

USAID/BOTSWANA

SMALL ENTERPRISE DEVELOPMENT PROJECT, 633-0228
(September 10, 1982 to September 30, 1986)

Evaluation and Project Completion Report
including the Complete Response from
PFP/Botswana, Operational Program Grant Recipient

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USAID/BOTSWANA

EVALUATION AND PROJECT COMPLETION REPORT

SMALL ENTERPRISE DEVELOPMENT PROJECT -- 633-0228

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USAID/BOTSWANA

EVALUATION AND PROJECT COMPLETION REPORT

SMALL ENTERPRISE DEVELOPMENT PROJECT

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EXECUTIVE SUMMARY

- i This summary is intended to give a broad overview of the findings and conclusions of the evaluation, and of the major lessons learned.

Purpose of Project Acticity

- ii The purpose of the project was to implement a program which would have a beneficial impact on incomes, employment, living standards and increased goods and services in project areas while concomitantly developing a Batswana staff capacity to address the needs of the productive sector in the long term.

Purpose and Method of Evaluation

- iii The purpose of this evaluation has been to prepare the Project Completion Report for the Small Enterprise Development Project (633-0228), which terminated on September 30, 1986. The Project Assistance Completion Date (PACD) had been extended from September 30, 1985, because of slow expenditure of funds in the early stages of the project, and because of the United States dollar strengthening against the Botswana pula.
- iv The findings of this evaluation have been based on USAID project documents, previous evaluation reports, USAID

resource materials on small enterprise development and on interviews with a sample of the clients assisted, with donor, host government, and Private Voluntary Organization (PVO) staff.

Findings and Conclusions

v This evaluation has revealed that the benefits derived from the project have reached a very small portion of the population in the target area, and that the cost of assisting individual clients has been somewhat high. There are a number of factors that have given rise to this state of affairs.

vi We believe that limitations in the original design of the project contributed to the weaker aspects of its implementation. Although some social and economic studies of Old Naledi had been done in the late 1970's, no baseline study of the area was done until after the project design had been completed. Consequently, the original design did not clearly identify and analyse the project target group. This then resulted in some of the original perceptions about the needs of the target population being inaccurate. It is also possible that in submitting a more detailed proposal for the Operational Program Grant than would normally be necessary, PFP committed themselves to a course of action in the selected project area, from which they were reluctant to deviate.

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vii These inaccuracies resulted in the project commencing in an area that was too geographically small to field sufficient suitable clients for the project, and where there was insufficient demand for the services provided in terms of the project. This necessitated a widening of the project area, and a change in the emphasis of the project so that the project had a better chance of success. This change in emphasis referred to was that a credit scheme for small businesses was introduced into the project. The provision of credit had not been anticipated in the original project design. The funds for lending were not taken from the project funds, but came from a local commercial bank. These changes were appropriate in terms of the needs of project, and acceptable due to the fact that this was intended as a pilot project.

viii Another major problem facing the project has been its sustainability. The PVO failed to secure funding after the PACD, and consequently there is some concern about the long term viability of the body itself, and also of the project benefits. No real progress appears to have been made in this regard at present.

Lessons Learned

ix The most important lesson learned from the project is that detailed design of project implementation plans should be preceded by adequate baseline studies and

analyses of the needs of project areas and the beneficiaries therein. In the case of OPG's, these needs should be subject to continual review during the course of project implementation, and changes should be made where warranted. This will prevent implementation plans being drawn up on the basis of inadequate information, and will also allow the administration of OPG's to be suitably flexible.

- x The next lesson learned from this project is that projects designed to create sustainable institutions should be funded over longer rather than shorter periods. (We believe that a minimum of five years can be used as a guideline). This gives the institution concerned a better chance of becoming self-sustaining. In addition, we believe that design of follow-on projects, and the securing of funding for these, should commence well in advance of the PACD.
- xi Sustainability can be achieved, in part, by charging users fees for the services, as opposed to receiving all operating funds from Government or donor agencies.
- xii We also believe that where the medium of program funding is an OPG, it is desirable that the early stages of project management and implementation be conducted by the project designers. This may help to obviate early implementation difficulties.

INTRODUCTION

- 1 The agreement for USAID Project 633-0228 was signed in 1982, between USAID/Botswana, and Partnership for Productivity Botswana (PFP/B). PFP/B is a not-for-profit subsidiary company of the Botswana Development Corporation (BDC) and has worked in Botswana since 1977. The company was originally a subsidiary of Partnership for Productivity International (PFP/I) which was a Washington, D.C. based Private Voluntary Organization (PVO) that had operations in many regions of the world.

- 2 PFP's first project in Botswana, ("Phase I") was conducted in conjunction with the Ministry of Commerce and Industry, with the aim of designing a resource to assist small scale enterprises through the development of a business skills training extension program. The project under review, ("Phase II"), was intended to be a pilot effort to utilize the extension resources created in the previous activity, and to link other key resources available from the Government of Botswana (GOB), while experimenting with field methodologies designed to increase productive activities among economically disenfranchised rural and urban beneficiaries. The intended beneficiaries of Phase II were low income individuals and groups involved in small scale productive and commercial activities within the project areas of Old Naledi and the Communal First Development Area (CFDA). The Norwegian Aid Agency (NORAD) funded the rural component

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of the project in the Communal First Development Area (CFDA), while USAID/Botswana funded the urban component in Old Naledi. Appendix VIII gives further detail concerning the NORAD component.

- 3 The inputs intended to be supplied for Phase II were expatriate staff to fill the positions of General Manager and Training Officer, and financial inputs to support the training of staff, and the management of the project. The extension services were to be passed on to the clients using informal group discussions, formal training and one-on-one sessions. During the course of the project, the two positions that had been filled by expatriates were localized. In addition PFP/B became a local organization, having completely severed the institutional ties with PFP(I).

- 4 The initial project design did not provide for the provision of credit to clients, but rather for helping to link the clients with other sources of credit. During the course of the project, it became apparent that most of the clients' major needs were for capital, and also that many of the Old Naledi clients were ineligible for any of the available credit due to their poor credit worthiness. As a result of this finding, PFP/B secured a P10 000 facility from Barclays Bank, which was to be used for the provision of credit to the small enterprise clients. This was subsequently called the micro-credit scheme.

- 5 This project was funded through the medium of an Operational Program Grant (OPG), in which the management of the project was conducted by a PVO, and which encouraged flexibility in project design and implementation. Thus the OPG allowed for changes in project direction and emphasis to be made.
- 6 This report is laid out as follows. In the section that follows, we outline the reason for this evaluation, and the methodologies used. Having done that, we then move on to discuss the external factors that have had an influence on the project, and we then move on to the inputs and outputs to the program. In the sections on inputs and outputs, we compare the expectations in the project design with the final results. We then move on to outline the purpose and goal of the project design and the extent to which they have been achieved. The three final sections deal with the beneficiaries of project, any special remarks or comments, and finally with the lessons learned.

EVALUATION METHODOLOGY

- 7 In this section, we discuss the reason for the evaluation, and then describe the methods and techniques used to conduct the evaluation.

Reason for the Evaluation

- 8 This evaluation was commissioned as the End Of Project evaluation of the Small Enterprise Development Project. The Operational Program Grant (OPG) between USAID/Botswana and PFP/Botswana terminated on September 30, 1986 (having been extended from September 30, 1985), and the purpose of this review is to evaluate the project accomplishments, and to identify areas of strength, and of weakness to consider in future project design.

Evaluation Methodology

- 9 The scope of this evaluation is detailed in the scope of work shown at Appendix IV. The evaluation concentrated on the Gaborone South and head office components only, as the USAID funded portion of the project did not cover the Communal First Development Area (which was funded by NORAD). We have, however, given a brief discussion of the NORAD component in Appendix VIII.
- 10 The results of this evaluation are based on:
- a Review of USAID/Botswana project documentation.
 - b Review of previous evaluations.
 - c Review of PFP/B Board minutes and other documentation.
 - d Review of PFP/B client files.

- e Interviews with PFP/B clients.
 - f Interviews with USAID/Botswana, NORAD, GOB and PFP/B staff
 - g Interviews with an independent development economist.
 - h Review of USAID/Botswana resource materials on small enterprise development.
 - i Interviews with members of the PFP Board of Directors.
- 11 The evaluation was conducted on USAID/Botswana's behalf by a consultant seconded from Price Waterhouse.
- 12 A list of persons consulted appears on Appendix I. The interviews with PFP clients were conducted by visiting the clients in the field, either at their homes, or preferably, at their places of business (although this is frequently the same place). The clients selected to be interviewed were selected on a judgemental basis, using the Field Supervisor's knowledge of the PFP client base. This basis was selected in order to ensure an equitable coverage of good, bad and indifferent clients, also covering a wide range of business types.
- 13 Had we made the selection of clients using a random, or statistical basis, there was a danger that such a small sample would not be representative of the total population. We, therefore, believe that our basis of selection was justified. In addition to this, we have not attempted any statistical analysis of any features of the population. This

is because we believe that statistics drawn from such a small population (current clients number 62) could be misleading.

- 14 The interviews with the PFP clients were conducted using a questionnaire (which appears at Appendix III), as a broad guideline. Each interview took from half to three quarters of an hour, and the discussions went considerably further than the few questions listed on the questionnaire. The additional questions asked were those that the consultant felt were necessary for him to gain a proper and complete understanding of the client's circumstances. The questions were put to the client through an interpreter, where the client's spoken English was inadequate. We used the PFP Field Supervisor as the interpreter.

- 15 We had intended to use an independent interpreter but discarded this option for a number of reasons. The first of these was that we needed to have the Field Supervisor present in any case, so that we could locate the clients. Secondly, many of the clients are extremely unsophisticated and shy, and there was a danger that, if confronted by three people, of which two were complete strangers (the consultant and the interpreter), then the clients could feel intimidated and become reticent. In hindsight, this was the correct decision because the Field Supervisor showed a flair for the interview process and was most helpful.

- 16 Ideally, the evaluation should also have been conducted by the consultant attending training sessions given by PFP project staff. However, by the time of the evaluation the project staff had been reduced to one Senior Project Officer, who reported to the Field Supervisor. We, therefore, did not believe that any significant benefit could be derived from observing training sessions conducted by the sole Project Officer.

EXTERNAL FACTORS

- 17 At the time of the mid-term evaluation of the project that was conducted in February 1984, it was felt that the major external factor which had affected the project was the GOB Financial Assistance Policy (FAP), which was launched in May 1982. An additional external factor at that time was the micro-credit scheme which had been launched in September 1983. Further details of these two schemes are given at Appendix VII.

Micro-Credit Scheme

- 18 By the end of the project, this situation had reversed, with the micro-credit scheme becoming the major external factor, and the FAP becoming a secondary factor. The introduction of the micro-credit scheme had a significant effect on the project. Prior to its introduction, the project had been moving somewhat slowly, and it had become apparent that the

initial targets set at the time of the project design were over optimistic. The reasons for the slow start up of the project have been discussed in paragraph 26.

- 19 The rate of project implementation increased significantly as a result of the project area being expanded, and the micro-credit scheme being introduced. We believe that this upturn of the project was due more to the introduction of micro-credit, than to the widened project area. The majority of the clients consulted stated that the most important service that PFP had provided them was the micro-credit. Project staff have commented on a number of occasions that, "when we want to talk about business expansion services, nobody wants to listen, but when we want to talk about lending money, then everyone is interested."
- 20 Our impression on the basis of the client interviews was that the majority of the benefits that had accrued to them were from the provision of the micro-credit. This represents a significant deviation from the original project design that has come about because what was originally offered in terms of the project design was not appropriate for many of the clients. The clients were of such a low level of literacy that they were incapable of understanding the business extension services (especially record keeping), and in reality what they really needed was money to help start their

businesses. NORAD do not completely share these views on the basis of their experience in the rural component (See Appendix (VII)).

- 21 The administration of the micro-credit scheme has been time-consuming. The clients have needed regularly reminding and following up to make sure that they have made their repayments when required. The excessive time required to perform this has contributed to the high cost of the program. (See paragraph 69 and Appendix V). Experience in other projects of this nature has shown that this will always be the case. It is important that project design recognizes this fact, and that a trade off be made between extensive follow-up of borrowers to ensure high repayment rates, and limiting the amount of follow-up once the administration cost exceeds the benefit from ensuring the high repayment rates.

Financial Assistance Policy (FAP)

- 22 FAP was introduced in May 1982 by the GOB. In many instances, there were inadequate personnel available to assist applicants through the application process and PFP field staff have been forced to assist the applicants. This has frequently required a significant time input from PFP staff, because many of the clients were either semi-literate, or illiterate. This time input has resulted in PFP compromising their main goal of providing management

assistance, in favor of one of the secondary goals of linking producers to sources of finance. We accept that it was appropriate for PFP to have provided this service.

INPUTS

- 23 Financial inputs for the project are summarized in Appendix VI. The mid-term evaluation conducted in 1984 identified certain fundamental problems relating to management, technical assistance and training. As a result of these findings, the evaluation made three main recommendations concerning:
- a More systematic individual client visitation and management activity schedules, supervision by headquarters staff,
 - b Development of structured training plans for all PFP Botswana staff, and
 - c Withholding the placement of three Project Officer candidates until point (b) above had been implemented.
- 24 In following up on the above recommendations, we have ascertained that these recommendations were implemented.

- 25 The findings of the mid-term evaluation were supported by those of the NORAD mid-term evaluation which was conducted in November 1984. Both evaluations noted the low level of supervision of project activities that was exercised by senior management. Both evaluations also cited the lack of quality training given to project staff. In both instances, the evaluators believed that these two weaknesses led to deficiencies in the quality of service given by PFP. We have also seen some evidence of divisions of opinion occurring within PFP, that can only have had adverse consequences on the management of the program, and on the long-term sustainability of the institution. There is some evidence that the standard of management improved in the latter part of the project.
- 26 The PACD was extended from September 30, 1985 to September 30, 1986. This was because the project had been slow in starting, and it became apparent that some funds would remain unspent at the PACD. The underspending had not occurred because of difficulties in securing project inputs, but rather because of the slow start up of the project, and also because the Botswana pula had devalued against the United States dollar.
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- 27 This slow startup occurred for two main reasons. The first of these was that no baseline study of the project area had been done prior to project design, and consequently this had to be done before the project could commence. The second reason was that Phase II was considerably different from Phase I, and this necessitated some re-training, and re-designing of procedures. In addition, there was a high staff turnover in this period, and new staff had to be trained to fill the gaps.

OUTPUTS

- 28 It has now been generally accepted by the PFP/Board and management that many of the original expectations at the time of the project design were over-optimistic. This is true also of the expected outputs which were stated in the project paper. The 1984 mid-term evaluator, R Lintz, recommended a downward adjustment of all of the expected outputs. The section that follows details each expected output, the measurable indicators both original and modified, the extent to which those indicators have been satisfied and makes any relevant recommendations.
- 29 The original output targets in the project are for both of the project areas (i.e., Old Naledi and CFDA). We have been unable to locate any reference as to how to split the indicators between the two project areas. Consequently, we have been unable to compare the final outputs for Old Naledi

with those in the project paper. Consequently, we attach more significance to qualitative rather than quantitative comparisons in this section. However, we are able to make use of the modified targets suggested in the 1984 evaluation, as these relate to Gaborone South only.

Increased small-scale economic activities in selected rural and urban areas

Status

- 30 The project paper stated that 150-250 new enterprises would be started during the course of the project. At the time of the 1984 mid-term evaluation, only three of the current clients could be classified as "new" businesses. It was realised at that stage, that this target was unrealistic, and the evaluator consequently recommended that the target be amended to read that "30-50 new enterprises would be started in Old Naledi."
- 31 At the end of the project, it is unlikely that more than 20 clients out of the current client base can be classified as new businesses. This is not necessarily an indicator of failure of the project in that the majority of the clients assisted were in existing business. As has been stated in other sections of this report, the clients in the project area are more engaged in subsistence than business

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activities. In fact, the Old Naledi baseline study that was conducted at the beginning of Phase II, showed that a "business" (i.e., subsistence) activity of some kind was conducted from virtually every household in the area. Many of these activities were illegal (i.e., shebeens etc) and were consequently beyond assistance from PFP. The PFP operation had obviously tapped these legal subsistence activities, which were in progress at the commencement of the project.

- 32 We do not believe that this indicator will give a fair view of whether or not the area exhibits "increased economic activity" at the end of the project. It would be more appropriate to measure this by conducting detailed studies of the economics of the area prior to, and after, the project. Having stated this, however, we do not believe that the area can be judged as exhibiting increased economic activity on the basis that such a small number of clients have been assisted.

Recommendation

- 33 Baseline studies should follow the signing of an OPG, but precede the detailed design of the project, and its subsequent implementation. This will enable the setting of more realistic targets. (See also paragraph 20.)

Increase income and employment opportunities for poorer
sectors of the Botswana economy

Status

- 34 Two to three hundred existing enterprises were to be assisted in terms of the project design. Considering that the baseline study of Old Naledi identified only 58 enterprises in the area, this target was obviously optimistic. The 1984 evaluation recommended that this target be adjusted downwards to assisting 75 to 100 enterprises. According to Appendix V, the current client list consists of 61 clients, to which the four "graduated" clients can be added giving a total of 65 clients. In addition, another 88 clients have received some kind of assistance from PFP before being dropped for one reason or another. Consequently, the modified target has possibly been met.
- 35 Appendix V shows that among the existing client base, 16 new jobs have been created, other than for the proprietors. It is probable that the "graduated" clients have also created a number of new jobs, but in view of the fact that PFP are no longer in contact with the clients concerned, this is difficult to assess. It is also possible (though unlikely) that some of the dropped clients have created additional employment opportunities. Neither of these two categories are likely to materially alter the figure given, which

clearly illustrates unsatisfactory progress considering the cost of the project.

36 We attribute the failure to achieve these targets to the fact that these targets were somewhat optimistic. In selecting Old Naledi as the project area, PFP targetted themselves at businesses operated by the "poorest of the poor", as their new client base.

37 As has been stated before, these businesses are really subsistence activities, with very little opportunity for expansion. Aggravating this weakness is the fact that many of the client's ambitions do not extend beyond providing a basic living for themselves and their families, and, consequently, there are very few opportunities for job creation, even if the businesses are capable of sustaining themselves and of expanding.

38 The development literature that is available invariably comments on the fact that, although Small Scale Enterprises (SSE's) are important contributors of employment in developing countries, micro-enterprises are the least likely to create these opportunities. The literature also comments on the fact that any employment that is created by these micro-enterprises virtually invariably collapses once the proprietor has given up the business, for whatever reason.

39 These two facts indicate that PFP were somewhat optimistic in hoping to significantly increase employment opportunities in a project area of this nature by conducting a project of this type.

Training Programs and Advisory Assistance for Small
Enterprise Development

40 At the time of the 1984 mid-term evaluation, only one out of the expected 21 group problem solving sessions had been held. We do not attach too much significance to the numbers of sessions held, in view of the fact that much one-on-one contact with clients has occurred, and that those are possibly as productive as group sessions from the client's point of view. However, group sessions do have the advantage of being considerably more cost effective than one-on-one counselling sessions. The 1984 evaluation concluded that the output was unlikely to be realized by the end of the project, mainly through poor communication between PFP and their clients over this aspect of the program, and also through PFP's pre-occupation with linking their clients with sources of finance.

41 The 1984 evaluation went on to make four recommendations mainly concerned with attempting to make PFP's extension and advisory services better known to their clients, and with placing emphasis on this aspect of the project, instead of on the credit aspect. The final recommendation was that PFP

should "link assistance in securing grants and loans, to participating in PFP's advisory assistance and training scheme."

42 These recommendations were all implemented. Contrary to this, however, we have found that the major benefit to have come out of this project was the credit that has been provided to the entrepreneurs. Our interviews did not reveal that the extension and advisory services aspect has been a major success, and this was borne out by our discussions with the project staff, and with the clients.

43 We attribute this to the fact that the clients in the Old Naledi area were unsuitable for receiving the extension services, mainly because of the nature of their "businesses", and also because of their generally low levels of literacy.

44 We believe that this major deviation in direction came about as a result of two factors. The first of these is that the baseline study of Old Naledi was not conducted until after the detailed design of the project had been completed. This fact and its implications are further discussed in paragraph 94. The second factor, which is closely linked to the first, is that at the time of the project design, it was felt that availability of capital was not a major constraint. This was because the enterprises that PFP had been working with in Phase I were all basically extensions of their owner's

wealth, and, in those enterprises, lack of management skills was the major constraint. (This was one of the findings of the Phase I end of project evaluation). In changing the target clients from Phase I to Phase II, however, PFP passed from dealing with true businesses to dealing with "subsistence businesses." Consequently, the nature of the problem changed.

45 We also believe that linking participation in the business extension services aspect of the project with securing financial assistance was counter productive. The clients that had come to PFP for financial assistance were largely not capable of absorbing the material that was presented to them. Even the informal one-on-one sessions were frequently pitched at too high a level for the clients to understand. We, therefore, believe that their participation in this aspect of the project was purely to satisfy the requirements so that they could secure financial assistance. As a result of this, PFP experienced some resistance in connection with these activities. In AID Special Evaluation Study Number 27: Private Voluntary Organizations and the Promotion of Small Scale Enterprise, RW Hunt stated: "Programs for informal sector entrepreneurs that require the completion of formal training courses, often as a pre-requisite for approval, are regarded as probable failures. Trainees tend to offer only perfunctory responses to course material."

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- 46 As an illustration of the extent to which this aspect of the project has succeeded, only four clients out of our interview sample of eleven clients, were keeping records of any kind. Of those four, only one client produced records of an acceptable standard. This one client was also the only client in the sample who stated that the major part of the assistance that he had obtained from PFP was in the business extension and management services. It is also important to note that in many of the cases of the clients interviewed, we did not believe that the clients concerned really needed this type of assistance, or that they needed to keep financial records.
- 47 We, therefore, believe that having selected Gaborone South as the project area, it was correct for PFP to shift emphasis from extension services to the provision of finance, in view of the fact that this was where the real need lay. (Although this was not a deliberate shift in emphasis).

Trained Botswana Staff

- 48 The OPG envisaged that eight trained staff would be in place by the PACD. There have been stages when this many staff have been in place during the project, though whether they could all be considered trained is open to some discussion. At the time of the PACD, however, only three staff were in place: the General Manager, the Field Supervisor, and the Senior Project Officer. All were Botswana, as all of the PFP

positions were localized during the course of Phase II. Of these three, the most recently employed was the General Manager. The other two had been with the project for some years and were experienced in their positions.

- 49 The failure to have the requisite number of trained staff in place by the end of the project is as a result of the uncertainty over PFP's future. PFP's failure to secure alternative funding after the PACD led to low staff morale and consequently there was a high level of resignations in the final months of the project.
- 50 There had already been high staff turnover at PFP, due to a number of factors. The most significant of these was the low salaries paid to project staff, many of whom moved on once they had been able to secure higher paying employment. The difficult working conditions and the frustrations of dealing with such disadvantaged clients, would also have contributed to the high staff turnover.
- 51 In addition to these factors, the project staff remaining in PFP at the end of Phase I, also started Phase II. In Phase II, these staff encountered a different environment, and different types of clients than that which they had become accustomed to in Phase I. The change in conditions between the two phases led most of them to leave in the early days of the project.
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52 We believe that the work done by PFP during Phase II was more of a social welfare than a business advisory nature (notwithstanding the fact that PFP were administering a credit scheme). We believe that if this type of assistance is to continue, then PFP should recruit social workers, who have had some business training, rather than recruiting business extension agents. Social workers usually possess high levels of motivation for their type of work, and are not averse to working under difficult conditions, and for low salaries. The sort of staff that PFP have been recruiting as project staff are probably more ambitious, and, therefore, more susceptible to offers of higher salaries than social workers are. Conversely, if PFP are to concentrate on providing business advisory services, and, therefore, to try to serve a different sort of a client to that targeted in Phase II, then PFP should continue recruiting the same sort of staff, as have been recruited in the past.

PURPOSE

- 53 This section cites the purpose of the project, and the progress towards achieving the end of project status (EOPS) conditions envisaged in the project design.
- 54 The approved purpose of the project was:
- a To catalyze new and expanded small scale economic activities among rural (this was the NORAD component)

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and urban poor,

- b To strengthen the impact on beneficiaries of small enterprise development programmes, and
- c To expand the development of a permanent Botswana staff capacity to address small enterprise development problems.

55 We believe that the purpose as stated above was valid, if somewhat ambitious for a project of this size, and for an area as unsuitable as Old Naledi. This is illustrated in the failure to achieve the end of project status (EOPS) conditions. The three EOPS conditions that related to the Gaborone South area were stated in the project paper:

- a The Old Naledi Ward of Gaborone will exhibit increased area economic activity within the community; new and existing businesses will be generating employment for residents of the area; and entrepreneurs will have access to management assistance training and sources of credit. Self Help Housing Agency (SHHA) efforts will be improved as both SHHA related business, and self help housing objectives are enabled by additional incomes, managerial improvement, and overall economic activity.
- b In both areas (in CFDA and Old Naledi), PFP/B will have in place a trained cadre of business start up/management assistance extension agents capable of assisting small enterprises in all phases of business management. Clients will largely be those of lower income groups

without previous access to, or relationship with, services available in Botswana.

- c PFP/B will have developed and documented appropriate methodologies for the catalysis and linkage of small scale economic activities in both rural and para urban environments. Replicable models and operations procedures will be available for use throughout Botswana.

56 The EOPS conditions stated in the project paper were:

- a That assistance will be provided to 450 Small Scale Enterprises over life of project, and
- b Positive improvement in small enterprise client's profits, assets and management skills.

57 These conditions relate to both project areas, so quantitative comparisons are difficult. However, as only 65 clients have been assisted (per Appendix V), we can safely state that this has not succeeded. Although the second EOPS condition has been satisfied, this has only been for a very small section of the project's target population.

GOAL

58 The goal of the Phase II project was to:

- expand incomes and employment opportunities in the small

enterprise sector of Botswana, through a multi-faceted program of business start-up assistance, management advisory services, training and staff development.

- 59 We consider this goal to be somewhat ambitious for a program of this size and believe that this goal has not succeeded, except for within a very small sector of the population.
- 60 At the time of the mid-term evaluation in February 1984, it was believed that this goal was probably attainable, provided that more emphasis was placed on providing managerial assistance and skills training, and on providing Botswana staff with the skills necessary to implement field-orientated business start-up and management systems. We have discussed these aspects in previous sections of the report.
- 61 We feel that it is important to point out that while this report has been somewhat critical, this has arisen through attempting to relate project achievements with those envisaged in the original project design. We believe that the majority of problems identified have stemmed in one way or another from the original design. Consequently, these criticisms largely relate to project design, rather than to implementation and management.
- 62 We have not identified any project implementation and management difficulties worth noting.

BENEFICIARIES

- 63 According to the project paper, "the primary beneficiaries of the project will be low income individuals and groups involved in small scale productive and commercial activities within the project areas".
- 64 We have interviewed eleven out of the existing client base of sixty one clients. While this sample is relatively small in numbers, it represents 19% of the total client population, and as this sample has been carefully selected (see also paragraph 11 reference sample selection), we believe that it is sufficiently representative.
- 65 Because of the numerically small sample, we have avoided the use of statistics to describe the project beneficiaries. Making an error of one individual in a sample of this size, will give a 10% variance in the findings, and we, therefore, believe that it is more appropriate to base this section on our judgement, rather than on statistics.
- 66 In general, the sample exhibits the following characteristics:
- a They are single person businesses, employing only the owner, but also employing one other individual in isolated instances.
 - b The proprietors have very little formal education.

- c The businesses are more of a subsistence than of a genuinely business nature.
 - d The businesses are probably not sustainable in the long term, because they depend on the proprietor, and should he/she become ill or decide to discontinue the operation, there are insufficient other individuals involved to keep the business going.
 - e They are labor rather than capital intensive. The labor comes from the proprietor and this contributes to the lack of long-term sustainability referred to above.
 - f The split between male and female proprietors is approximately even.
 - g In most instances, the businesses are the proprietor's sole source of income.
 - h Most proprietors experience marketing difficulties.
 - i Most took micro-credit from PFP, and see this as their major benefit.
 - j The loans were taken for working rather than fixed capital.
 - k Most clients have started using bank or savings accounts of some kind during their involvement with PFP.
 - l Most clients experienced difficulty in securing adequate premises to work from.
- 67 The individuals interviewed, including those labelled as "bad" clients, and who are close to being dropped from the program, universally expressed gratitude for the assistance from PFP. Only one individual answered in the affirmative

when asked if he/she had wanted something from PFP, that they had not attained. The individual concerned, had wanted micro-credit which had not been granted. We fully supported PFP's stand in not granting this individual the credit he had requested. In every instance the individual's circumstances had improved during their involvement with PFP.

- 68 It is worth noting that the above information reflects a significant improvement over that given in the mid-term evaluation in 1984. The inference to be drawn from this is that there has been a significant improvement in the program since that date.
- 69 Having expressed the above favorable views, it is important to balance them with the statement that the beneficiaries are very limited in number. The statistics in Appendix V show the high cost of reaching this small group of beneficiaries. There are three main reasons for the high cost per individual assisted.
- 70 The first of these, has been the high cost of administering the micro-credit scheme. Most of the clients on this scheme were first-time borrowers, had little or no security, and would be extremely difficult to locate if they left the project area. Consequently, these clients were very poor credit risks in the normal commercial sense and required a large amount of close supervision from PFP project staff to ensure a reasonable recovery rate. The fact that only P1120
- 

has had to be written off, out of an original amount of P10000, is perhaps a testament to both the amount and quality of supervision and to the integrity of the borrowers. However, this high recovery rate has been achieved at a very high cost (per Appendix V). Considering that the average loan varied between P200 and P500, it would have been considerably cheaper to have advanced the money, and then written it off with no attempt to recover it. Unfortunately, such an attitude is not in the interests of the program, and would do little to raise the level of the businesses concerned.

71 The second factor contributing to the high cost per individual assisted, has been the high dropout rate of clients. Per Appendix V, 88 clients out of 153, or 58% have dropped out from the program. These dropouts occurred for a number of reasons. A large portion left the project area, and were not traceable. Fifteen of the dropouts secured formal employment, and terminated their business activities, bearing out our belief that these "businesses" are frequently just subsistence activities undertaken as substitutes for formal employment.

72 Paradoxically, we also believe that the introduction of the micro-credit scheme is an important factor influencing the high drop out rate. This is due to the fact that many of those clients would have approached PFP after hearing that there was money available. Because of their poor credit

worthiness, and PFP's perception that the clients lacked dedication or seriousness in their businesses, these clients were refused credit, and then lost interest and dropped out from the program.

- 73 The final reason for the high cost per client assisted is the length of time over which clients have remained on PFP's books. Our review of the project files revealed that some clients have been on PFP's active client list since 1982. We believe that the law of diminishing marginal returns must apply here, and that the additional benefit accruing to clients must begin to reduce beyond a given point in time. We, therefore, recommend that a time limit be imposed, beyond which a client cannot be assisted. Each client should be regularly reviewed to ascertain what he/she still has to learn from PFP, and, more importantly, to decide whether the client is actually capable of learning this. We also recommend that clients be carefully screened before commencing with PFP, so that those clients who have poor prospects can be excluded. It would probably be useful to carefully review the current client base, and to drop some of the existing clients.

SPECIAL COMMENTS OR REMARKS

- 74 In this section, we have discussed any other observations that we have made, and that do not fall within other sections of this report.

Funding of PFP

- 75 At this stage, the most serious problem facing PFP concerns the company's funding, and what the company's future is. When USAID indicated that they were unwilling to fund a Phase III for PFP, the company was unable to secure funding to continue operations. It is now thirteen months after the PACD, and this issue has still not been resolved. The only available funding is the P80 000 from BDC, which is not even sufficient to cover PFP's fixed overheads.
- 76 Consequently, there is considerable doubt about the company's future. The operations have been reduced in accordance with the reduced funding, and the staffing of the organization has been reduced to skeleton levels. Considering that one of the main aims of the project was to create a self-sustaining, viable institution, we note that this has not been achieved. We submit that if a support institution, like PFP/B, fails to render itself self-sustaining, then it raises questions about its ability to help clients achieve self-sustainability.
- 77 It is very difficult to ascertain how this situation could have been prevented. We are aware, however, that the same crisis occurred during the transition from Phase I to Phase II, and that Phase I project staff were seconded to other parastatals and to government departments during the period that PFP were unable to pay their salaries. This should have indicated to the designers that the problem could well be
- 27

expected to re-occur, and that they should plan for this eventuality in advance. We are critical of the concept of designing a project that is totally reliant on donor funds of some kind, but that will only extend over a finite (and rather short) period. We believe that it would be more appropriate to design projects over a much longer period (at least 5 to 10 years in duration), and to provide for designing follow-on projects, and securing the funding for them, at least 3 years in advance of the PACD.

- 78 It has been suggested that sustainability can be achieved, or at least partly achieved, by charging clients, or at least certain clients, fees for the services they receive from PFP. This is unlikely to ever completely fund the project, but could at least make some contribution to the funding. We recommend that a study of these possibilities be conducted.

Project Design Considerations

- 79 In various sections of this report, we have alluded to weaknesses in project design as they relate to the selected project area and beneficiaries. We have discussed the relevant aspects under various sections of this report, but some aspects still remain undiscussed, and we have covered them in this section. This section also serves to give an overview of the various aspects discussed in different sections of this report. This has resulted in some duplication, but we believe that this is justified.

Micro-Credit Scheme

- 80 The provision of micro-credit was not envisaged at the time of the project design. Consequently, there was some resistance to this diversification at the time that it occurred. In addition, the mid-term evaluation was somewhat critical of this new emphasis.
- 81 Having done this evaluation, however, we are of the opinion that this was the most successful aspect of the project. This is not because of weaknesses in the extension or advisory services, but rather because micro-credit was what was really needed in the project area. We therefore believe that the move into micro-credit was not an implementation fault, but rather that this reflected the flexible nature of an OPG.
- 82 We believe that this component was not included in the original design because the Old Naledi baseline study had not been conducted prior to the design of the detailed implementation plan. Consequently, the designers did not have sufficient knowledge of the project area to adequately assess what the real needs of the area were. In addition, this lack of knowledge of the project area was probably contributory to the over-optimistic project design.
- 83 One of the implications of this unplanned move into micro-credit is that there is a fair chance that the

benefits gained from the project will not be sustainable. Robert W Hunt wrote, in the document previously referred to, that:

- "the impacts of credit on firm profitability are more likely to endure, when the loans meet the following criteria:
 - a they are for longer rather than shorter terms,
 - b they are for fixed rather than working capital, and
 - c they are made to firms that are larger than micro-sector enterprises."

84 Considering that the loans granted under the micro-credit scheme were mostly for periods of up to 6 months, were mostly for working capital, and were all made to one man businesses, we have some doubt about whether the benefits will be sustainable.

Project Design Was Separate From Project Execution

85 The project was designed by J Grierson who was the General Manager of PFP/B during Phase I. Grierson left Botswana after the completion of the design of Phase II, and he had no input in the implementation and management of this phase. This inevitably led to some inefficiencies, especially where questions have arisen in the minds of Phase II management, as to what some of the motives and intentions behind the design of this project were.

86 We, therefore, believe that after an OPG has been signed, the individuals responsible for the detailed design of the activity should also assist in the implementation and management of these efforts. We acknowledge that this approach would not be suitable, nor legal, when the instrument of funding is other than an OPG. In the case of PFP/B, this continuity is now at least partly assured because management of the company has been completely localized. That is, one would expect that those involved in future designs, such as the current board of directors and management, to also be involved in future program implementation.

Selection of the Old Naledi Project Area

87 In the body of this report, there has been considerable mention of the limited success of the project components in the selected project area. In this section, we present the complete argument in respect of this aspect. This limited success has stemmed from two main factors, the first being the small geographic size of the area, and the second being the nature of the work that PFP tried to conduct in the area.

88 The fact that Old Naledi is geographically such a small area, has meant that the small population therein, has been unable to supply sufficient numbers of suitable clients. We believe that this consideration is secondary to the one that follows.

89 The limited success resulting from the work that PFP tried to conduct in the project area is a result of the nature of the area itself. The population consists of people who have moved from their rural villages to the city, in search of employment and of better living conditions. The more capable, and better educated individuals, have secured formal employment, or have made a success of their businesses, and have moved out of the area into more pleasant surroundings. Consequently, those people who are left in the area are largely poorly educated, and are frequently incapable of securing formal employment. Consequently, they have embarked on their "business" activities, in order to subsist, and these "businesses" are not really businesses in the true sense of the word.

90 PFP is, therefore, faced with a dilemma. Should they decide that the people in the area really need their help, and that PFP should, therefore, alter their operations to suit the needs of the people, or should PFP decide that the people in the area are not in need of the services that PFP traditionally offers, and that PFP should seek different project areas?

91 We support the belief that there is considerable scope for assistance in Old Naledi. There is a large body of thought in Botswana that PFP should be giving this assistance. GOB, and the other institutions in Gaborone have come to view PFP as being traditionally involved in depressed areas such as

Old Naledi. As the most promising hopes of securing funding for future PFP operations lie with GOB, it may be that this decision as to which option to follow will be forced on PFP. As has been referred to before, this will require some changes to the traditional staff recruiting and training policies.

- 92 We are of the opinion that a recommendation as to how best to assist the people in Old Naledi is beyond the scope of this report. We believe that such a recommendation should be the subject of an economic study of its own. In other words, more research needs to be conducted to ascertain how the people in Old Naledi can best be assisted.

LESSONS LEARNED

- 93 In this section, we discuss the lessons that have been learned during the course of the evaluation, and that can be used to improve the chances of other projects succeeding.

Baseline and Economic Studies Should Precede Project Design

- 94 By far the most important lesson learned from this evaluation, is that where the instrument of funding is an OPG, detailed project design should be preceded by adequate baseline and economic studies of target areas. This will enable designers to identify the correct target clients on the basis of adequate data. Once the target clients have

been identified, then their needs can also be identified. This is the correct stage from which the sort of services to be offered can be identified. In this project, we believe that this process was reversed somewhat, in that the detailed implementation plans were drawn up at the time of the proposal to USAID, before the real needs of the client base had been determined. This may be the reason for the exclusion of micro-credit from the original design. If this process is followed, and the correct project design is achieved, this will prevent changes in project emphasis during the course of the project, as has happened during this project. It is also worth noting, though, that where the instrument of funding is an OPG, such changes in design are perfectly acceptable. However, PVO's should avoid making the mistake of committing themselves to courses of action at an early stage in the project development cycle.

- 95 In addition to helping to ensure correct design, we also believe that conducting baseline studies prior to designing the projects, will help to avoid unrealistic targets and expectations from being created. We believe that the over optimism surrounding this particular project is a product of insufficient baseline data.
- 96 Concerning the design of Small Enterprise Development (SED) projects not offering financial assistance (as was the original intention of this project), the following quote is of interest:

- "Those (projects offering nonfinancial assistance) that are successful, share the following:-
 - a The projects address situations where a single "ingredient" needs to be supplied to the firm, rather than an integrated set of multiple "ingredients".
 - b The projects are industry and task specific.
 - c Prior surveys were done to determine the demand for the project activity, and the number and type of missing "ingredients".
 - d Successful projects tend to be built on proven, existing institutions, even informal ones."

(Small Scale Industries in Developing Countries:
Empirical Evidence and Policy Implications, by Liedholm
and Mead of Michigan State University)

97 We submit that this project (which was intended to offer nonfinancial assistance) did not comply with any of the above criteria.

Plan To Secure Subsequent Phase Funding Well in Advance of PACD.

98 In view of the extended time scale over which negotiations for project funding can be protracted, we believe that negotiations for securing funding of subsequent phases should

1/6

commence at least two years prior to the PACD of the present phase. It would be too impracticable to attempt to secure this funding, unless the subsequent phase (which the donors will use as a basis for deciding whether to fund or not) was well under way. We estimate that the project should have been in progress for at least two years, before such evaluations by future donors can be made. Consequently, we believe that projects of this nature should be designed to run for four years at the very minimum.

99 Having stated the above, however, we are of the opinion that where institution building is one of the goals of a program, and especially where the institution will always be reliant on external funding of some kind, then projects should be designed to run over longer periods. We estimate that the lives of projects of this nature, should be at least five years, but preferably seven to ten years in duration. Extended funding periods such as these, will help to give the institutions a better chance of becoming established and self-sustaining.

100 We also believe that project design should incorporate plans for securing funding for subsequent phases, as an integral part of the project plan.

Project Conceptualization and Detailed Design Should Be
Handled By the Same Individuals.

101 Another lesson learned from this project, although one that may be difficult to apply in practice, is that design of detailed implementation plans should preferably be handled by the individuals who conceptualised a project. This will help to avoid situations arising where the managers have difficulty in understanding aspects of the project design, especially when the project manager, and the designer are in locations that are geographically far removed.

102 We appreciate that this may be somewhat difficult to implement and may not be legal in some instances. However, we believe that this is desirable where the medium of funding is an OPG, and where some flexibility is required. This could be achieved by contracting project managers to serve from the middle of one project to the middle of the next, rather than from the beginning to the end of one project. This will have the additional benefit of allowing the designer to make use of the lessons learned from one project, and to apply them when designing subsequent projects. It is also possible that such an approach will help to prevent slow project start-up.

Make Adequate Use of Resource Materials When Designing
Projects

103 The consultant involved in this evaluation, read the USAID resource materials on small enterprise development at a rather late stage in the evaluation. At that stage, most of the conclusions about the project had been formed, and we had a good idea of what the lessons learned from the project were.

104 It was therefore most interesting to read the resource materials, as all of these lessons have been learned from other projects, in other parts in the world. Consequently, we believe that errors in project design and implementation difficulties can be avoided if adequate use is made of the lessons that have been learned elsewhere. It is true that much of this literature is relatively recent, and may not all have been available to the designers of this project. However, it is now available, and should be considered at an early stage in future project conceptualization.

Avoid Changes To the Project Activities of Established PVO's

105 We are of the belief that changes in the nature of project activities undertaken by established PVO's can be counter productive. It is quite feasible that established, trained staff, and expertise may be lost if the nature of project

activities changes too much from one phase of a project to another.

Limit Period Over which Clients Can be Assisted On SED projects

106 We believe that the costs of administering SED projects can be reduced, if an attempt is made to limit the period over which individual clients are assisted. Application of the law of diminishing marginal returns indicates that after a certain point in time, the additional benefit to a client from additional project assistance, must reduce. Therefore, the ratio of the benefit earned by the client, to the cost of providing that benefit, must eventually become unacceptably low, and beyond this point, project assistance to that client must cease. We estimate that for micro-enterprises such as have been assisted during this project, this point must come at some stage between 12 and 18 months after commencement of project assistance.

107 This recommendation was made in the NORAD mid-term evaluation, but was not implemented.

LIST OF PERSONS CONSULTED

Appendix I

Mr M Molefane	General Manager, BDC Former Chairman, PFP/B
M B Egner	Chairman, PFP/B. Economic Consultant
Mr J Roberts	USAID/B Assistant Director
Mr W Elliott	USAID/B Project Officer
Miss A Endresen	Assistant Resident Representative, NORAD.
Miss T Nkwe	General Manager, PFP/B.
Mr L Mothibatsela	Director of Industrial Affairs, Ministry of Commerce and Industry. PFP/B Board Member.
Mr T Canedo	Former training officer, PFP/B
Mrs L Matlapeng	Field Supervisor, PFP/B
Mr M Letsholo	Senior Project Officer, PFP/B
Mr R Chetty	Accountant, PFP/B
Dr N Reynolds	Development Economist

Clients

Mr P Kapo	Radio and watch repairer - Broadhurst
Mr T Mfolwe	Chair repairer - Old Naledi
Mr J Matlanyane	Shoe manufacturer and repairer - Bontleng
Mrs S Molefe	Garment producer - Extension 14
Mr J Thokolo	Barber - Old Naledi
Mrs T Kemodisa	Garment producer - Extension 14
Mr I Maetso	Welder - Gaborone Showground

Mr R Morolong

Shoe repairer - Bontleng

Mr F Setshwane

Chair repairer - Bontleng

Mrs G Motswiri

Garment producer - Extension 14

Mrs M Moruti

Garment producer - Old Naledi

BDC	Botswana Development Corporation
PFP/I	Partnership for Productivity International
PFP/B	Partnership for Productivity Botswana
USAID/Botswana	United States Agency for International Development Mission to Botswana
SED	Small Enterprise Development
SSE	Small Scale Enterprise
OPG	Operational Program Grant
GOB	Government of Botswana
NORAD	Norwegian Aid Agency
FAP	Financial Assistance Policy
CFDA	Communal First Development Area
EOPS	End of Project Status
SHHA	Self Help Housing Authority
PACD	Project Assistance Completion Date
PVO	Private Voluntary Organization

CONSULT PFP CLIENTS

Note: The questions on this questionnaire are intended as a guideline only. Many of the clients are of such a low level of literacy that they would not be able to answer these questions if they were put straight to them.

1 Client is requested to describe current business activities.

Would include:

- how many people employed?
- how many fixed assets owned?
- is a bank account operated?
- what are the client's major business problems at the moment?
- what records are being kept?

2 Client would then be requested to describe his/her activities prior to commencement with PFP. Same questions as are noted in (1) above would be asked.

(Note: Deducting (2) from (1) would give the interviewer some idea of how the business has changed during PFP's involvement with the client).

3 What have PFP done for you?

4 What have you learned from PFP?

5 Did you expect anything from PFP that you have not received?

6 Has the client had a loan? If yes, then how much, and has it been repaid?

The contractor's evaluation report will include the following items, and address the following questions:

- 1 Summary of contributions made by PFP/Botswana, NORAD and other organizations. (ie planned versus actual inputs)
- 2 A brief review of project accomplishments in the light of:
 - a Conditions at the outset (initially planned outputs)
 - b The expectations of the project design and changes in the project environment and/or design during implementation (including a comparison of revised outputs and actual outputs).
- 3 An assessment of the extent to which the project has resolved the original problem (ie progress towards achievement of the initial and if appropriate, the revised purpose)
- 4 Where did the project get to in terms of its implementation and operations targets? (For example, how many jobs were created, and at what cost?)
- 5 What impact has the project had or is expected to have? How does this compare with the intended impact?
- 6 Was the activity viable in the light of ongoing development priorities, and should it be expanded, replicated or redirected? Should AID or perhaps another donor be encouraged to participate in its expansion, replication or redirection?

- 7 What new development opportunities did the project create and what might, if acted upon, accelerate the graduation and/or realization of the benefits, or be the next step in the development sequence?

- 8 Has the project been cost effective and did it approach a self-sustaining basis?

- 9 A summary of lessons learned from the project that might be relevant to programming, design, and implementation of other activities.

STATISTICAL ANALYSIS OF CLIENTS ASSISTED

Appendix V

Current Client Load		61
Add: Clients Graduated		4

		65
Add: Clients Dropped		
- Whereabouts unknown	31	
- Business stopped for a variety of reasons (eg family problems)	20	
- Secured formal employment	15	
- Moved to another city	9	
- Refused to continue with PfP unless money lent to client	6	
- Business stopped due to ill health	5	
- Returned to school	1	
- Jailed	1	88
	-----	-----
Total Clients Assisted		153
		=====
Number of Jobs Created (Other than Owner)		16

(This relates to the existing client base. More jobs have possibly been created by the graduated, and the dropped clients.)

Cost of USAID Assistance		US \$ 452,000
	452,000	
Cost of Assistance Per Client	-----	US \$ 2,954
	153	-----

However, it is probably not realistic to include all of the dropped clients in this calculation, as many of them will not have benefitted from the PfP assistance. Therefore, we should base this calculation on the current client load, and on the graduated clients. Not all of the existing clients will have received a measureable benefit from the assistance, and this will even out some of the distortion created by excluding all of the dropped clients, some of whom will have received some benefit.

Therefore:

Cost of Assistance Per Current and Graduated Clients		
	452,000	
	-----	US \$ 6,954
	65	-----
	452,000	
Cost Of Jobs Created	-----	US \$ 5,580
	81	-----

This calculation is based on the 16 new jobs created within the existing client load. This excludes jobs created by the dropped clients (which are unlikely to be significant), but includes the owner of the business. This is likely to cause some distortion of these figures.

NB: WE RECOGNISE THE INHERENT WEAKNESSES IN SOME OF THESE CALCULATIONS. THESE ARE NOT SHOWN FOR ANY OTHER REASON THAN TO GIVE SOME ILLUSTRATION OF THE LEVEL OF THE COSTS.

FINANCIAL INPUTS

Appendix VI

USAID Project 633-0228	Planned (US \$)	Actual (US \$)	Diff (US \$)	Comment
Personnel	196,590	220,000	(23,410)	The total financial inputs are as planned. The differences in individual line items, represent transfers of uncommitted funds from one budget line item to another, and are not significant in the overall scheme of things.
Training	25,049	30,000	(4,951)	
General Operation	38,827	20,000	18,827	
Transportation	76,276	50,000	26,276	
Evaluation	16,764	12,000	4,764	
Contingency	7,430	10,000	(2,570)	
Overhead	90,945	110,000	(19,055)	
Total USAID Funding	451,881	452,000	(119)	0
Botswana Development Corporation	127,009	127,009	0	
TOTAL FINANCIAL INPUTS	578,890	579,009	(119)	0

This appendix is intended to give the reader some insight into the details of these two schemes.

Financial Assistance Policy (FAP)

- 1 FAP was launched by GOB in May 1982. A Motswana small producer who is technically competent to enter into production or to expand his/her production in the formal or informal sector is eligible for a grant of up to 50 percent of project cost in urban areas provided the project is judged financially viable by the Gaborone Town Council (GTC). The Grant can be for working capital and/or fixed assets. Possessing management skills enhances one's chances of receiving a grant. The remainder of the project costs must be raised by the individual from either personal sources or a financial institution. GTCs approval rate to date is approximately 75%. The time frame for receiving such a grant can be rather lengthy.

Micro-Credit Scheme

- 2 PFP launched the micro-credit scheme in September 1983 in order to provide for those clients who were ineligible for credit from any other source.

- 3 The funds for this scheme were not taken from the project funds, but were obtained through a P10 000 overdraft facility granted by Barclays Bank of Botswana Ltd.

- 4 Loans are made to suitable clients, at an interest rate of 24% per annum. Although this is higher than the prime lending rate, PFP have justified this on the basis that this will compensate PFP for the high credit risk of the clients, and for the high cost of administering the scheme. We have some reservations as to the fairness of this argument.

- 5 Eligibility for participation in the micro-credit scheme is contingent upon participation in PFP's training and extension schemes. We had made comments concerning this condition in the main body of this report.

- 1 In this appendix, we have given a brief description of the NORAD component of this project, and have also given a summary of NORAD's findings, and of the differences between the two projects.

Background

- 2 The Royal Norwegian Aid Agency (NORAD) were responsible for the rural component of the Small Enterprise Development Project. The selected project area was the Southern District Communal First Development Area. NORAD's input in terms of the OPG was approximately US\$ 185 000, although NORAD have continued to fund PFP since the PACD.

Summary of Findings and Lessons Learned.

- 3 The experiences in the NORAD component of the program are largely similar to those in the USAID component. There have, however, also been some differences from USAID's experience, and the more important of these differences are set out in the next section.
- 4 A mid-term evaluation of the NORAD component of the program was conducted in November 1984. This evaluation, like the USAID mid-term evaluation, was heavily critical of the management of the program. The evaluator agreed with R Lintz, USAID's mid-term evaluator, that the supervision and training given to project staff was unsatisfactory, and that

consequently the standard of the service given by PFP had suffered.

- 5 The NORAD evaluation also agreed with Lintz's evaluation in saying that the micro-credit scheme was a diversion of project resources and went so far as to suggest that the scheme be abandoned.
- 6 The evaluation made one further major criticism, stating that the project format was likely to be self defeating, because in encouraging small enterprise development, PFP were merely putting those small producers into competition with large scale industry (especially from South Africa), with whom they could not possibly compete.
- 7 NORAD feel that since localization there has been an improvement in the standard of management of the program. They also disagree, as do we, that the micro-credit scheme should have been abandoned, but feel rather that this was one of the major benefits from the program.
- 8 Projects of this nature in other parts of the world have shown that these micro-enterprises very seldom compete with large scale industry, and, consequently, we are not in agreement with the evaluation's last mentioned criticism. NORAD also share our views.

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12 The NORAD component of the project appears to have been more successful in creating employment, than was the case in Gaborone South and Old Naledi. This appears to be due to some differences in the nature of businesses assisted, for example horticultural enterprises, which would have required larger numbers of employees than some of the Gaborone South/Old Naledi enterprises.

Major Differences Between the Two Components

- 9 The difference in the nature of the two project areas is the root cause of most of the differences between the two components.

- 10 NORAD do not completely share our reservation concerning the suitability of the extension services provided within the project area. NORAD believe that this aspect of the program has been reasonably successful. While studying the details of their client load, we noted that there appeared to be a higher general standard of education. Consequently, their clients would have been better able to assimilate the training given, than those in Old Naledi would have been.

- 11 The NORAD component has also recorded an even higher rate of repayment of micro-credit loans, than was recorded in Gaborone South and Old Naledi. NORAD attribute this to the fact that there were more female clients in this component of the project, and that females tend to be more reliable borrowers than males. They also attribute this higher repayment rate to the stricter social structures of the rural area, which would make it more difficult for people to renege on their commitments, and which also makes the society more stable (unlike Old Naledi, which is merely a temporary home for many of the people).

RESPONSE TO EVALUATION FROM

PFP/BOTSWANA, OPERATIONAL PROGRAM GRANT RECIPIENT

PFP BOTSWANA
P.O. BOX 1440
GABORONE
BOTSWANA
(SOUTHERN AFRICA)



Ex. 14 Mall
Telephone 314618
Telex 2251 BD
Cable: PartProd

E THUSA BAGWEBI

A SUBSIDIARY COMPANY OF THE
BOTSWANA DEVELOPMENT CORPORATION

Ref. PF/G 22

29th June 1988

The Director
Agency for International Development
P. O. Box 90
GABORONE

Attention: William S. Elliot

Dear sir,

Re: USAID/PFP BOTSWANA EVALUATION AND PROJECT COMPLETION REPORT
- SMALL ENTERPRISE DEVELOPMENT PROJECT - 633 - 0228

May I firstly thank the evaluator for such a detailed report and the justice he did to the programme. I am also impressed by the professionalism and diplomacy he exhibited.

A) I would further like to respond to a number of issues. I agree with the evaluator that we have learnt from this exercise and that we should use these lessons in developing similar programmes. The most important points I agree with are that:-

1) a. the project geographic area was too limited - Gaborone South only.

b) the project time period - (1982 - 1986) was also too short for desired impacts to be felt.

c) considering the above 2 points, the choice of the target group - (poor, low to no-income, illiterate to semiliterate) was illadvised. i.e. Choice of target is dependent on time frame and geographic area.

2) Use of baseline data should be maximised in project design to avoid misconceptions of peoples needs and mistargetting programmes.

3) Programme designers should be involved in early implementation where possible.

4) lack of finance is poor peoples' number one problem especially to those who want to start and/or develop business enterprises. So a credit facility should be part of the package offered.

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