship" basis with suppliers;

 - adjusting the company's purchasing procedures to accommodate the indigenous business community (e.g. simplify tendering, less onerous penalty clauses);

 - adjusting the company's supplier payment procedures to facilitate prompt payment to the undercapitalized indigenous business community;

- "spinning off" non-core operational areas (e.g., printing, delivery, vehicle maintenance) and viable operational entities (e.g., finished goods packing and labelling) as opportunities for the indigenous business community;
- * support in the following areas which will play an important role in the success of the business linkages initiative:
 - negotiating with raw material suppliers to offer equivalent corporate buying arrangements (e.g., trade credit, discounts, favorable lead times) to the indigenous business community involved in the business linkages initiative;
 - promoting the business linkages initiative within the corporate business community, particularly the benefits and successes that have been achieved;
- * perseverance with the business linkages initiative even when failures occur and when organizational "noise levels" rise. In essence, the companies must be prepared to go the full distance and not "throw in the towel" as soon as the going gets tough, if the initiative is to have a chance of succeeding.

2.1.2 BARRIERS TO CORPORATE PARTICIPATION

A number of aspects of the business climate and the Zimbabwean business community and culture prevent the emergence of the critical factors outlined above:

(i) GOVERNMENT POLICIES

The uncertainty created by the distribution of foreign exchange (and hence imports) by the government authorities pushes firms to control all aspects of a good's production and distribution. In the present policy

environment, a firm has an incentive to remain large -- both to increase its "muscle" in the capital and foreign exchange markets and to maintain larger inventories. In effect, no matter how inefficient and expensive it becomes for a firm to do everything in-house, in-house production is considered superior to subjecting the production process to any uncertainty that could arise from subcontractors' being unable to deliver a key subcomponent at the time, quality or price expected.

Zimbabwe also restricts a foreign investor's ability to remit dividends or money from disinvestment. These restrictions may act as a disincentive to large companies who wish to spin-off operations. In effect, any proceeds received from selling a division to local investors would be substantially trapped in Zimbabwe where (because of remittance restrictions) the company may already be cash rich.

Firms in Zimbabwe have evolved under a protectionist umbrella. The regulatory environment, including zoning, business registration procedures, also restricts market entry. The free market principle of "adequate competition" is mostly lacking in the economy. The lack of competition means that there has been no compelling rationale to look for alternative, more efficient means of operating.

(ii) A WEAK ECONOMY

The drought and the devaluation, coupled with high interest rates, have greatly weakened domestic demand. In this environment, companies which have been traditionally inward-oriented are naturally risk-averse. The commonly held perception is that dealing with the indigenous business community is risky and likely to impact negatively on company profitability.

In a contracting market, introducing a new supplier relationship may mean "replacing" existing suppliers, rather than "adding" to an existing network. There is great fear of the repercussions which the corporate companies believe will arise from awarding an existing contract to an indigenous supplier. The perception of "robbing Peter to pay Paul" will

have to be addressed by the business linkages initiative.

In the current economic climate, it may also be difficult to obtain the degree of commitment from large companies that would be most beneficial to a business linkages initiative. For example, large companies may be reluctant to release their personnel in order to assist indigenous firms, particularly in light of the shortages of technical and managerial skills throughout the Zimbabwean economy.

(iii) **ASYMMETRIES IN BARGAINING POWER**

In an environment in which there are a few strong buyers combined with a few strong suppliers, it is extremely difficult at a macro-economic level to open the supply chain up to a multitude of smaller suppliers.

In cases where firms do subcontract or purchase goods and services outside, their purchasing functions place enormous demands on suppliers. In particular:

- * large firms generally operate from a relationship of strength *vis à vis* suppliers. They can then enforce extremely precise tendering procedures on suppliers and have contracts with strong penalty clauses (often including termination) that are readily invoked when a supplier fails to deliver the specified order (quality, promised by date). This approach is in direct contrast to the simplicity, flexibility and perseverance called for by the business linkages initiative;
- * buyers can negotiate advantageous payment conditions, requiring suppliers to be financially secure enough to fund their raw materials purchases, direct overhead expenses and a 30-60 day payment period. Not many indigenous firms have the cash flow needed to operate in these types of conditions.

(iv) **A CLOSED CORPORATE CULTURE**

Large firms deal mainly with companies within the same corporate structure or owned by the same group of persons. The insularity of Zimbabwean corporates causes fear of outsiders. This insularity inhibits the flow of information about the products and services available in the marketplace (and therefore inhibits a firm's ability to rationalize production by subcontracting) and creates a corporate mentality that is biased against subcontracting.

2.1.3 FACTORS FAVORING BUSINESS LINKAGES

Despite these barriers, the competitive environment is changing. The business linkages initiative must be able to successfully exploit these opportunities. In particular:

(i) **THE ESAP**

The Economic Structural Adjustment Programme (ESAP) may encourage firms to take the risks and bear the costs associated with the development of business linkages with a new and untried set of suppliers (that is, businesses owned by indigenous Zimbabweans) because:

- * the recent devaluation has sharply increased the domestic prices for exported goods. This, coupled with the weakening of domestic demand and the various export incentives in place, has motivated some firms to aggressively seek entry into foreign markets. One way to expand production quickly while minimizing additional fixed capital investment and overhead (in certain types of production processes), is to subcontract out;
- * trade barriers are being eliminated, leaving local firms increasingly vulnerable to competition from abroad. The drive to enhance their competitive position abroad and/or locally is motivating many established companies to evaluate their corporate structure,

their purchasing decisions and their inventory control systems. In this environment firms may be more willing to assume risks and try new approaches to improving their bottom line. The business linkages initiative can capitalize on this trend;

- * the Open General Import License (OGIL) system and the Export Retention Scheme have relieved some supply constraints. To the extent that the OGIL results in a steady supply of key inputs, it may encourage subcontracting by eliminating some of the uncertainty that now may constrain firms from seeking subcontractors. If, however, OGIL results in inconsistent, variable allocations of the right to import (as has happened), it may serve only as a political tool to redistribute the "rents" of foreign exchange allocations;
- * the devaluation of the Zimbabwe dollar has also led to dramatic price increases for imported inputs. This may create new opportunities for local input suppliers.

(ii) **FINANCIAL MARKETS**

The credit squeeze has made finance expensive and difficult to obtain. High interest rates are forcing firms to pay close attention to their input inventories. Extending the network of reliable input suppliers may become an increasingly attractive alternative.

(iii) **A LARGE INDUSTRIAL BASE**

The private sector in Zimbabwe is one of the most sophisticated in the continent. Unlike most sub-Saharan economies, Zimbabwe is not a mono-economy, dependent on a single crop or export. It has the region's third most industrialized economy after South Africa and Nigeria. In sum, it has what is potentially the richest industrial base in which to "market" the business linkages initiative.

2.2 INDIGENOUS BUSINESS COMMUNITY

2.2.1 CRITICAL FACTORS FOR SUCCESS

The indigenous business community will only be in a position to fulfill its role in the success of the business linkages initiative if the following issues are adequately addressed:

(i) COMMITMENT

Meeting buyer conditions implies an understanding of and commitment to changing the way business may have been conducted in the past. This implies operational changes, risks and costs. The business linkages initiative will not succeed unless the businesses who are involved are totally committed to:

- * the growth of their businesses into organizations which can compete effectively in the main stream of the economy;
- * changing their businesses to comply with the standards set by the corporate purchasing community;
- * implementing the changes to their business practices which are suggested by a business linkages facilitating institution.

(ii) ACCEPTANCE OF HANDS ON INVOLVEMENT

Closing the gap between the business practices in small indigenous businesses and those required by corporate companies of their suppliers, must be addressed by the business linkages initiative. In this regard, indigenous firms seeking to establish supplier relationships may have to be willing to accept short-term intensive involvement of outside experts to overcome the skills/experience weaknesses in key functional areas in the participating businesses, such as:

- upgrading the operational systems and procedures, particularly in the areas of financial management, quality control and tendering/quoting;
- upgrading the skills base within the organization through training and the transfer of technical expertise;
- monitoring operations to ensure the changes to the business practices and procedures are being adhered to.

(iii) **ACCESS TO AFFORDABLE CAPITAL**

The changes that are needed in the companies from the indigenous business community that are involved in the business linkages initiative will require capital. There was unanimous agreement that the business linkages initiative could only succeed if affordable capital were available, either in the form of equity or loans (at favorable rates), in order to:

- * purchase new equipment and suitable premises which will enhance the quality of the final product;
- * finance the working capital required to engage skilled resources and to purchase the raw materials required to fulfill contractual obligations.

2.2.2 BARRIERS TO PARTICIPATION IN BUSINESS LINKAGES

Important barriers prevent the preceding pre-conditions from emerging in Zimbabwe. As a result, the vast proportion of the indigenous business community are prevented from participating in the competitive main stream of the Zimbabwean economy. The business linkages initiative will have to overcome the following problematic issues if the initiative is to be successful:

(i) **ACCESS TO AFFORDABLE CAPITAL**

Almost all enterprises in the indigenous business sector are **undercapitalized** as they have experienced great difficulty in obtaining affordable capital, either loan or equity, to finance the growth of their businesses. In light of recent increases in the real cost of capital, this problem is particularly acute at this time. As a consequence the companies have had to use their limited earnings to finance the:

- * rental (or purchase) of **business premises** which are often not conducive to effective operational procedures with a resultant drop in productivity and competitive ability;
- * purchase of suitable operational **equipment** (e.g., plant, vehicles) which are often secondhand, outdated, difficult to maintain and unreliable. The companies' ability therefore to produce a quality product and offer customer service excellence, is as a consequence severely restricted;
- * purchase of **raw materials** to fulfill sales orders. As only small purchase orders can be financed, the companies are excluded from obtaining favorable bulk discounts from their suppliers. In addition, the indigenous business community is for the most part also excluded from the usual **trade credit** arrangements offered by suppliers (e.g., 30, 60 days to pay). The poor payment track of this business sector is most often cited as the reason for a **cash-only** purchase arrangement. As a consequence, the operating margins of the indigenous business community are placed under even more pressure;
- * **organizational overheads**, such that the companies cannot engage, or afford to train, the skilled resources which are necessary to compete effectively. Companies are often forced to operate with shortages of key resources in the marketing, production and administration/finance areas. As a consequence,

the ability of the companies to offer a consistently high quality product or service to their clients is severely restricted.

(ii) **INADEQUATE BUSINESS EXPERTISE**

Most of the companies in the indigenous business community are owner-managed and their long-term success is therefore heavily dependent on the business expertise of the owner. The imbalances within Zimbabwe's social and economic framework have, however, left most of these entrepreneurs with excellent skills in one core element of their businesses, but inadequate skills in the other key functional areas.

As a consequence, the growth potential of the companies is in many cases severely restricted and the competitive abilities of the company negatively effected. The most common management skills shortages are in the following areas:

- * prudent financial management including debt and credit management, stock control, cash flow and fixed asset management, and financial systems and procedures;
- * product stock control, service costing, price determination and quality techniques;
- * effective approaches for the marketing, packaging (branding) and promotion of products and services;
- * human resources management including ethical employment practices and motivational techniques;
- * quality control procedures and techniques (e.g., quality at source).

(iii) **INSUFFICIENT BIG BUSINESS EXPERIENCE**

As a result of a legacy of inadequate support mechanisms (capital, education and training, contracts), Zimbabwe's indigenous business community has tended to concentrate its entrepreneurial efforts in confined markets. This has led, at a macro-economic level, to a paucity of indigenous businesses which are successfully competing in the mainstream of the economy.

As a consequence, there remains a huge gap between the two sectors of the Zimbabwean economy in the general understanding of an acceptable supplier -- buyer relationship. Indigenous enterprises will need to significantly upgrade their business practices if they wish to participate in the mainstream of the economy. In addition, their lack of experience of the requirements of corporate companies often precludes them from competing for supply contracts.

(iv) **MISTRUST OF OUTSIDERS**

One theme that surfaced in nearly all interviews with local businesspeople was that Zimbabwean entrepreneurs and enterprises distrust and seek to avoid contact with "outsiders." In the case of small companies -- often a one-person or family operation -- the distrust of outsiders seemingly arises from (perceived) fears of the uncontrollable, predatory forces of government and big business. The small companies are loathe to expose their operations to official scrutiny and fear losing equity or control to any large firm or bank that gets too close -- either as a supplier, buyer or lender. While the smaller firms have managed to conceal assets and profits from the government, they have also concealed their capabilities from larger firms, and have sought to keep these potential customers at a distance.

2.2.3 FACTORS FAVORING BUSINESS LINKAGES

Despite the preceding observations, certain characteristics provide rich potential for the development of a viable business linkages program:

(i) **A RICH BASE OF INDIGENOUS ENTREPRENEURS**

The GEMINI survey indicated that one out of every three households operates a business. While many of these establishments are microenterprises, baseline survey results suggest that there is a significant base of relatively larger-scale operations (with more than five employees, permanent premises and experience in business). These firms would be viable candidates for participation in a business linkages initiative. Moreover, a large proportion of indigenous businesses are manufacturers, revealing a relatively rich skills base.

(ii) **A WELL-DEVELOPED CAPITAL MARKET**

Despite the difficulties experienced in obtaining access to credit, the fact remains that Zimbabwe has one of the continent's most sophisticated banking sectors. It also has a number of venture capital firms, and many of the projects financed by these companies are in fact oriented toward small family-owned ventures. Some companies, like the Venture Capital Company of Zimbabwe (VCCZ), have a priority interest in encouraging large firms to subcontract and to spin off divisions. Thus opportunities may exist to use these venture capital companies to help develop viable, indigenous subcontracting ventures.

To date, a lack of collateral and the poor track record of indigenous businesses have made financial institutions and development capital companies reluctant to provide capital to this sector. In addition, most venture capital companies in Zimbabwe look for commercially viable projects in an ad-hoc manner. A business linkages initiative could facilitate access to these resources by providing collateral (through the supply contract), delivery guarantees, skills upgrading, and helping

venture capital companies identify commercially attractive candidates for equity investments.

(iii) **AN INCREASINGLY DEVELOPED BUSINESS SERVICES
INFRASTRUCTURE**

From the small business units of commercial banks to the increasingly diverse group of management consultants, the range of potential service providers available to fill the "skills-expertise" gap is growing. In the past many of their programs have not been viewed as particularly useful or effective, nor have they reached the businesses owned by indigenous Zimbabweans. In part, this is because the service providers have not explored their potential market effectively; providers are not "in tune" with the needs of the indigenous business community. Moreover, indigenous firms have not been able to diagnose their own operational shortcomings; nor have they had the resources to acquire services from these providers.

The business linkages initiative could improve the effectiveness of this infrastructure by linking the indigenous firm with the right type of assistance supplier.

2.3 BUSINESS SUPPORT ORGANIZATIONS

For a business linkages initiative to work it will need information on and commitment from potential buyers and suppliers. Organizations currently representing the interests and supporting the growth of Zimbabwe's business community, such as the Indigenous Business Development Centre (IBDC), the Confederation of Zimbabwe Industries (CZI), and the Zimbabwe National Chamber of Commerce (ZNCC), have a major role to play in the success of the business linkages initiative. In particular, the support of business organizations is necessary to address the following key issues:

(i) **COMMITMENT**

The business linkages initiative will have a much greater chance of succeeding if the existing business support organizations are committed to supporting and promoting the business linkages concept within their specific segments of the business community. Mistrust could otherwise hinder acceptance, both by firms buying and those supplying goods and services, of the type of "hands-on involvement" in the business that is necessary to make the business linkages initiative work.

Recent activities related to the development of this Action Plan (including the Business Linkages Workshop held in mid-June and the Exposure Tour to South Africa in early July) have helped to gain acceptance of the concept by the major business associations.

(ii) **INFORMATION**

Member databases and knowledge of key players will be critical for expediting the process of identifying opportunities and potential suppliers. Business support groups such as CZI and IEDC must be committed to providing information about their members if the business linkages initiative is to function effectively.

2.4 IMPLICATIONS

The preceding observations indicate that the potential difficulties involved in making a business linkages initiative work in Zimbabwe should not be underestimated. The barriers are significant and not likely to be overcome easily. For instance, the recent increases in the real cost of capital will make it difficult to provide large injections of new capital into indigenous businesses at this time, and thus, may preclude severely under-capitalized firms from participating in the business linkages initiative.

On the other hand, none of the policy issues described in this chapter are necessarily "binding" constraints to a business linkages initiative. Indeed, given the right ingredients, there are many opportunities which can be exploited to the mutual benefit of buyers and suppliers. The uncertainties and expectations regarding the changes in

the competitive environment introduced by the ESAP, may mean that now is the best time to test the business linkages concept. By marketing the concept appropriately, there is a unique chance to get companies to try what may have been unthinkable in the past. The degree of uncertainty surrounding the business climate does suggest, however, that the business linkages initiative should start on a pilot basis.

2.5 ALTERNATIVE STRATEGIES FOR PROMOTING BUSINESS LINKAGES IN ZIMBABWE

The problem of integrating small disadvantaged firms into the mainstream of an economy is a concern of many countries. A number of different approaches have been tried with varying degrees of success. Four different alternatives that could be considered for Zimbabwe are:

(i) A SET-ASIDE PROGRAM

Under a set-aside program, a specific percentage of government contracts are "set-aside" for a certain category of firms, such as minority-owned firms in case of the United States or indigenous firms in the case of Zimbabwe. Government agencies can establish procurement regulations which favor the use of these firms or require that a certain portion of contracts be allocated to these firms. In Zimbabwe, a set-aside program could encourage large firms to create business linkages with indigenous firms so that they would be competitive on government contracts.

This type of program could benefit indigenous firms in Zimbabwe. However, it would also have a number of disadvantages:

- * the incentives for business linkages would be limited to government contracts, thereby excluding a whole host of opportunities for business linkages in the private sector;
- * a set-aside program would necessarily require significant resources for administration and regulation in order to avoid the potential for abuse.

(ii) **FISCAL INCENTIVES**

An alternative approach would be for the Zimbabwean government to offer fiscal incentives (such as a tax deduction or rebate) to companies based on the number of indigenous suppliers which they use and the volume/value of the associated transactions. The major advantage of this approach is that it would provide an incentive to all firms, irrespective of size or sector, to contract with indigenous suppliers.

Ultimately, this might be an attractive alternative in Zimbabwe. However, in the current political and economic environment, it would be extremely difficult to establish a program based on fiscal incentives and would necessarily involve a long lead time.

(iii) **A "GOOD-WILL" APPROACH**

This alternative is based on the premise that large firms in Zimbabwe would want to make a concerted effort to redress the economic imbalances which have prevented the growth of the indigenous business community. They would therefore, as an act of "good-will", want to form business linkages with indigenous firms to promote the growth of this disadvantaged sector.

This approach assumes that "good-will" is sufficient to motivate large firms to change. While this may be the case for a few companies in Zimbabwe, the vast majority of firms are more likely to form business linkages if there is a strong business reason.

(iv) **A "MARKET-DRIVEN" APPROACH**

This alternative is based on the premise that Zimbabwe's large companies would be willing to purchase goods and services from the indigenous business community if there was a valid business motive (e.g., lower price, shorter lead time, or better quality).

The research conducted to date indicates that this premise is valid. In a "perfect market," large firms and indigenous firms would create business linkages. However, this is not the case in Zimbabwe, where lack of information and other factors prevent mutually beneficial linkages from developing. Under this alternative, a facilitating mechanism is therefore required to bring about business linkages.

This alternative is attractive in that it is based on market forces. However, in order to make the market "work", significant hands-on involvement will be necessary to bridge "the gap" between large and indigenous firms.

Of the four alternatives outlined above, a strategy based on "Fiscal Incentives" may be attractive in the long-term, but as noted above, this is not a viable strategy in Zimbabwe at this time.

On the other hand, the "Market Driven" approach is a strategy which can work in both the short and long term. An approach based on market forces, as opposed to "good-will" or government intervention, is sound and sustainable because of its commercial benefits to both large and indigenous firms in Zimbabwe. The Action Plan for the Business Linkages Pilot Project outlined in the next chapter is founded on this strategy.

3. AN ACTION PLAN FOR A BUSINESS LINKAGES PILOT PROJECT

This Action Plan outlines a strategy for launching a Business Linkages Pilot Project in Zimbabwe. Its intent is to assist USAID move beyond the research and design phase to the actual start-up of business linkages within the Zimbabwean business community.

3.1 OBJECTIVES

The business linkages pilot project has the following objectives:

- (i) to test and evaluate diverse approaches to developing business linkages in Zimbabwe;
- (ii) to test the commercial viability of developing business linkages; that is, to determine the extent to which businesses in Zimbabwe are willing to pay for business linkage services; and
- (iii) to market the business linkages concept, thereby serving as a catalyst to promote new initiatives in business linkages.

3.2 DIMENSIONS

The pilot project will seek to demonstrate that a number of attractive supply opportunities can be unearthed within corporate Zimbabwe which can be successfully supplied by the country's indigenous business community. At this initial stage in developing business linkages, it is recommended that the pilot project operate within the following dimensions:

- (i) **THE TARGET: TEN BUSINESS LINKAGES**

The pilot project will aim to create at least ten business linkages between large companies and the indigenous business community in Zimbabwe.

Large companies in Zimbabwe comprise a number of major conglomerates with often as many as thirty to thirty-five operating companies each, as well as independently-owned companies. These large companies are generally white-owned and/or white-managed. In some instances, they have established business linkages with small and medium-sized firms; however, these linkages are usually with white-owned firms. As noted in the previous chapter, the problem in Zimbabwe is not that linkages do not exist, but rather, that they tend to be limited to the white business community.

The real need in Zimbabwe is to create linkages that can benefit the indigenous business community as well. In targeting the indigenous business community, the pilot project will focus on black-owned businesses that have not had extensive linkages. The indigenous firms that are selected to participate in this project will be those who are perceived to be the best equipped to fulfill the supply requirements of the large companies. As such, very small firms in the informal sector that operate entirely outside the established business context would not be considered viable targets for the business linkages pilot project.

This pilot initiative does not set specific targets for the number of large companies or indigenous companies that might participate. In fact, the actual number of participating firms will depend on the types of linkages to be created. In some cases, the linkage might involve "one buyer - one supplier," while in other cases, "many buyers - one supplier" situations will arise.

In the interest of testing a range of business linkage relationships, the participation of many buyers and sellers should be encouraged. Bearing in mind that diversity is important to meeting the pilot project's objective of testing various types of linkages, it is expected that at least ten large firms will be investigated in-depth for business linkage opportunities and that at least ten indigenous firms will be analyzed in-depth for their potential to meet the requirements of large firms.

Lastly, while this pilot project aims to create at least ten business linkages, one mark of its success will be its ability to create sustainable business linkages -- linkages that make good business sense and that are mutually beneficial to both

large firms and indigenous firms over time. In this regard, the pilot project will seek to "test" each business linkage through at least two to three transactions. This means that over the course of the pilot project at least 25 to 30 business linkage transactions should be completed.

(ii) **THE REGION: HARARE**

As a pilot project, this initiative will have limited time and resources. It therefore makes sense to focus the activities of the pilot project on one geographic region. While it will be important to spread the benefits of business linkages in the long run, it makes sense to limit the activities of the pilot project to the Harare area, which:

- * has the largest corporate and indigenous business community;
- * has virtually all of the business support and development companies involved with the indigenous community; and
- * is the communication centre of Zimbabwe.

Moreover, there is a strong likelihood that many of the lessons learned in Harare will also apply to other business centers in Zimbabwe.

(iii) **TIME FRAME: EIGHTEEN MONTHS**

It is important that the pilot project be given a sufficiently long period of time to test and evaluate approaches to creating business linkages. Creating new business relationships is not an easy matter, and each linkage will require significant time and effort. The estimated period of time required to complete the pilot project is eighteen months from the point at which the pilot project team is on board.

With respect to time, it is equally important to sustain the momentum and interest that has been generated in the business linkages initiative. This calls for launching the pilot project as quickly as possible. In addition, the project must

demonstrate a number of business linkage successes before too long; this in turn will form the basis for marketing the concept on a broader scale.

(iv) **THE TYPES OF BUSINESS ACTIVITIES: PRODUCTION VS. SERVICES**

The types of activities resulting from the business linkages initiative will ultimately be driven by the market: that is, the needs of large firms on the demand side and the abilities of indigenous firms on the supply side.

The project should seek to encourage linkages in which indigenous suppliers provide manufactured inputs to large firms. While these types of transactions are clearly more difficult than service-oriented transactions -- from the perspective of both the buyer and the seller -- they are also more significant in terms of strengthening the indigenous business community.

Nonetheless, in the beginning of the pilot project, many of the business linkage activities may involve services (such as catering, printing, maintenance and repair, and gardening) for a number of reasons:

- * large firms in Zimbabwe will be more amenable to working with a new supplier if the supplies purchased have little chance of disrupting their operational productivity, should something go wrong;
- * there are likely to be far more companies in the indigenous business community which could become, with relatively little assistance, viable suppliers of services;
- * service-oriented activities tend to be regular transactions which are repeated often within a short time frame. The very nature of these transactions will provide the pilot project team an opportunity to generate successes early on. These early successes will be critical to moving the business linkages initiative beyond services and into production-based linkages.

3.3 OUTLINE OF PILOT PROJECT

The business linkages pilot project is divided into three phases. Each phase involves a number of steps and each step is comprised of a number of activities, some of which culminate in a deliverable. The three phases of the project include:

- * **PHASE I : Pilot Project Initiation**
- * **PHASE II : Evaluation of Zimbabwe's Business Community**
- * **PHASE III : Action Pilot Business Linkages**

3.3.1 PHASE I: PILOT PROJECT INITIATION

Once the pilot project has been accepted, four important steps must be completed to successfully initiate the project.

STEP 1: RECONVENE WORKSHOP AND EXPOSURE TOUR PARTICIPANTS

The support of Zimbabwe's large companies and indigenous businesses is at the heart of the business linkages initiative. USAID has already made significant strides in gaining their support through the Business Linkages Workshop held in Harare in June 1992 and the Exposure Tour to South Africa. These activities have created considerable interest and support for the concept of business linkages, which is important to sustain. As a start, the participants in the workshop and the exposure tour should be brought together again in order to discuss:

- * **lessons learned from the recent exposure tour to South Africa and their relevance to the development of business linkages in Zimbabwe;**
- * **the proposed Action Plan for the pilot project.**

STEP 2: SELECT PILOT PROJECT TEAM

Two key findings that emerged from USAID's recent work on business linkages in Zimbabwe are that: (i) very few linkages are in place that benefit the indigenous business community, and (ii) few companies in Zimbabwe are making a concerted effort to promote the concept. If business linkages initiatives are to be a success in this business environment, there must be a "broker" that serves to bridge the gap between large firms and the indigenous business community.

It is recommended that USAID select an institution to serve as the "business linkages broker" through a regional competitive bidding process. The institution would provide a team of experts in the development of business linkages initiatives. While the competitive bidding process would necessarily entail more time, it would also enable A.I.D. to select the most qualified broker to test this pilot initiative. The process would require that USAID Zimbabwe take the following actions:

- * prepare the Request for Proposals;
- * announce and circulate the Request for Proposals;
- * receive and evaluate bidder's responses;
- * select pilot project team.

The Action Plan for the pilot project is written with this competitive bidding process in mind. The next phases of the plan outline some of the key steps the pilot project team would need to take in order to foster business linkages in Zimbabwe. However, they do not specify how the team should carry out these steps. Indeed, part of the competitive process will require potential bidders to outline their own approach to promoting business linkages in Zimbabwe.

STEP 3: INITIATE MONITORING AND EVALUATION PLAN

A detailed Monitoring and Evaluation Plan is presented in Section 4 of this chapter. As described in the Plan, there are four activities which must take place prior to launching the business linkages pilot project. They are:

- * identify and select a survey contractor;
- * identify a Business Linkages Evaluation Advisor;
- * identify critical indicators for monitoring and evaluation;
- * conduct the base-line survey.

The purpose of the base-line survey will be to establish a base of information so that the impact of the business linkages initiative can be effectively tested, monitored, and evaluated. In addition, the survey data can be used to identify potential participants in the project. The survey will gather information on large firms (the potential buyers in a linkage relationship) and indigenous firms (the potential suppliers in a linkage relationship). The survey will concentrate on firms located in Harare, but will also include at least one other city.

STEP 4: ESTABLISH PILOT PROJECT STEERING COMMITTEE

Several local business support organizations are important to gaining the support of Zimbabwe's business community. They include:

- * **business associations**, such as the Indigenous Business Development Centre (IBDC), the Confederation of Zimbabwe Industries (CZI), and the Zimbabwe National Chamber of Commerce (ZNCC);
- * **small business support institutions**, such as the Small Enterprise Development Corporation (SEDCO), the Venture Capital Corporation of Zimbabwe (VCCZ), Hawk, and others.

Representatives of most of these institutions have already played an important role in the Business Linkages Workshop and the Exposure Tour sponsored by USAID Zimbabwe. Their continued support for the business linkages initiative is critical to its success.

It is therefore recommended that a Pilot Project Steering Committee be established, which would include representatives of USAID Zimbabwe and some of Zimbabwe's business support organizations. The director of the pilot project team would also be part of the Steering Committee. In addition, USAID may wish to include one or two other representatives of the business community in order to generate increased interest and support for the project.

The Pilot Project Steering Committee would provide overall direction and leadership to the Business Linkages Pilot Project. More specifically, it would assist the pilot project team in identifying potential project participants -- from the corporate community and the indigenous business community -- and generate support for business linkages. The final decision on project participants should rest with the pilot project team, which is ultimately responsible for implementing the project.

Another important function of the Pilot Project Steering Committee relates to policy reform. As noted in Chapter 2, it is not anticipated that the policy

environment will prove to be a "binding constraint" to business linkages; nonetheless, selected policies may still hamper business linkages. The pilot project team should bring any policy issues which seem to impede the development of business linkages to the attention of the Steering Committee. Members of the Steering Committee, such as IBDC, CZI, or the ZNCC, could then bring these issues to the attention of the government and lobby for the necessary changes.

3.3.2 PHASE II: EVALUATION OF ZIMBABWE'S BUSINESS COMMUNITY

There are three major entities which will play a vital role in the business linkages initiative and in the pilot project: the corporate and large business community, the indigenous business community and the various support organizations which work with Zimbabwe's business community. Each of these entities should be evaluated from a business linkages perspective during this phase of the pilot project. The steps and activities involved in this evaluation are set out in detail below:

STEP 1: IDENTIFY AND EVALUATE LARGE COMPANIES

The pilot project team will need to identify and evaluate the opportunities for business linkages in a number of Zimbabwe's large companies. The base-line survey will be an initial source of information on potential participants in the project.

The team should investigate opportunities for business linkages in the operating companies of large conglomerates, as well as large independently-owned companies in the pilot project. The team may also wish to explore the opportunities in Zimbabwe's parastatals.

As indicated previously, this pilot project does not set specific targets for the number of large companies to be identified and evaluated. However, it is estimated that the pilot project team will need to assess opportunities in at least ten companies in order to attain a diverse range of participating buyers. The team may wish to target specific sectors that offer particularly promising

opportunities for linkages with indigenous firms.

In responding to the request for proposals, bidders should outline a plan for how they would identify and evaluate the opportunities for business linkages with large firms. At a minimum, the plan should include a description of how the pilot project team would carry out the following activities:

- * identify a pool of large firms that might participate in the project;
- * gain the support and participation of a selected group of large firms;
- * identify and evaluate business linkage opportunities within these firms;
- * gain the permission of large firms to proceed with the pilot project; and
- * test the willingness of large firms to pay for the services of a business linkages broker.

STEP 2: COMPILE MATRIX OF OPPORTUNITIES

Based on the results of the activities described above, the pilot project team will be expected to prepare a matrix of business linkage opportunities. This matrix will be the first major deliverable of the pilot project. The matrix should:

- * summarize the companies visited and analyzed by the pilot project team;
- * illustrate the business linkage opportunities identified in each of these companies by supply category;
- * identify the most attractive business sectors for the initiative; and
- * prioritize the types of businesses to look for within the indigenous business community during the next step of the pilot project.

The matrix should identify opportunities for contracting out goods and services, as well as opportunities for spin-offs. "Spin-offs" can be a particularly attractive alternative because of their potential efficiency gains for firms; however, they also require significant time and effort to effect. Due to limited time and resources in the pilot project, it is anticipated that most of its business linkage activities will involve contracting out goods and services, rather than spin-offs. Nonetheless, the opportunities for spin-offs identified in the matrix could be followed up by institutions that specialize in these types of activities, such as Zimbabwe's merchant banks and professional services firms. Indeed, this should be encouraged by the pilot project team.

STEP 3: EVALUATE INDIGENOUS BUSINESS COMMUNITY

Once the team has a clear picture of the business linkage opportunities which exist within the large companies, it needs to determine the availability of suppliers within the indigenous business community which are capable of satisfying the requirements. This step in the pilot project involves locating, evaluating and selecting these suppliers.

ACTIVITY 1: CRITERIA FOR SELECTION

The pilot project team needs to define a set of criteria to be used for the selection of a supplier as a participant in the business linkages initiative. With such criteria, the team will be in a better position to conduct an unbiased evaluation of each company that it investigates in the indigenous business community.

The information obtained from the large companies on their "supplier requirements" will play an important role in this activity, as will the experience of the pilot project team. While a preliminary set of criteria was presented at the Harare workshop, a more comprehensive list is envisaged for the pilot project. The following criteria were presented at the workshop:

- * the technology that is available within the business, such as production, equipment, computers, production facilities, etc;
- * the funding requirements to recapitalize the business, including the amount of capital needed to take advantage of linkage opportunities;
- * the products/services on offer must match the needs of the linkage market;
- * the production or service capacity available to cater to the target linkage market;
- * the degree of commitment of the indigenous business to participate in the linkage opportunities.

ACTIVITY 2: IDENTIFY AND SELECT POTENTIAL SUPPLIERS

The base-line survey will be one important source of information on potential suppliers. In addition, a number of support organizations are actively involved in the indigenous business community, which should be able to provide the pilot project team with:

- * the names and addresses of all the suppliers which they are aware of in the indigenous business community who are capable of satisfying one or more of the requirements;
- * "ranking" information (size, years in business, location, annual turnover) about each company that they put forward.

In the event that a support organization has a database of potential suppliers but is unwilling to go to the effort of sorting or ranking the individual companies, the project team will have to carry out this exercise themselves.

ACTIVITY 3: INVESTIGATE AND ANALYZE POTENTIAL SUPPLIERS

The pilot project team will need to investigate and analyze a number of potential suppliers from the indigenous business community. This is vital to assessing the true potential of the businesses as a participant in the business linkages initiative. In addition, the team must be able to present a meaningful profile of the suppliers to the large companies, as a first step toward creating a long-term business relationship.

In responding to the request for proposals, the bidders should outline a plan for how they would investigate and analyze potential suppliers from the indigenous business community. At a minimum, the plan should state how the following activities will be carried out:

- * investigate and analyze the firms' capacity to meet the requirements of the buyers identified in Step 2;
- * develop a business profile of each indigenous firm, which can then be used to introduce the company to potential linkage partners and potential financiers;
- * gain the permission of indigenous firms to proceed with the pilot project; and
- * test the willingness of indigenous firms to pay for the services of a business linkages broker.

STEP 4: MATCH SUPPLIERS WITH OPPORTUNITIES

Once the pilot project team has obtained the go-ahead from the selected suppliers, then a matching of the supplier's products/services with the opportunities in the participating corporate companies can take place. Three possible linkage alternatives could arise, including "one corporate - one supplier", "one corporate - many suppliers", or "many corporates - one supplier".

ACTIVITY 1: COMPILE "OPPORTUNITY - SUPPLIER MATRIX"

The team will be expected to compile an "opportunity - supplier matrix" which illustrates the match between buyers and sellers. This is the second major deliverable expected from the pilot project team. The matrix will form the basis upon which the pilot project team can plan the launch of the pilot business linkage activities between the participating corporate companies and the selected businesses from the indigenous business community.

ACTIVITY 2: PREPARE SUPPORT REQUIREMENTS PROFILE

In addition, the pilot team will be expected to compile a Support Requirements Profile of each participating supplier, as part of the same deliverable, which will clearly define:

- * the nature of the support required, such as:
 - the amount of capital required to upgrade technical equipment and for the purchase of raw materials;
 - training required in identified skills shortage areas;
 - technical assistance requirements in key functional areas;
- * the relative "urgency" of the required support in terms of the supplier's potential ability to fulfill a business linkage opportunity.

The Support Requirements Profile will form the basis upon which the pilot project team will approach the various organizations that support the development of the Zimbabwean indigenous business community.

STEP 5: EVALUATE BUSINESS SUPPORT AND SERVICE ORGANIZATIONS

The various business support and service organizations involved in the development of Zimbabwe's indigenous business community have a major role to play in the business linkages initiative. These institutions include:

- * **business associations**, including the Indigenous Business Development Centre, the Confederation of Zimbabwe Industries, and the Zimbabwe National Chamber of Commerce;
- * **financial institutions**, such as Standard Chartered, Zimbank, the Venture Capital Company of Zimbabwe, and Hawk Venture Capital;
- * **technical assistance and training institutions**, such as the Small Enterprise Development Corporation (SEDCO), EMPRETEC, the International Executive Service Corps (IESC), and the British Executive Services Overseas (BESO).

The pilot project team will be expected to identify and evaluate the various services available to the indigenous business community. While evaluation of the participating corporate companies and the potential suppliers from the indigenous business community are of necessity consecutive exercise, the evaluation of the business support and service organizations needs to be interspersed with the other steps in Phase II of the pilot project, if the maximum effect is to be achieved.

ACTIVITY 1: MATCH SUPPLIERS' NEEDS

The pilot project team will match the needs of the suppliers with the support services offered by the various types of institutions mentioned above;

ACTIVITY 2: FACILITATE ASSISTANCE TO SUPPLIERS

The team will approach the organizations with the supplier needs and determine whether they would be willing to supply the necessary services to the companies concerned. For example, the team might assist a firm secure a loan to purchase new equipment or obtain appropriate technical assistance or training.

Once these organizations have been contacted, the team will be able to determine the time span involved in upgrading the supplier's firm to a position where it can participate effectively in the business linkages initiative.

3.3.3 PHASE III: ACTION PILOT BUSINESS LINKAGES

At this point in the pilot project all the groundwork will have been done and the pilot project team will be in a position to facilitate the first business linkage supply transactions. While in many cases "instant orders" will not be possible (due to stock levels), it is important that at least two and preferably three "supply cycles" are completed in each "supplier - corporate linkage", before this phase of the pilot project is completed.

During this phase, the pilot project team will be responsible for five steps:

STEP 1: FACILITATE SUPPLY CONTRACTS

The pilot project team should help to facilitate the supply contracts. At a minimum, this would entail:

- * obtaining the corporate "go-ahead;"
- * bringing the parties together; and
- * facilitating negotiations leading to the signing of a supply contract.

STEP 2: MONITOR SUPPLY CYCLE

Once the order has been placed, the pilot project team should focus its efforts on ensuring that each supplier meets the contractual requirements stipulated by the corporate companies. This will be a hands-on exercise. The pilot project team should plan regular visits to the suppliers to determine whether the orders are progressing according to schedule and that the promised-by-dates will still be met. In the process, the operational procedures at the supplier's company should be evaluated and areas for improvement noted.

In responding to USAID's Request for Proposals, bidders should present a plan for how they will provide on-going monitoring of the supply cycle and strive to ensure buyer satisfaction.

STEP 3: TEST COMMERCIALIZATION

One of the responsibilities of the pilot project team will be to test the commercial viability of the business linkages initiative. This can only be done by charging fees for services. It is anticipated that both large firms and indigenous firms participating in the project will contribute to the cost of the "brokerage service." Indeed, a willingness to pay for the broker's services should be a key criterion in the selection of large firms and indigenous firms.

At the onset of each business contact, the pilot project team will need to (i) assess the participant's willingness to pay, and (ii) come to an agreement on a commission. The pilot project team will collect its commission (in local currency) upon the delivery and acceptance of the good or service. Commissions will be placed in a "Business Linkages Fund." The fund will be used to stimulate additional linkages or provide technical assistance to participating suppliers, as required.

STEP 4: EFFECT ORGANIZATIONAL CHANGES

The hands-on involvement of the pilot project team in the supplier's companies, together with buyers' feedback will highlight a number of areas within the

supplying companies which need to be changed. During the life of the pilot project, the pilot project team will be in a position to make only those changes which directly impact the supplier's ability to meet the corporate customer's order.

Nonetheless, the team should also approach the appropriate business support organizations with a view to obtaining their input into the change process at the supplier's organizations. The changes envisaged could include:

- * upgrading equipment, for which loan capital would be required;
- * training of key staff members in certain business areas, which could be provided by the support organizations;
- * technical assistance to improvement of internal procedures, (e.g. financial systems, product costing) which could be provided by professional organizations.

STEP 5: MEET REPORTING REQUIREMENTS

The pilot project team will be expected to provide semi-annual reports; Exhibit 1 in Annex C suggests a list of critical indicators that can be part of the report. The team will also be expected to prepare a final report at the end of the pilot project.

ACTIVITY 1: PROVIDE SEMI-ANNUAL REPORTS

This activity consists of establishing and maintaining a system for generating reports to inform pilot project and USAID management on critical aspects of the project. Critical aspects are:

- * number of suppliers contacted and assessed;
- * number of buyers contacted and assessed;

- * number of subcontracting opportunities uncovered;
- * number of linkage relationships established;
- * number of technical assistance person days provided to suppliers;
- * number of contracts signed;
- * number of follow-on orders placed; and
- * level of effort expended by project team members.

To facilitate the collection, consolidation and analysis of information, the pilot project team must demonstrate its capabilities to establish and maintain a system for tracking participants--both buyers and suppliers--and specific interventions relating to these participants. Bidders responding to the Request for Proposals should also demonstrate how its project accounting system will track expenditures and income for all services related to the project (e.g. through use of time sheets and expense forms which will require all employees to account for all their time by client and activity code).

Exhibits 2 and 3 in Annex C provide examples of formats for tracking and summarizing project interventions and expenditures by client. The system should be an integral part of the pilot project team's ongoing internal evaluation process, as well as part of the system to meet USAID's reporting requirements.

ACTIVITY 2: PROVIDE FINAL REPORT

The final report will bring together all the findings and observations of the pilot project team into a single document. This document, "The Zimbabwe Business Linkages Initiative Evaluation Report", should include the following components:

- (i) a history of the pilot business linkages project supported by all the documentation gathered on the corporate companies, the suppliers within the indigenous business community and the various Zimbabwean support organizations;
- (ii) an evaluation of the impact of the business linkage activities on pilot project participants;
- (iii) an evaluation of the successes and failures which occurred during the pilot project (e.g. number of contracts fulfilled as expected, number of repeat orders placed, cost effectiveness and other criteria), with an emphasis on determining the underlying reasons in both cases;
- (iv) an assessment of the weaknesses in the business linkage strategy used by the pilot project team, together with recommendations for changes which would make the business linkages initiative sustainable on a larger scale and ultimately sustainable in the absence of direct donor support;
- (v) an assessment of whether the initiative is commercially viable, and if so, a recommendation on how business linkages can best be institutionalized (e.g., a not-for-profit or a profit-making company), or whether an alternative route for the business linkages initiative in Zimbabwe should be followed.

3.4 MONITORING AND EVALUATION PLAN

In addition to the internal reports produced by the pilot project team, there will also be an independent and external Monitoring and Evaluation System to assess the business linkages initiative. The Monitoring and Evaluation System will provide data and analysis to meet the following key objectives:

- * evaluate the viability of the business linkages model as a vehicle for promoting growth and strengthening the indigenous business community;

- * evaluate the business linkages model as a vehicle for increasing private sector efficiency and growth;
- * identify the changes required in the model to make it a viable vehicle for meeting private sector development objectives;
- * assess the extent to which the activity is sustainable in the absence of direct donor funding;
- * provide recommendations on the role of USAID/Zimbabwe in expanding the pilot project, either in its present form or with modifications.

Establishing a system to meet these evaluation objectives will involve the following steps and activities:

STEP 1: IDENTIFY AND SELECT SURVEY CONTRACTOR

A.I.D. will need to identify and select a contractor to carry out the base-line survey for the project, as well as two follow-on surveys. This survey work should not be part of the pilot project team's responsibilities, but rather should be conducted by an independent firm based in Harare that specializes in survey work. USAID may wish to consider utilizing its IQC with PROBE Market Research for this activity, if appropriate.

A scope of work for the survey team is included in Annex A. The final scope of work should be re-evaluated after the Pilot Project Action Plan is finalized. Any scope of work for this task should request that the potential contractor address the following:

- (i) **Evaluation of survey instrument.** All survey instruments should be tested with a small group of firms chosen at random for this purpose. The enterprises selected for the test should be a cross section of the target groups.

- (ii) **Establishment of quality control measures.** The survey team should establish procedures to ensure the integrity of the responses and minimize inconsistencies and possible biases. The survey contractor should establish systems to:
- * ensure that all those who are scheduled for an interview are indeed questioned;
 - * ensure all questions have responses, that the skipping instructions were followed, and that the responses are internally consistent;
 - * minimize rejection rates. In every case however, the implementing agency should seek to replace firms which cannot be interviewed with firms of similar characteristics.
- (iii) **Provision for data processing and analysis.** The survey team must demonstrate a capability to do more than implement the survey. They must show capabilities to process and most importantly, provide useful analysis on the results to the Mission and the pilot project team.

STEP 2: IDENTIFY A BUSINESS LINKAGES EVALUATION ADVISOR

The Monitoring and Evaluation System designed for the pilot project will generate a significant amount of data and information from several sources: the base-line survey, two follow-on surveys, and the pilot project team's semi-annual reports and final reports. The System depends as much on the use of external as "internally" generated (i.e. generated by the project team) data.

Given the number of management responsibilities faced by USAID mission personnel, the mission may wish to consider the possibility of using the services of a business linkages evaluation advisor. This person would be locally-based, have extensive experience in business linkages research and research methodologies, as well as USAID decision-making procedures. The advisor would:

- **synthesize information from various sources and monitor research activities**
- **provide timely independent feedback on project progress to the USAID mission and the Steering Committee;**
- **provide feedback and serve as advisor to the pilot project team and the survey contractor.**

Dr. Donald Mead, currently involved in a series of independent studies related to business and business linkages development in Zimbabwe funded by the mission, and already retained on a part-time basis directly by the mission, would be an excellent candidate for this position.

STEP 3: IDENTIFY CRITICAL INDICATORS

The evaluation advisor, in collaboration with USAID, will develop a set of critical indicators to monitor and evaluate the pilot project team. Annex C provides examples of indicators that may be used to evaluate the pilot project. It also indicates whether the data for these indicators will come from the baseline survey, follow-on surveys, the reports generated by the pilot project team, or a combination of several of the above. There are three groups of indicators:

- **Group I indicators focus on evaluating the impact of the pilot project on participating suppliers, by comparing certain aspects of their performance, their business operations and their business practices to that of non-participants. Analysis of these trends over time should help to shed light on the relationship between project interventions and the suppliers' ability to deliver on subcontracts. It should also provide some idea of the potential for expanding the pilot project's activities.**
- **Group II indicators focus on evaluating the impact of the pilot project on participating buyers, focusing on their internal operating structures, attitudes, performance, and their willingness to use small outside suppliers.**

- **Group III indicators focus on the performance of the pilot project team and the cost effectiveness of their interventions.**

STEP 4: CONDUCT BASE-LINE SURVEY

Prior to launching the business linkages pilot project, a base-line survey of Zimbabwean businesses should be conducted.

The base-line survey has two objectives. One objective is to collect information on the potential opportunities and risks of creating new linkages from the perspective of large firms in Zimbabwe. To meet this objective, the sampling population will include the operating companies of large conglomerates, as well as large independently-owned companies. A random sample comprising about 40 to 60 large firms will be selected to participate in the survey.

The second objective of the survey is to collect information on indigenous firms chosen at random. To meet this objective, the sampling population will include indigenous firms which have the potential to deliver on subcontracts in the short or medium term. This necessarily excludes very small firms in the informal sector which operate entirely outside the established business context. Such firms are not an appropriate target group for either the base-line survey or the pilot project. A random sample of 200 indigenous firms will be selected for the survey.

STEP 5: CONDUCT FOLLOW-UP SURVEYS

The survey contractor will carry out two follow-up surveys over the course of the pilot project. The information gathered through these two surveys, together with the base-line survey, will enable an evaluation team to compare pilot project participants with non-participants over time; this will help to separate the project-related impacts from other non-project related impacts. The follow-on surveys will also serve to monitor the development of business linkages in the wider economy.

The results of the baseline survey will be used to develop focused questions for the two follow-up surveys. Primary responsibility for finalizing questionnaire design for these prospective surveys will rest with the pilot project evaluation advisor. The follow-up surveys will include suppliers and buyers and contain four components:

- * characteristics of the enterprise: activities in which it is engaged, principal markets, age, ownership structure, current size (employment, turnover);
- * the nature of recent changes in the enterprise: what has happened to employment, sales and capacity utilization;
- * the prospects for change in the future: what are the principal constraints that have to be addressed if the firm is to grow;
- * the linkage activities in the enterprise, their nature and their role in the enterprise's growth strategy, their contribution to enhance enterprise performance.

STEP 6: PREPARE FINAL EVALUATION REPORT

A final evaluation report will be prepared by an independent and external entity. USAID may wish to consider using an IQC mechanism or a buy-in mechanism (for example, to the GEMINI Project which focuses on small enterprise development). The evaluation team will:

- * review and analyze the data collected through the project's Monitoring and Evaluation System;
- * review the semi-annual and final reports prepared by the pilot project team;
- * conduct in-depth interviews with:

- representatives of USAID
 - members of the Project Steering Committee
 - staff of the pilot project team
 - participating buyers and sellers in the project
 - buyers and sellers that chose not to participate in the project
- * prepare a final evaluation report, which
- assesses the impact of the project on large firms and indigenous firms in Zimbabwe;
 - evaluates the viability of the business linkages model as a vehicle for promoting private sector efficiency and growth;
 - assesses the commercial viability of the business linkages initiative and its sustainability in the absence of donor funding;
 - provides recommendations on future directions for the business linkages initiative.

Table 1 outlines the flow of activities related to the establishment, use and maintenance of the Monitoring and Evaluation System.

TABLE 1
EVALUATION ACTIVITIES AND OUTPUTS

PHASE	EVALUATION ACTIVITY	OUTPUT
ACTION PLAN DEVELOPMENT	<ul style="list-style-type: none"> • Develop preliminary scope of work for survey contractor • Develop preliminary survey questionnaire for base-line data • Develop preliminary indicators for monitoring and evaluation 	<ul style="list-style-type: none"> • Action Plan: Annex A • Action Plan: Annex B • Action Plan: Annex C
PHASE I	<ul style="list-style-type: none"> • Identify and select survey contractor • Identify and select Business Linkages Evaluation Advisor • Identify and develop monitoring and evaluation indicators • Refine survey instrument • Conduct base-line survey; process and analyze data • Pilot project team develops reporting methodology 	<ul style="list-style-type: none"> • Business linkage baseline data and report
PHASE II	<ul style="list-style-type: none"> • Project team prepares first semi-annual activity report • Evaluation advisor prepares follow-up survey questionnaire 	<ul style="list-style-type: none"> • Project team's first semi-annual activity report
PHASE III	<ul style="list-style-type: none"> • First follow-up survey; process and analyze data • Project team prepares second semi-annual activity report • Second follow-up survey; process and analyze data • Project team prepares final report • External evaluation team prepares independent evaluation 	<ul style="list-style-type: none"> • First follow-up survey report • Project team's second semi-annual activity report • Second follow-up survey report • Project team's final report • Final evaluation report

3.5 PILOT PROJECT PERSONNEL AND TIMING

Details of the required personnel and the time involved in completing the various phases are presented below.

3.5.1 PERSONNEL REQUIREMENTS

The Pilot Project Team will be expected to provide the following types of personnel to carry out this initiative:

(i) **PROJECT DIRECTOR**, who will be:

- * an individual with extensive project management experience in assignments of this nature and will have a track record of business linkage experience (preferably in developing economies);
- * responsible for ensuring that the project is executed according to the planned time schedule and within the negotiated budget;
- * responsible for providing overall quality control of the technical assistance, analysis and documentation produced by the pilot project team.

It is anticipated that the project director will be involved in the project on an ad hoc basis up to a maximum of 20% of the time period.

(ii) **PROJECT MANAGER**, who will be:

- * an individual with solid management expertise obtained from either running his/her own company or from operating at a senior management level within a large corporate company;
- * an individual that has a solid understanding of the Zimbabwean business environment and is well-respected within both the corporate and indigenous business communities;

- * an individual with strong skills in following vital areas:
 - networking;
 - lobbying;
 - general management; and
 - staff selection and management.

It is anticipated that the project manager will be involved in the USAID business linkages initiative on a full-time basis throughout the eighteen-month duration of the project.

(iii) **BUSINESS LINKAGE CONSULTANTS** who will be:

- * individuals with extensive experience in the building of business linkages between corporate companies and the indigenous business communities in developing countries (particularly Africa);
- * responsible for working with the project manager to carry out the various activities described in this action plan and completing all of the required documentation; and
- * involved in the project to varying degrees throughout the pilot project. In some instances activities will be split in order to expedite the progress of the project.

These consultants must bring knowledge and experience to the pilot project in the following critical areas:

- * knowledge of how to overcome the "barriers to participation" within the corporate business community and of the range of potential supply opportunities which could be uncovered;

- * knowledge of how to overcome the "barriers to participation" within the indigenous business community and of the techniques needed to forge successful linkages with corporate companies;
- * knowledge of the pitfalls which plague business linkages initiatives and effective methods for overcoming them.

3.5.2 ESTIMATED TIMING

A preliminary plan for the timing of the various phases of the pilot project is depicted in the diagram on the following page. It is estimated that Phase I activities will require approximately 6 months; Phase II activities will require 6 months; and Phase III activities will require 12 months. The Monitoring and Evaluation Plan will be implemented concurrently.

			PHASE I					PHASE II					PHASE III														
			1992					1993					1994														
PHASE	STEP	ACTIVITY	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG

BUSINESS LINKAGES PILOT PROJECT

I	1																												
	2																												
	3																												
	4																												
II	1																												
	2																												
	3	1																											
		2																											
		3																											
	4	1																											
2																													
5																													
III	1																												
	2																												
	3																												
	4																												
	5	1																											
		2																											

MONITORING AND EVALUATION

	1																											
	2																											
	3																											
	4																											
	5																											
	6																											

4. BEYOND THE PILOT PROJECT: ALTERNATIVES FOR A ZIMBABWEAN BUSINESS LINKAGES INSTITUTION

The business linkages pilot project will play a vital role in evaluating the viability of business linkages in Zimbabwe's business community and in testing the commercial attractiveness of the concept. Should the pilot project prove to be successful, it is vitally important that the momentum not be lost and that the initiative be continued by one, or more, business linkage facilitating institutions. Below is a description of what a business linkages institution might look like, as well as two institutional alternatives.

4.1 GUIDING CONSIDERATIONS

The concept and basic functions of a "Business Linkage Marketing Institution" were presented to the delegates at the Business Linkages Workshop in Harare and obtained endorsement from most participants. Several guidelines for the Institution emerged, including:

- (i) support for the idea that the Institution should be:
 - * independent of all the major groupings which will participate in the business linkages initiative, including corporate Zimbabwe, the business support organizations and the indigenous business community. This independence was considered to be important in order to ensure that no single group could be seen by the others to be more "powerful", as this would lead to a breakdown in the cooperation of the others;
 - * autonomous, with the freedom to mold the Business Linkages Marketing Institution into whatever format the organization felt was the most effective. Once again, autonomy was considered important in order to ensure that no single group could dominate the development of the Institution for its own gain;
- (ii) the necessity for the Institution to:

- * have the support of all the major groupings in the business linkages initiative, particularly corporate Zimbabwe and the indigenous business development organizations;
 - * have the capability to act as facilitator (negotiator, mediator) between the corporate and indigenous business communities involved in the business linkages initiative;
 - * be a "champion" of the business linkages concept and to focus its efforts on making a long-term success of the business linkages initiative on a national scale;
- (iii) the preference for the Institution to be able to function on a self-sustaining basis rather than having to rely on funding from various sources to survive.

It was generally agreed, based on these guidelines, that no institution existed in Zimbabwe that could satisfy these requirements and that a new institution would need to be formed. The activities that this institution would undertake, as well as two institutional alternatives, are presented below.

4.2 PROFILE OF THE BUSINESS LINKAGES INSTITUTION

The main operational functions that the Business Linkages Marketing Institution would perform include the following:

(i) *FIND LINKAGE OPPORTUNITIES*

The Marketing Institution would attempt, on an on-going basis, to locate suitable linkage opportunities in:

- * corporate Zimbabwe (including large independently-owned companies) by conducting investigations of the purchasing requirements of their various operating companies and by searching for possible functional entities which could be spun-off;

- * the international business community for the import and export of products and services and for the possibility of joint venture initiatives in Zimbabwe. Contact with potential international business linkage partners would be made through the foreign embassies represented in Zimbabwe (e.g., via visiting trade missions).

(ii) **FIND SUITABLE SUPPLIERS**

Once opportunities have been discovered, the Marketing Institution would need to locate suitable suppliers in the indigenous business community who could fulfill the requirements of the corporate (and international) companies. This would be achieved by:

- * obtaining the names of likely candidates from organizations which are involved in the indigenous business community such as:
 - the development organizations (e.g., CZI, IBDC, EMPRETEC);
 - the financial institutions; and
 - professional organizations (e.g., accountancy firms);
- * approaching the identified companies and evaluating the capabilities of their businesses to meet the requirements of the corporate company;
- * determining the amount of assistance the company requires in order to operate successfully in the mainstream of the economy;
- * over time, developing a database of suppliers from the indigenous business community with whom the Business Linkages Marketing Institution has a good working relationship and whose capabilities are well-known.

(iii) **CREATE BUSINESS LINKAGES**

The Marketing Institution would need to bring the two business linkage partners together and:

- * negotiate a satisfactory supply agreement;
- * monitor the progress of the supply order in the supplier's organization and intervene where necessary in order to ensure that quality, quantity and delivery date specifications are met;
- * ensure that the corporate/international company is satisfied and that the business linkage relationship is secure (i.e. will continue in the future).

(iv) **UPGRADE SUPPLIER COMPANIES**

In instances where the supplier's organization requires assistance such as finance or training in order to participate (or continue to participate) in business linkage opportunities, the Marketing Institution would need to:

- * approach the appropriate support/development organizations in order to utilize their specific services, including:
 - the development organizations (e.g., IBDC, EMPRETEC, and ZNCC) for education and training;
 - the financial institutions (e.g., Zimbank, Standard Chartered) for loan finance (e.g., for the purchase of equipment or stock);
 - the venture capital companies (e.g., HAWK, VCCZ) for the provision of equity capital;
 - the professional organizations (e.g., Coopers & Lybrand, legal firms) for advisory services (e.g., taxation, company registration) and financial support services (e.g., bookkeeping, auditing);

- the foreign donor organizations with the view to obtaining funding for the required assistance.

(v) **SPREAD BUSINESS LINKAGES NATIONALLY**

The Marketing Institution would, over time, be expected to expand the business linkages initiative on a national basis and in so doing:

- * introduce a culture for partnership-based sub-contracting in Zimbabwe;
- * contribute towards the growth in the number of middle and large sized companies in the indigenous business community which operate successfully in the main stream of the economy.

4.3 **INSTITUTIONAL ALTERNATIVES**

The Business Linkages Marketing Institution could operate, from a commercial perspective, under a number of different arrangements which range from a completely donor-funded to a completely self-funded basis. Two alternative structures which are considered to be the most viable, are discussed in more detail below.

4.3.1 **NOT-FOR-PROFIT INSTITUTION**

The new Business Linkages Marketing Institution could operate on a "not-for-profit" basis whereby no individual or organization would have a direct stake in the institution. Under this alternative, the Institution would seek to:

- * obtain initial funding to establish and operate the company from one or more of the following sources:
 - the Zimbabwe Government as part of the country's Economic Structural Adjustment Program;
 - the international donor community (USAID, British, Canadian, Japanese);

- the corporate business community as a contribution to the upliftment of the indigenous business community;
- * become self-sustaining by:
 - receiving remuneration from all successful business linkage transactions in the form of a brokerage commission, paid either by the corporate (or international) company or the supplier, or by both parties;
 - receiving remuneration from all support organizations which benefit from an initiative of the Business Linkages Marketing Institution (e.g., brokerage commission on a venture capital deal);
 - charging participating suppliers an annual membership fee to be considered for business linkage opportunities;
 - charging all other parties for any services which the company provides as a result of its expertise in the indigenous business community (e.g., consulting engagements, information on suppliers);
- * obtain further funding (on an annual basis) from the initial sources, as in all likelihood, the revenue raised by the Institution from the above sources will probably be insufficient to finance the operational overhead of the organization.

4.3.2 PROFIT-MAKING COMPANY

The new Marketing Institution could also operate on a profit-making basis which would therefore exclude the possibility of obtaining funding from international donor organizations. Under this alternative, the Institution would be registered as a private limited company and would seek to:

- raise the initial capital necessary to establish and operate the company by selling shares to interested investors from the international business community, the Zimbabwean business community, the Zimbabwean Government and private individuals;
- operate profitably in the long term by:
 - taking equity positions in a number of existing and new companies in the indigenous business community from which a steady stream of dividends would be received. In most cases, the shares would not be purchased but rather acquired in lieu of the range of services which the company would offer (free of charge) to the supplier, including:
 - highly skilled and experienced business consultants who will implement effective organizational changes in the supplier's company;
 - assistance in raising the loan and equity capital needed to finance the growth of the supplier's company;
 - assistance in locating opportunities for business linkages in the corporate and international business communities;
 - receiving remuneration from all successful business linkage transactions in the form of a brokerage commission paid either by the corporate (or international) company or the supplier, or by both parties;
 - receiving consulting revenue from engagements which arise out of the company's involvement in the indigenous business community.

4.3.3 EVALUATION OF ALTERNATIVES

Both of these alternatives for the Business Linkages Marketing Institution could operate successfully. The likelihood of their success would however be affected by the following considerations:

- (i) both alternatives are totally dependent on the proviso that sufficient initial capital can be raised from donors and investors. The willingness of the two groups to support the Business Linkages Marketing Institution should be evaluated during the pilot project in order to determine which alternative is most viable. While there is a strong likelihood that more money could be raised from the international donor community, this might also take longer to secure;
- (ii) the "profit making company" is likely to be more successful in that:
 - * the company's management team would be under constant pressure to perform profitably and therefore would be more aggressive in expanding the company's business linkages initiatives and in ensuring that transactions are both lucrative and completed satisfactorily;
 - * the company would get directly involved in their portfolio companies (equity positions), which has been identified as a key success factor in the business linkages initiative;
 - * in an effort to balance its income stream (dividends, brokerage, consulting revenue), the profit-making company would tend to expand its marketing efforts to incorporate a much wider audience than the not-for-profit institution, which would facilitate the rapid growth of support for the business linkages initiative throughout Zimbabwe;
 - * corporate and international companies would be more comfortable working with a profit-making company, than a not-

for-profit institution, as they would be seen to be "in the fold" rather than a sponsored organization;

- * it would be more likely to form lasting relationships with the "key players" in the business linkages arena (support organizations, Zimbabwe Government, indigenous business community, corporate companies, foreign embassies) as the company's long term survival would depend on their continued cooperation;
 - * it would be more likely to operate efficiently than the not-for-profit institution as operating costs would directly effect profitability.
- (iii) profit-making companies will, however, have very little incentive to become involved in less profitable activities and will tend to focus their efforts on business linkages which are easily implemented. This could have a restricting effect on the overall growth of the business linkage initiative.

As noted previously, both of these alternatives could operate successfully in Zimbabwe. In the end, it may not be an "either/or" type of situation. Indeed, if business linkages prove to be an effective mechanism for promoting private sector development, there will ideally be a number of institutions in Zimbabwe -- both not-for-profit and profit-making ventures -- that promote business linkages in the country.

ANNEX A

SCOPE OF WORK FOR THE BASE-LINE SURVEY

SCOPE OF WORK FOR THE BASE-LINE SURVEY

1. The Contractor will undertake a survey of business establishments which will provide unbiased, statistically significant information on the internal company operations and perceptions of top management respondents regarding opportunities and constraints for business linkage development programs in Zimbabwe.
2. The sectors to be covered by all surveys will be determined in consultation with USAID and the Business Linkages Evaluation Advisor under contract to USAID. It is expected that the survey will exclude all firms (private, profit or not-for-profit, and public) in the social services sector (health, education, etc.).
3. The Contractor will use as a basis the survey instruments contained in the document, "An Action Plan for Business Linkage Development in Zimbabwe," prepared in July 1992. The survey instruments will be adapted, as required, on the basis of the Contractor's own expertise, and in consultation with USAID and the Business Linkages Evaluation Advisor.
4. The Contractor will be responsible for testing the survey instrument on a small number of businesses chosen at random prior to full implementation to ensure that the questions are understandable to the interviewees. The Contractor will work with the USAID Zimbabwe Mission to revise the survey instrument on the basis of the results from the field test.
5. The sampling frame of firms will need to be as complete as possible to prevent biasing the sample. The contractor will identify appropriate sampling frames for this task, in consultation with the USAID Mission and the Business Linkages Evaluation Advisor. The sample will focus primarily on Harare, but may be extended to one other city.
6. The sample size of the survey is expected to be approximately 250. At least 200 must be black-owned firms employing between 5 and 50 employees. The remainder must be large firms.
7. The sampling frame for the survey will depend on the availability and adequacy of comprehensive lists. The lists used by the CZI to undertake its survey of subcontracting opportunities may be a possible source. Other sources include the registries of business associations such as the Indigenous Business Development Centre, the Small Enterprise

Development Corporations, the Zimbabwe National Chamber of Commerce and the Confederation of Zimbabwe Industries.

The Contractor will propose a strategy for constructing a sampling frame and drawing the sample so it meets the requirements regarding sample composition specified in the Action Plan. The methodology will be subject to Mission and the pilot project evaluation advisor.

8. The samples may have to be stratified by sectors.
9. The contractor will assemble a team of personnel experienced in survey work to implement the survey. The contractor will be in charge of recruiting and training the interviewers, testing the survey instrument, overseeing the survey at the field level to ensure quality control, and codifying the survey responses to facilitate data entry and analysis.
10. The contractor will assemble a team to enter the codified responses into a database processing system which can be imported into a statistical package adequate to analyze the responses, such as SPSS or Statgraphics.
11. The output expected from the data processing will include the following:
 - a. Frequency distributions of responses to all the questions in the survey instrument.
 - b. Cross-tabulations of specific responses using as control variables firm characteristics. The control variables used for the cross tabulations will include at a minimum: sector in which the firm operates, size (employee), ownership characteristics.
 - c. Non-parametric tests to measure the statistical significance of relationships between categorical variables (such as the chi-square) for specific cross-tabulations.
12. The Contractor will be responsible for producing high quality graphics to illustrate key survey results. It will also be expected to produce a report interpreting the significance of these results for the pilot project.

13. USAID has the option to expand this contract to include the implementation of a maximum of two follow-up surveys to update some of the information in the baseline.
14. The estimated level of effort for the baseline survey is as follows:

<u>Personnel</u>	<u>Person Days</u>
Project Director	8
Team Leader	30
Field Supervisor	40
Computer Specialist	10
Computer Technician	10
Interviewers	120

Other costs will include transport to the interview sites, printing and photocopying, and communications expenses (telephone, telex and fax).

15. The timing and delivery dates for each survey exercise will be as follows:

- Week 1:** Establish the sampling frame and draw the sample, and begin contacting interviewees.
- Week 2:** Test the survey instrument and revise if needed.
- Week 3:** Begin full scale survey.
- Week 4:** Survey ends. Provide preliminary frequency distributions.
- Week 5:** Provide draft report.

The final report will be due ten days after receiving comments from USAID Zimbabwe.

15. The payment schedule for each survey will be as follows: 25 percent upon signing the contract, 35 percent upon receipt of the preliminary frequency distributions, and the remainder upon receipt of the final deliverables.

ANNEX B

BASE-LINE SURVEY QUESTIONNAIRE

BUSINESS LINKAGES BASE-LINE SURVEY QUESTIONNAIRE

THIS PAGE TO BE COMPLETED BY THE ENUMERATOR PRIOR TO THE INTERVIEW

QUESTIONNAIRE NO.: _____

position of the person interviewed: (1). Owner
(2). General Manager/MD
(3). Professional/Technical
(4). Other _____

Date the survey was performed: _____
(day/month/year)

Name of Interviewer: _____
Approved by: _____

1. Name of Enterprise: _____

2A. Post Office Box: _____
2B. Physical Address: _____
2C. City: _____
2D. Tel. _____ 2E. Fax: _____ 2F. Telex: _____

3. Sampling source (**CIRCLE ONE**):
(1). CZI Membership (2). IBDC Membership (3). ZNCC
(4). EMPRETEC (5). SEDCO or other small business finance
institution
(6). Other: _____

4. Location of the firm (**CIRCLE ONE**):
(1) Central Harare (2) Outlying areas in greater Harare
(3) Bulawayo

READ TO ALL RESPONDENTS BEFORE INTERVIEW COMMENCES:

The purpose of the following survey is to gather information about supplier-buyer relationships in Zimbabwe, and the beliefs held by business persons on opportunities now and in the future for business-to-business sales, both here in Zimbabwe and across the borders. This study is financed by the U.S. Agency for International Development (USAID). This information will assist USAID/Zimbabwe formulate strategies for encouraging effective linkages between small and large businesses. The information obtained here will be treated in a private and confidential manner. Nevertheless, questions deemed inappropriate do not have to be answered.

SECTION 1: ABOUT YOUR COMPANY

5. Which one of the following best describes the ownership structure of this business?: **(Circle ONE)**
- (1). Sole proprietorship (2). Partnership
 (3). Corporation (Ltd)
 (4). Other [specify: _____]
6. How long has the firm been operating? ____ years
7. Approximately what percentage of the total equity¹ is provided by NON-Zimbabwean Legal Persons (such as an individual, another firm or enterprise) [FILL IN ONE]:
 a. ____% b. Don't know/Not apply
8. What percentage of the business is owned by Zimbabwean public institutions (e.g. ZDC, IDC, etc., or direct Government ownership)? [FILL IN ONE]:
 a. ____% b. Don't know/Not Apply
9. How many people do you currently employ?: _____
10. Of those you currently employ, how many:
 a. work full time: _____
 b. Are contracted as needed (on average): _____
11. How many of your (full time) employees are in each of the following categories?
- | | (1) Total
Number | (2) Total
Women |
|--------------------------------------------|---------------------|--------------------|
| a). Managerial Personnel ⁽²⁾ | _____ | _____ |
| b). Other skilled Personnel ⁽³⁾ | _____ | _____ |
| c). Unskilled | _____ | _____ |

¹ Equity means non-loan money invested in the business.

² For example, managing directors, company executives, general managers.

³ Includes professionals (for example engineers, accountants, economists), technical personnel (such as, mechanics, repairmen, plumbers, artisans, production line technicians, assemblers) and secretarial personnel.

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12. For the following personnel categories, please specify how difficult it has been to obtain Zimbabweans with the training/experience needed in your firm:
 (Mark ALL categories either 1=Difficult; 2=Average; 3=Easy; 4=Don't know/Not apply)¹

- _____ a) Managerial Personnel
- _____ b) Professional Personnel
- _____ d) Technical Personnel

13. Compared to last year, would you say your current turnover has (CIRCLE ONE):

- (1). INCREASED 20 percent or MORE.
- (2). INCREASED by LESS than 20 percent.
- (3). Has not changed.
- (4). DECREASED by LESS than 20 percent.
- (5). DECREASED by MORE than 20 percent.
- (6). Don't know

14. On a scale from 1 to 5, where 1 is "very important" and 5 is "not important", what factors do you believe accounted for your turnover growth/or contraction in the last 12 months:

	VERY IMP.	2	3	4	NOT IMP.	5	NOT APPLY
a. Changes in plant production capacity	1	2	3	4	5		6
b. Changes in operations management	1	2	3	4	5		6
c. Changes in distribution networks	1	2	3	4	5		6
d. Access to market information/market contacts	1	2	3	4	5		6
e. Deregulation of input prices	1	2	3	4	5		6
f. Deregulation in import controls	1	2	3	4	5		6
g. Access to foreign exchange	1	2	3	4	5		6
h. Export incentives	1	2	3	4	5		6
i. New market opportunities in foreign markets	1	2	3	4	5		6
j. Access to raw materials/processed inputs	1	2	3	4	5		6
k. Changes in domestic demand	1	2	3	4	5		6
l. Other [specify: _____]	1	2	3	4	5		6

¹Make sure you use the same definitions of these labor categories specified in footnotes 2 and 3, QUESTION 11.

15. How do you expect your business turnover to change over the next 12 months?

- (1). Will improve by MORE than 20 percent.
- (2). Will improve by LESS than 20 percent.
- (3). Will not change.
- (4). Will deteriorate by LESS than 20 percent.
- (5). Will deteriorate by MORE than 20 percent.
- (6). Don't know.

16. On a scale from 1 to 5, where 1 is "very important" and 5 is "not important", what factors do you believe will account for your turnover growth/or contraction in the next 12 months:

	VERY IMP.			NOT IMP.		NOT APPLY
a. Changes in plant production capacity	1	2	3	4	5	6
b. Changes in operations management	1	2	3	4	5	6
c. Changes in distribution networks	1	2	3	4	5	6
d. Access to market information/market contacts	1	2	3	4	5	6
e. Expected deregulation of input prices	1	2	3	4	5	6
f. Expected deregulation in import controls	1	2	3	4	5	6
g. Access to foreign exchange	1	2	3	4	5	6
h. Export incentives	1	2	3	4	5	6
i. New market opportunities in foreign markets	1	2	3	4	5	6
j. Availability of raw materials/processed inputs	1	2	3	4	5	6
k. Changes in domestic demand	1	2	3	4	5	6
l. Other [specify: _____]	1	2	3	4	5	6

17 Please estimate the percentage of capacity at which your business:

- a). Operates today: _____% of capacity
- b). Operated 12 months ago: _____% of capacity

SECTION 2: PRODUCT LINE AND MARKETS

18. What do you consider to be the PRIMARY BUSINESS or economic activity of this company? [Note: responses to be postcoded]

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19. In what activities is your company involved?
(Mark ALL categories either 1= YES or 2=NO):

- a. Clothing/textiles _____
- b. Brewing and beverage products _____
- c. Wood/Paper products _____
- d. Plastic products and parts _____
- e. Metal products and parts _____
- f. Machinery and equipment manufacturing _____
- g. Food processing (including baking/confectionery) _____
- h. Leather/footwear _____
- i. Assembly (electrical/electronic) _____
- j. Chemical/pharmaceutical/soap _____
- k. Trade and distribution _____
- l. Other Services _____
- m. Mining _____
- n. Other [specify: _____] _____

20. On average, approximately what percentage of your direct sales this year are to the following markets:

- a). Within the city _____%
- b). Outside the city, but within Zimbabwe _____%
- c). Outside Zimbabwe _____%

21. Of your domestic sales, approximately what percentage of your product did you sell this year to:

- a). Final customers _____%
- b). Wholesale/retail businesses _____%
- c). Other businesses _____%
- d). Other [specify: _____] _____%

22. Please estimate business turnover (Z\$): _____

23. What percentage of your present raw materials are imported: _____%

23a. On a scale of 1 to 5, where 1 is "very negative" and 5 is "not at all", how have the following factors affected your firm's ability to procure raw materials/processed inputs cheaply and/or reliably: (For each category of response, circle the appropriate number)

	VERY NEG.			NOT AT ALL		NOT APPLY
a) Availability of financing	1	2	3	4	5	6
b) Availability of transport	1	2	3	4	5	6
c) Cost of transport	1	2	3	4	5	6
d) Import licensing controls	1	2	3	4	5	6
e) Foreign exchange regulations	1	2	3	4	5	6
f) Customs regulations	1	2	3	4	5	6
g) The prices of the input	1	2	3	4	5	6
h) Supply contract enforcement	1	2	3	4	5	6

24. Please provide an estimate of the percentage of your WORKING CAPITAL which comes from the following sources:

- ___% a) Local commercial banks
- ___% b) Credit union/savings club
- ___% c) Supplier's credit
- ___% d) Buyer's credit
- ___% e) Retained earnings of the business
- ___% f) Family/friends or Personal Resources

25. Please indicate what percentage of your START-UP CAPITAL came from the following sources:

- ___% a) Local commercial banks
- ___% b) Other formal financial institutions
- ___% c) Foreign sources
- ___% d) Formal Venture or Development Capital Firms (e.g. Hawk VCCZ, Ipcorn, etc.)
- ___% e) Firms with which you have subcontractor relationship
- ___% f) Family/friends or Personal Resources
- ___% g) Zimbabwe Stock Exchange

SECTION 3: SUPPLIER ACTIVITIES

29. Do you currently provide goods or services on contract to other firms in Zimbabwe? (1) Yes (2) No

[If the answer was YES, please go to question #30. Otherwise proceed to question #39]

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30. What types of activities or goods is your firm providing on contract to other firms in Zimbabwe [Mark each either 1=yes, 2=no, 3=don't know/not apply]:

- a. Plant or office catering _____
- b. Plant or office cleaning _____
- c. Maintenance of vehicles _____
- d. Tool sharpening and maintenance _____
- e. Tool and die manufacturing _____
- f. Mold making or maintenance _____
- g. Transport _____
- h. Distribution _____
- i. Spare part production _____
- j. Manufacture of a sub-assembly _____
- k. Sub-assembly activity _____
- l. Packing, packaging or filling of containers _____
- m. Final assembly _____
- n. Other [specify: _____] _____

31. Please estimate the total value of the goods and services provided this year to other firms as a subcontractor: (in Z\$): Z\$ _____

32. Consider your current supply agreements: What percentage of the time is payment made by the buyer:

- a. Upon delivery: _____%
- b. Within 30 days from time of invoice: _____%
- c. Within 60 days from time of invoice: _____%
- d. More than 60 days from time of invoice: _____%

33. Compared to this time last year, would you say this volume has: (CIRCLE ONE)

- (1). INCREASED 20 percent or MORE.
- (2). INCREASED by LESS than 20 percent.
- (3). Has not changed.
- (4). DECREASED by LESS than 20 percent.
- (5). DECREASED by MORE than 20 percent.
- (6). Don't know

34. On a scale from 1 to 5, where 1 is "very important" and 5 is "not important", how did the following affect your company's capacity to sell to other firms over the last 12 months?

	VERY IMP.				NOT IMP.	NOT APPLY
	1	2	3	4	5	6
a) Acquiring new type of machinery to increase production capacity	1	2	3	4	5	6
b) Increasing production capacity by hiring more personnel	1	2	3	4	5	6
c) Obtaining more space to expand the physical plant	1	2	3	4	5	6
d) Improving access to market information and business contacts	1	2	3	4	5	6
e) Improving quality control	1	2	3	4	5	6
f) Improving distribution/delivery network/capability	1	2	3	4	5	6
g) Reducing transport costs	1	2	3	4	5	6
h) Access to inputs	1	2	3	4	5	6
h) Improving managerial capacity to schedule orders	1	2	3	4	5	6
i) Improving bookkeeping	1	2	3	4	5	6
j) Improving cash flow by obtaining better payment terms from clients	1	2	3	4	5	6
k) Improving access to foreign exchange	1	2	3	4	5	6
l) Improving access to legal counsel	1	2	3	4	5	6
m) Improving access to outside sources of financing	1	2	3	4	5	6
n) Other [specify: _____]	1	2	3	4	5	6

35. Are any of the firms to which you are currently providing the goods or services associated with your enterprise through ownership or equity, or otherwise owned by a parent/holding company? [Circle ONE]
 (1) Yes (2) No (3) Don't Know/Not Applicable

36. Please indicate whether any of the following sources helped you identify contract opportunities: [Mark each either 1=YES or 2=NO]

- a. IBDC _____
- b. ZNCC _____
- c. CZI _____
- d. ITDG _____
- e. SEDCO _____
- f. Other business groups _____
 [specify: _____]
- g. Advertisement for tender offer in mass media (e.g. newspaper, radio, trade journals) _____
- h. Word of mouth/Personal contact _____
- i. Other [specify: _____] _____

37. Do you expect that your volume of sales of goods and services to firms under contract over the next 12 months:
- (1). Will improve by MORE than 20 percent?
 - (2). Will improve by LESS than 20 percent?
 - (3). Will not change?
 - (4). Will deteriorate by LESS than 20 percent?
 - (5). Will deteriorate by MORE than 20 percent?
 - (6). Don't know.
38. Consider again your last 12 months of operations. Indicate on a scale of 1 to 5, where 1 is "very serious" and 5 is "not a problem", how the following factors have affected your ability to operate profitably as a SUPPLIER:

	VERY SERIOUS			NOT SERIOUS		NOT APPLY
a). Goods returned/rejected due to poor quality	1	2	3	4	5	6
b). Achieving quality control targets	1	2	3	4	5	6
c). Obtaining cheap raw materials	1	2	3	4	5	6
d). Finding reliable source of raw materials	1	2	3	4	5	6
e). Transporting goods cheaply	1	2	3	4	5	6
f). Obtaining reliable transport	1	2	3	4	5	6
g). Managing work order schedules						
h). Managing cash flow	1	2	3	4	5	6
i). Collecting accounts receivables	1	2	3	4	5	6
k). Keeping track of revenue and expenditures	1	2	3	4	5	6
l). Maintaining machinery and equipment	1	2	3	4	5	6
m). Difficulties managing client relations	1	2	3	4	5	6
n). Finding qualified personnel	1	2	3	4	5	6
o). Retaining qualified personnel	1	2	3	4	5	6
p). Obtaining working capital	1	2	3	4	5	6
q). Obtaining information on tenders	1	2	3	4	5	6
r). Other [specify: _____]	1	2	3	4	5	6

SECTION 4: BUYER ACTIVITIES

39. Does your firm now purchase inputs or acquire goods and services from outside sources or enterprises that were previously provided in-house?
- (1) Yes (2) No (3) Don't Know/Not Applicable
- IF YES GO TO #40, OTHERWISE PROCEED TO #50**

40. What types of activities or goods are currently being provided to your company on contract by outside suppliers [Mark each either 1=yes, 2=no, 3=don't know/not apply]:

- a. Plant or office catering _____
- b. Plant or office cleaning _____
- c. Maintenance of vehicles _____
- d. Tool sharpening and maintenance _____
- e. Tool and die manufacturing _____
- f. Mold making or maintenance _____
- g. Transport _____
- h. Distribution _____
- i. Spare part production _____
- j. Manufacture of a sub-assembly _____
- k. Sub-assembly activity _____
- l. Packing, packaging or filling of containers _____
- m. Final assembly _____
- n. Other [specify: _____] _____

41. Please estimate the total value of these sales (in Z\$):
Z\$ _____

42. To the best of your knowledge, approximately what percentage of the total value of these contracts is with small firms (e.g. less than 50 workers)? _____%

43. For EACH type of good or service you are currently obtaining from outside vendors, please indicate which of the following **BEST** describes why you chose to obtain the goods or services from outside sources, rather than providing these services in-house [Mark each either: (1)-cost savings (2)-the activity is not in our line of business activity (3)-the company unit that once provided these goods/services was sola (4)-desire to rationalize and re-focus on core activity (5)-government policy incentives (6)-desire to help small business (7)-Other (0) Don't Know]

- a. Plant or office catering _____
- b. Plant or office cleaning _____
- c. Maintenance of vehicles _____
- d. Tool sharpening and maintenance _____
- e. Tool and die manufacturing _____
- f. Mold making or maintenance _____
- g. Transport _____
- h. Distribution _____
- i. Spare part production _____
- j. Manufacture of a sub-assembly _____
- k. Sub-assembly activity _____
- l. Packing, packaging or filling of containers _____
- m. Final assembly _____
- n. Other [specify: _____] _____

44. Are any of the vendors currently providing any of the goods or services discussed above associated with your enterprise through ownership or equity, or otherwise provide your parent/holding company with a decision-making role in the business? [Circle ONE]
 (1) Yes (2) No (3) Don't Know/Not Applicable
45. In general, are you satisfied with your decision to contract out for these goods or services? [Circle ONE]
 (1) YES (2) NO (3) Don't Know/Not Applicable
46. Over the last 18 months, has your firm canceled or not renewed any contracts for activities or purchase of inputs or services from outside sources or enterprises? [Circle ONE]
 (1) Yes (2) No (3) Don't know/Not Applicable

IF YES GO TO #47. OTHERWISE, GO TO #49

47. Please indicate which of the following types of contracted activities were canceled or not renewed [Mark each either 1=YES 2=NO 3=NOT APPLY]:
- | | |
|------------------------------------------------|-------|
| a. Plant or office catering | _____ |
| b. Plant or office cleaning | _____ |
| c. Maintenance of vehicles | _____ |
| d. Tool sharpening and maintenance | _____ |
| e. Tool and die manufacturing | _____ |
| f. Mold making or maintenance | _____ |
| g. Transport | _____ |
| h. Distribution | _____ |
| i. Spare part production | _____ |
| j. Manufacture of a sub-assembly | _____ |
| k. Sub-assembly activity | _____ |
| l. Packing, packaging or filling of containers | _____ |
| m. Final assembly | _____ |
| n. Other [specify:_____] | _____ |

48. On a scale of 1 to 5, where 1 is "very relevant" and 5 is "irrelevant", indicate how important the following were in your decision to cancel or not renew these contracts

	VERY RELEVANT			NOT RELEVANT		NOT APPLY
	1	2	3	4	5	6
a) No real cost savings	1	2	3	4	5	6
b) Promised quality erratic/not provided	1	2	3	4	5	6
c) Promised quantities not provided	1	2	3	4	5	6
d) Delivery schedule not maintained	1	2	3	4	5	6
e) Contract monitoring was too management intensive	1	2	3	4	5	6
f) Could not continue subsidizing the subcontracting program	1	2	3	4	5	6
g) Wanted greater control over operations	1	2	3	4	5	6
h) My company bought the supplying firm	1	2	3	4	5	6
i) Supplying firm ceased operations or did not seek to renew	1	2	3	4	5	6
j) Have found it cheaper to import good directly	1	2	3	4	5	6
k) Contractual arrangements are difficult to enforce	1	2	3	4	5	6

49. Please indicate which of the following sources you have used to identify firms to provide goods and services for your firm: [Mark each either 1=YES or 2=NO]

- a. IBDC _____
- b. ZNCC _____
- c. CZI _____
- d. SEDCO _____
- e. Other business associations _____
- f. Advertisement for tender offer request in mass media (e.g. newspaper, radio, trade journals) _____
- g. Word of mouth/Personal contact _____
- h. Other [specify: _____] _____
- i. Not apply _____

SECTION 5: NEW BUSINESS-TO-BUSINESS SALES OPPORTUNITIES

50. On a scale from 1 to 5, where 1 is "most likely candidate" and 5 is "unlikely candidate", in your opinion which goods or services are the best candidates for expanded business to business sales in the future?

	Most Likely			Least Likely		Not Apply
a. Plant or office catering	1	2	3	4	5	6
b. Plant or office cleaning	1	2	3	4	5	6
c. Maintenance of vehicles	1	2	3	4	5	6
d. Tool maintenance	1	2	3	4	5	6
e. Tool and die manufacturing	1	2	3	4	5	6
f. Mold making/maintenance	1	2	3	4	5	6
g. Transport	1	2	3	4	5	6
h. Distribution	1	2	3	4	5	6
i. Spare part production	1	2	3	4	5	6
j. Manufacture of a sub-assembly	1	2	3	4	5	6
k. Sub-assembly activity	1	2	3	4	5	6
l. Packing/packaging/filling of containers	1	2	3	4	5	6
m. Final assembly	1	2	3	4	5	6
n. Other	1	2	3	4	5	6

[specify: _____]

51. Consider those activities you marked 1 or 2. On a scale from 1 to 5, where 1 is "very important" and 5 is "not important", how important are the following when evaluating the desirability of starting or expanding contracting relationships with other firms:

	VERY IMP.				NOT IMP.	NOT APPLY
a. The potential amount of cost savings	1	2	3	4	5	6
d. Desire to rationalize and re-focus on core business activity	1	2	3	4	5	6
c. A transparent legal system that encourages contract compliance	1	2	3	4	5	6
d. Degree of personal trust that exists between the principals of the firms involved	1	2	3	4	5	6
e. Costs involved in managing the tendering and bid selection process	1	2	3	4	5	6
f. Costs involved in monitoring contract performance	1	2	3	4	5	6
g. Costs of importing/acquiring same goods or services abroad	1	2	3	4	5	6
h. Costs involved in guaranteeing contract in compliance (e.g. legal fees)	1	2	3	4	5	6
i. Desire to help small business	1	2	3	4	5	6
j. Other	1	2	3	4	5	6

[specify: _____]

SECTION 6: BUSINESS SUPPORT

52. Are you (or is your firm) affiliated with any type of business or trade association? (CIRCLE ONE)

- (1). YES (2). NO (3). Unsure

(if YES, go to #53)

(if NO or Unsure, please go to QUESTION 54)

53. Please specify which associations and rate how effectively they have represented your business interests: (For each category of response, circle the appropriate number)

		1. Very Effective	2. Somewhat Effective	3. Not Effective	4. Don't Belong
a.	IBDC	1	2	3	4
b.	ZNCC	1	2	3	4
c.	CZI	1	2	3	4
d.	Other	1	2	3	4

[specify: _____]

54. Are you currently receiving any assistance² or support from an outside consultant, private business or other institution? (CIRCLE ONE)

- (1). YES (2). NO (3). Unsure/Don't know

(if YES, go to #55)

(if NO or Unsure, please go to QUESTION 56)

55. Is this assistance [MARK either 1=YES or 2=NO]:

- a. paid directly by your firm? _____
 b. provided free of charge? _____

56. Would you be interested in receiving (additional) technical support in any of the following areas [MARK EACH ONE 1=YES, 2=NO]:

- a. Accounting/book keeping _____
 b. Financial management _____
 c. Client development/tendering _____
 d. Procurement and Inventory control _____
 e. Distribution _____
 f. Quality control management _____
 g. Other [specify: _____] _____

THANK YOU FOR YOUR COOPERATION WITH THIS STUDY

²For example, in accounting/bookkeeping, general management, production/operations, marketing, etc.

ANNEX C

EXHIBITS

EXHIBIT 1
SOME KEY INDICATORS FOR EVALUATING BUSINESS LINKAGE IMPACT

GROUP I INDICATORS: SUPPLIERS

<u>No.</u>	<u>Indicator</u>	<u>Source</u>	<u>Collected/ Reported</u>
1.	Net value of total PP* supplier turnover, measured in US\$	PP Team	semi-annually
2.	Total value of PP supplier subcontracted sales, measured in US\$	PP Team	semi-annually
3.	Average length of subcontracts with local firms held by PP supplier	PP Team	semi-annually
4.	Total value of PP supplier subcontracting/ Total value of PP & non PP firm subcontracting	PP Team Surveys	annually
5.	Capacity utilization PP suppliers	PP Team	annually
6.	Capacity utilization in PP supplier/ capacity utilization non PP firms beneficiary	PP Team Surveys	annually
7.	Average Employment in PP suppliers	PP Team	annually
8.	Average Employment in PP suppliers/ Employment in non PP supplier firms	PP Team Surveys	annually

* pilot project supplier

GROUP I INDICATORS: SUPPLIERS (continued)

<u>No.</u>	<u>Indicator</u>	<u>Source</u>	<u>Collected/ Reported</u>
9.	% PP firms with subcontracts in each subsector/ % non PP firms with subcontracts in each subsector of activity	PP Team Surveys	annually
10.	% Working Capital of PP suppliers from formal sources/ % WC of non PP firms from formal sources	PP Team Surveys	annually
11.	Number of clients (buyers)	PP Team Surveys	annually
12.	Number repeat orders	PP Team	annually

GROUP II INDICATORS: BUYERS

<u>No.</u>	<u>Indicator</u>	<u>Source</u>	<u>Collected/ Reported</u>
13.	Total value of subcontracts by measured in US\$	Surveys	annually
14.	Total value of subcontracts, by subsector of activity, measured in US\$	Surveys	annually
15.	% equity held by black Zimbabweans in firms subcontracting/% equity held by black Zimbabweans held in firms not subcontracting	Surveys	annually
16.	Total business turnover for firms subcontracting/ Total b.r. for firms not subcontracting	Surveys PP Team	annually
17.	Total business turnover/FTE in firms subcontracting	PP Team	annually
18.	Total business turnover/ FTE in firms not subcontracting	Surveys PP Team	annually
19.	Capacity utilization of buyers	Surveys	annually
20.	Capacity utilization firms subcontracting/ capacity utilization firms not subcontracting	Surveys	annually

GROUP II INDICATORS: BUYERS (continued)

<u>No.</u>	<u>Indicator</u>	<u>Source</u>	<u>Collected/ Reported</u>
21.	Total full time & part time employment in firms subcontracting opportunities/ total full & part time employment in firms not subcontracting	Surveys PP Team	annually
22.	% total sales exported firms subcontracting/ % total sales exported by firms not subcontracting	Surveys PP Team	annually
23.	% raw materials imported by firms subcontracting/ % raw materials imported by firms not subcontracting	Surveys	annually
24.	No. of buyers canceling or not renewing subcontracting agreements	Surveys PP Team	annually
25.	No. of suppliers per sector of activity	Surveys PP Team	annually
26.	No. of contracts renewed with same supplier	PP Team	annually

GROUP III INDICATORS: PILOT PROJECT TEAM PERFORMANCE AND COST EFFECTIVENESS

<u>No.</u>	<u>Indicator</u>	<u>Source</u>	<u>Collected/ Reported</u>
27.	No. participants by subsector of subcontracting activity	PP Team	semi-annually
28.	Total spent (incl OH) in US\$/value subcontracts signed or extended, in US\$	PP Team	semi-annually
29.	Operational expenditures per intervention	PP Team	semi-annually
30.	Operational expenditures per intervention/value subcontracts signed, extended	PP Team	annually
31.	Income derived from service provision/Total project-related operational Expenses	PP Team	semi-annually
32.	Total spent (including overhead) measured in US\$/one job added by PP supplier	PP Team	annually
33.	Total spent (inc. OH) in US\$/% increase in firm capacity utilization	PP Team	annually
34.	Income derived from PP Services/Total PP project core budget(%)	PP Team	annually
35.	Total income PP in US\$/Total income from all sources (%)	PP Team	annually

EXHIBIT 2

SUMMARY OF CLIENT INFORMATION COLLECTED BY PILOT PROJECT TEAM
PILOT PROJECT SUPPLIERS

- | Field No. | Field |
|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Project number |
| 2. | Last Date Data updated |
| 3. | Company name |
| 4. | Company contact |
| 5. | Physical Address |
| 6. | P.O. Box |
| 7. | Telephone number |
| 8. | Fax number |
| 9. | Name of Implementing Agency employee |
| 10. | Code of Agency employee |
| 11. | Sector of operation (note: use same code as survey) |
| 12. | Referred by
-IBDC
-CZI
-USAID
-Other |
| 13. | Date assessment agreement concluded with supplier |
| 14. | Date assessment Began |
| 14.1 | Subcontracting volume (approx.) when assessment begins |
| 14.2 | No. Employees hired (approx) male/female |
| 15. | Consultancy description (provide a code to each)
A. Technical assistance
- Project Supervision
- Computers system assistance
- Feasibility/Pre-feasibility studies
- Special economic/technical studies
- Market studies
- Price/Volume information
- Shipment Follow-up
- Quality Control
- Legal
- Accounting Services
- Financing Facility
- Others
B. Training
- Short courses
- Seminars attended |

16.1 Total budgeted for assistance (Z\$ and US Dollars)
16.2 Total expenses
16.3 Amount Remaining
17 Total paid by client to date
18. Payment mode
19. Date Consultancy Ended
20. Comments

EXHIBIT 3

**SUMMARY OF CLIENT INFORMATION COLLECTED BY PILOT PROJECT TEAM
PILOT PROJECT BUYERS**

Field No.	Field
1.	Project number (Questionnaire No.)
2.	Last Date Data updated
3.	Company name
4.	Multinational?
5.	Company contact
6.	Physical Address
7.	P.O. Box
8.	Telephone number
9.	Fax number
10.	Implementing Agency employee(s) in contact with company
11.	PP Team Employee code
12.	Date of first contact by PP Team
13.	Results <ul style="list-style-type: none">- Interested in Presentation- Not Interested- Needs Follow up at later date- Date at which Follow-up will be undertaken
14.	Presentation date
15.	Results <ul style="list-style-type: none">- Will undertake subcontract (Yes/No)- Not Interested- Needs Follow-up at later date- Date at which Follow-up will be undertaken
16.	Sector of investment
17.	Results of follow-up <ul style="list-style-type: none">- Interested- Potential- Realized
18.	Products to be subcontracted locally
19.	Date subcontract realized
20.	Comments