

PD-ABR-17E
60925

SWAZI BUSINESS DEVELOPMENT
PROJECT PAPER
(645-0235)

SOURCE SELECTION INFORMATION -- SEE FAR 3 104
DO NOT DISCLOSE SENSITIVE
COST INFORMATION
IN TABLE 4 (PAGE 38) AND ANNEX J

PD-ABB-176

Control Number 645-222AM
August 5, 1991

66925

ACTION MEMORANDUM FOR THE DIRECTOR, USAID/SWAZILAND

FROM Susan Fine, Assistant Design Officer, PROG

SUBJECT Swazi Business Development Project, 645-0235

PROBLEM Pursuant to Africa Bureau Delegation of Authority 551, revised, you are requested to approve the subject Project Paper and authorize the Swazi Business Development Project with Life-of-Project funding of \$6 million in grant funds from the Development Fund for Africa \$1.5 million will be obligated in FY 1991

DISCUSSION

A Background

USAID/Swaziland's support to small business began with the Swaziland Training for Entrepreneurs Project, 645-0224, and the Small Enterprise Support Project, 645-0222. The Mission's experience with those small efforts as well as the Manual for Action in the Private Sector (MAPS) exercise, highlighted the need for further assistance to the small business sector in Swaziland.

The Swazi Business Development (SBD) Project will be one of two major projects in USAID/Swaziland's private sector portfolio. The Mission's strategic objective in the private sector is to increase Swazi market share. This will be accomplished by assisting small scale commercial farmers to produce horticultural crops for the domestic and regional markets through the CAPM Project and by assisting Swazi business people to identify and capitalize on new and existing business opportunities in the local market through SBD. Two grants to PVOs, the Business Management Extension Programme (BMEP) and CARE International, are also supporting small business development.

B Project Development

AID/Washington approved the SBD Project PID on July 6, 1990 and provided guidance for Project Paper development in 90 STATE 245894 (attached as Annex K of the PP). A technical design team managed by the Project Development/Private Enterprise Officer (PD/PEO) began work on the PP in September 1990. During the course of the design, a decision to include a substantial credit component was made. This necessitated bringing in additional technical assistance on short notice and added a new player in the project, the commercial bank that would participate in the credit component. AID/W was notified of this change in Mbabane 1720. Although the design team

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finished the majority of the technical work in November, due to unforeseen circumstances, including the tragic death of the WID specialist, the draft PP was incomplete and required further work

Swazi business people and representatives of business organizations were consulted extensively during the design process. The design team met with the members of the project's target group both individually and in group meetings. A final version of the project was presented to representatives from the small business community at a meeting in April 1991. The participants were enthusiastic about the project and raised no objections to it.

The Government of Swaziland was also involved in project development, although it will not participate in implementation. USAID deemed it critical that the GOS support the objectives and the approach the project is taking. Numerous meetings were held with representatives of the Ministry of Commerce, Industry and Tourism (MCIT), the Department of Economic Planning and Statistics (DEPS) and the Ministry of Finance (MOF) as the design progressed. MCIT's initial reluctance to support the project's approach contributed significantly to the length of the project development process. The GOS has now indicated its intention to support the project by signing a Memorandum of Understanding with USAID. In addition, the GOS will contribute E1 million in Section 416 funds for the loan guarantee.

Overview of the Project SBD is a four and a half year, \$6 million project whose goal is to increase Swazi incomes and expand the employment-generating capacity of businesses owned by Swazis. The project's purpose is to stimulate the growth of Swazi-owned businesses. The beneficiaries will be primarily Swazi-owned and operated businesses with growth potential. The project will increase access to credit through a loan guarantee program, forge business linkages between small and large firms, improve essential business skills through group and individual training and strengthen business associations by improving the quality of services they offer. Finally, the project will establish an institution, the Swazi Business Growth Trust (SBGT), to provide assistance to the small business sector on a continuing basis. The SBGT will implement the project under a Cooperative Agreement with USAID. If the project is successful, it will significantly enhance the climate for small business in Swaziland.

The ECPR Guidance Cable The AID/W review of the PID raised several substantive issues to be addressed during the PP design. These issues and the project's response to them are reviewed below. The Africa Bureau also approved a categorical exclusion from further environmental review based on the Initial Environmental Examination submitted with the PID.

AID/W approved the PID and confirmed Mission authority to approve the PP and authorize the project, subject to the guidance provided

Issue 1 A I D experience worldwide has demonstrated the difficulty in assisting small businesses to grow. The PID's target of increasing the number of small businesses by 20 percent seems ambitious and should be re-examined

The project's End-of-Project-Status (EOPS) indicator has been revised to read "25 percent of the businesses will have increased in size in one or more of the following labor force, sales turnover and/or assets". This indicator is much more focused and realistic than the EOPS in the PID

Issue 2 As this project is in an area that A I D is very interested in but in which it has relatively little experience and data, particularly in Africa, the ECPR requested that a comprehensive and quantified monitoring and evaluation plan with an adequate budget be an integral part of the project

A microenterprise baseline survey has already been completed and will provide most of the baseline data needed to monitor the project's impact. Due to the recommendations of an AID/W PRISM team, however, an additional indicator relating to Swazi market share will be tracked by the project. A combination of project and PD&S funds have been budgeted to establish this additional baseline data. The microenterprise baseline survey will be updated at the end of the third year of the project (using \$80,000 in PD&S funds) to assess impact and provide data for the final evaluation. In addition, the project will establish a system for gathering and recording gender specific information for day-to-day project management and continuous evaluation. \$161,000 is budgeted for the mid-term and final evaluations and \$12,000 for mid-term and final audits, and this funding is considered to be adequate

Issue 3 The proposal to establish a new entity (the Trust) to implement the project raised a number of concerns relating to grantworthiness, its training function and Government of Swaziland (GOS) involvement in the Trust. The Mission was requested to re-examine the possibility of strengthening an existing organization or to decide up front that the entity would be permanent

The PP design team determined that, given the state of existing business organizations, a new entity was required and that the interests of Swazi small business are best served by making the entity sustainable beyond the life of the project. During project implementation, however, the option of merging some or all of the Trust's functions with an existing business organization will be examined. The Trust will not be given

funds to manage under the Cooperative Agreement (CA) until it has been deemed by the Controller to have adequate financial systems. All funds in the first three years of the project will flow through either the technical assistance contractor or direct aid contracts on purchase orders, and the contractor will be responsible for establishing the Trust's financial management capability. Training will be conducted both by the Trust and through business organizations, with assistance from the Trust. This is the same model as proposed in the PID, and the design team is confident that the approach is appropriate.

The GOS has one voting representative on the nine-member Board of Directors of the Trust. It is the judgement of the design team that one GOS representative will not bias the private sector character of the Trust. A non-voting observer seat will be held by A I D during the life of the project to facilitate coordination.

Issue 4 Gender-related constraints and opportunities identified in the PID should be more fully explored in the PP and should be carefully monitored during implementation. PPC/WID requested that the scope of work for the baseline survey and subsequent monitoring efforts include relevant gender issues and that the EOPS indicators incorporate targets for women beneficiaries.

Constraints facing women entrepreneurs and strategies for addressing them are thoroughly explored in both the Women-in-Development (WID) and Social Soundness analyses. PPC/WID provided a consultant to work on these analyses. All project data has been and will continue to be collected on a gender-disaggregated basis. A target of a minimum of 30 percent women beneficiaries has been added to the EOPS indicators. While preliminary data from the baseline suggest that women comprise approximately 45 percent of the project's target group, the 30 percent minimum was negotiated with the GOS and serves as a floor, not a ceiling, for women's participation in the project.

C Project Paper Review

A meeting of the Executive Committee for Project Review (ECPR) was held on June 17, 1991. The issues raised and the manner in which they have been addressed are summarized below.

Issue 1 Will the SGBT have the capacity to manage funds in the fourth year of the project, after the departure of the institutional contractor?

Part of the contractor's scope of work will be to establish appropriate financial management procedures and systems for the Trust. The SGBT staff will be trained and should be capable of managing funds before the contractor departs at the end of the third year.

Issue 2 Long term technical assistance should not arrive before all the elements necessary for them to start their jobs are in place. This means, for example, that the SBTG offices should be set up and the loan guarantee for the credit program should be in place.

The SBTG has been legally constituted and the Board of Directors chosen. The USAID Executive Office will procure office space and furnishings, the Regional Contracts Office will procure vehicles and AID/MS/OP/COMS/P will procure computers and other office equipment for the Trust. The COS has already made available \$1 million for the loan guarantee. The details of transferring the funds to the Trust and establishing an account with Standard Bank are currently being worked out. Therefore, all elements necessary for immediate start-up of project activities will be in place.

Issue 3 What mechanism should be used for obtaining the technical assistance, a buy-in to the GEMINI Project or full and open competition?

The Regional Contracts Officer stated that buy-ins are generally expensive and inflexible. The Mission would not have direct control over the contractor, and since the amount of the contract is relatively small, the contractor would tend to give it low priority. The ECPR accepted this argument and agreed to have full and open competition for the technical assistance contract. The contractor will sub-contract at least ten percent of the value of the contract to a disadvantaged entity.

Issue 4 Since one objective of the project is to establish the SBTG on a sustainable basis, the PP should state how this will be accomplished.

This concern has been addressed in two ways: 1) a statement of the responsibility of the Contractor to help put the Trust on sustainable footing, and 2) covenants relating to efforts by the Board to raise funds and encourage cost recovery. The Contractor will be responsible for developing fee structures for services provided by the Trust. In addition, the Contractor will continuously review options for improving the sustainability of SBTG through earnings or cost savings, and provide recommendations to the Board on this issue. The covenants commit the Trust to identifying and implementing procedures to sustain the organization through cost recovery, and to seek funds to endow the Trust and participate in fund raising training programs provided under the project.

Issue 5 The cost of the project is high relative to the expected number of beneficiaries

It is true that SBD's budget of \$6 million is large relative to the number of businesses in the project's target group. A large percentage of the cost, however, is devoted to establishing and developing the SBGT as a permanent institution. The ECPR agreed that the institution-building aspect of the project is essential, despite the high up-front costs associated with it, if the climate for Swazi business is to be improved over the long term.

D Other Issues

1 Technical Analyses The PP is technically sound. Analyses of the project's technical components, economic feasibility and social soundness as well as a detailed budget are included as annexes to the PP.

2 Non-competitive Award of Cooperative Agreement to SBGT A CA will be awarded to the SBGT to implement the project. A separate Action Memo containing the justification for a non-competitive award has been prepared by PD/PEO for signature by the Mission's competition advocate. The CA exceeds the Mission Director's authority and will therefore be signed by the Regional Contracts Officer.

3 Status of SBGT and Justification for No Financial Contribution The SBGT is a newly formed entity. The Deed of Trust for the SBGT is included as Annex C, Attachment 2 of the PP. The Trust is not classified as a private voluntary organization (PVO) because it does not, at this stage, receive any contributions of money, labor or other in-kind support from the general public. Since the SBGT is not a PVO, it does not need to be registered with A I D and is not required to contribute 25 percent of the project's budget under the Cooperative Agreement. It is expected, however, that the Trust will begin fund-raising during the life of the project. Before any subsequent assistance is provided by USAID, a determination as to whether or not the Trust has become a PVO will have to be made.

4 Waiver of Host Government or other Sponsor Funding of International Travel for Participants AID policy requires that the cost of round-trip international travel be paid by the host country government or other non-AID funding source unless the requirement is waived. The PP provides for several months of training for SBGT staff at the Get Ahead Foundation in South Africa. Since the Trust has no additional source of funding, it cannot pay for the travel of these staff members with funds other than A I D funds.

The Mission Director may authorize a full or partial waiver of the host government's or other sponsor's responsibility for international travel for a specific mission-funded project (Handbook 10, Section 16C, Part 2) The Mission Director is therefore requested to approve a full waiver of the requirement of payment of international travel costs by a non-A I D source for the staff of the SBTG As it is the project's intention that beneficiaries contribute as much as possible to the financial cost of the services they receive, no other waivers of this requirement are requested at this time Partial or full waivers may be requested in the future on a case-by-case basis OIT and the AA/AFR will be notified of all approved waivers

5 Procurement AID Geographic Code 935 is the authorized code for source and origin of goods, and nationality of all services procured under the project Notwithstanding this, preference in procurement will be given, where practicable, to goods and services of U S source and origin Vehicles required by the project will, however, be procured in Southern Africa due to right hand drive and parts and service requirements

6 Covenants The following covenants shall be included, in substance, in the Cooperative Agreement The Cooperative Agreement recipient agrees to

(1) explore and institute procedures and practices that will enable the trust to charge reasonable fees to clients for services rendered and cover costs of doing business with such fees and other charges to the maximum practicable extent to ensure sustainability of the trust's programs,

(11) use its best efforts, including efforts by the trustees, to raise funds and other means of support for the trust from sources other than A I D , and to participate in training programs concerning fund-raising that may be financed under the project, or otherwise, and

(111) use all resources available to the trust to implement project activities, including resources contributed from sources other than A I D , to the extent feasible

7 Mission Management of the Project The SBD Project will be managed by a USPSC Project Manager This individual is partially funded by the project and will be supervised by the Project Development/Private Enterprise Officer

8 Initial Obligation An initial FY 1991 obligation of \$1,500,000 is planned for the SBD Project The Mission has received a funding allowance for this amount, and no CNs or TNs

were required An additional obligation of \$1,000,000 is anticipated in September 1991 with FY 1991 funds advanced to the Mission against the FY 1992 OYB This obligation awaits the expiration of a TN that was submitted to Congress on July 25

AUTHORITY

Under Africa Bureau Delegation of Authority 551, revised, you, as Director of a Schedule A post, have the authority to authorize new projects with LOP funding up to \$20 million where the Life-of-Project does not exceed ten years You also have the authority, as cited above, to approve a full waiver of the host government's or other sponsor's responsibility to fund international travel in this project

RECOMMENDATION

It is recommended that you approve and authorize the Swazi Business Development Project, 645-0235, and approve a full waiver of the host government's or other sponsor's responsibility to fund international travel for SGBT staff by signing this Action Memorandum, the attached Project Authorization and the Project Paper Project Data Sheet

APPROVED

Ray D. Clark

DISAPPROVED _____

DATE

8/16/91

Attachments

- 1 Project Authorization
- 2 Project Data Sheet and Project Paper, with annexes

Drafted	S Fine	PROG, 8/7/91		
Clearances	EBaker PD/PEO	draft	Date	8/7/91
	MKenyon RCO	draft	Date	8/7/91
	TRiedler RLA	draft	Date	8/8/91
	LPalmer A/CONT	<u>E Palmer</u>	Date	<u>8/9/91</u>
	MHuntington DD	<u>MH</u>	Date	<u>8/15/91</u>

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT DATA SHEET

1 TRANSACTION CODE: A = Add, C = Change, D = Delete. Amendment Number: _____

DOCUMENT CODE: 3

2 COUNTRY/ENTITY: SWAZILAND

3 PROJECT NUMBER: 645-0235

4 BUREAU/OFFICE: AFRICA AF 06

5 PROJECT TITLE (maximum 40 characters): SWAZI BUSINESS DEVELOPMENT PROJECT

6 PROJECT ASSISTANCE COMPLETION DATE (FACD): MM DD YY 12 31 95

7 ESTIMATED DATE OF OBLIGATION (Under B" below, enter 1, 2, 3, or 4)
A. Initial FY 91 B. Quarter 4 C. Final FY 11

8. COSTS (\$000 OR EQUIVALENT \$1 =)

A. FUNDING SOURCE	FIRST FY 91			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(1,050)	(450)	(1,500)	(4,050)	(1,950)	(6,000)
(Loan)	(-)	(-)	(-)	(-)	(-)	(-)
Other 1						
L.S. 2						
Host Country		400	400	-	400	400
Other Donor(s)						
TOTALS	1,050	850	1,900	4,050	2,350	6,400

9 SCHEDULE OF AID FUNDING (\$000)

A. APPRO- PRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1 Grant	2. Loan	1 Grant	2. Loan	1 Grant	2. Loan	1. Grant	2. Loan
(1)						1,500	-	6,000	-
(2)									
(3)									
(4)									
TOTALS						1,500	-	6,000	-

10. SECONDARY TECHNICAL CODES (maximum 5 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13 PROJECT PURPOSE (maximum 480 characters)

TO STIMULATE THE GROWTH OF SWAZI OWNED BUSINESSES

14. SCHEDULED EVALUATIONS

Interim MM YY 01 94 Final MM YY 10 95

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify) 935

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page FP Amendment.)

A REVIEW OF THE FINANCING METHODS SELECTED FOR IMPLEMENTATION OF THIS PROJECT ARE INCLUDED IN THIS PAPER, AND ALL THE METHODS SELECTED ARE IN COMPLIANCE WITH CURRENT AGENCY POLICY I HAVE REVIEWED THE METHODS OF IMPLEMENTATION AND FINANCING OF THIS PROJECT AND FIND THEM SATISFACTORY

E. Palmer
for CHARLES E BROOKS
CONTROLLER

17 APPROVED BY

Signature: *Roger D Carlson*

Title: Roger D Carlson, Director

Date Signed: MM DD YY 10/16/91

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

PROJECT AUTHORIZATION

Cooperating Country Swaziland
Project Title Swazi Business Development
Project Number 645-0235

1 Pursuant to the Foreign Assistance Act of 1961, as amended, the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1991, Africa Bureau Delegation of Authority No 551, as amended, and the authority delegated under 90 State 245894, I hereby authorize the Swazi Business Development project (Project) for the Kingdom of Swaziland, involving planned obligations of not to exceed six million United States Dollars (\$6,000,000) in grant funds from the Development Fund for Africa (DFA), over a four-year period from the date of authorization, subject to the availability of funds in accordance with the A I D OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project Except as A I D may otherwise agree in writing, the planned life of the Project is approximately four years and five months from the date of initial obligation

2 The Project is designed to stimulate the growth of Swazi-owned businesses The Project will be implemented primarily by a non-profit, tax exempt trust established under Swazi law for purposes of the Project Under the Project, A I D will enter into a cooperative agreement with the newly established trust pursuant to which A I D funds will be granted to the trust to implement Project activities Project activities will endeavor to increase access to credit for small-scale businesses, forge business exchanges between small-scale and larger enterprises, improve essential business skills, and strengthen business associations and improve the overall small business climate in Swaziland, among other things

3 The Project Cooperative Agreement and other appropriate Project instruments, which may be negotiated and executed by the officers to whom such authority is delegated in accordance with A I D regulations and delegations of authority, shall be subject to the following essential terms and covenants, together with such other terms and covenants as A I D may deem appropriate

a Source and Origin of Commodities, Nationality of Services

The source and origin of commodities and the nationality of suppliers of commodities and services financed under the Project shall be in accordance with Africa Bureau Delegation of Authority No 551, Section 5F Accordingly, commodities financed by A I D under the Project shall have their source and origin in Swaziland, the United States or any other country included in

A I D Geographic Code 935, except as A I D may otherwise agree in writing Except for ocean shipping, the suppliers of commodities or services shall have Swaziland, the United States or any other country included in A I D Geographic Code 935 as their place of nationality, except as A I D may otherwise agree in writing Ocean shipping financed by A I D under the Project shall, except as A.I.D. may otherwise agree in writing, be financed only on a flag vessel of the United States Procurement of commodities and services shall be from the U S to the maximum practicable extent

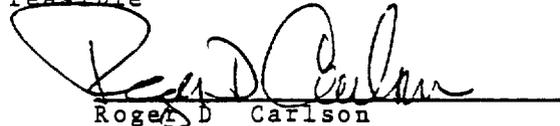
b Covenants

The Project Cooperative Agreement shall contain, in substance, the following special covenants The Cooperative Agreement recipient agrees to

(i) explore and institute procedures and practices that will enable the trust to charge reasonable fees to clients for services rendered and cover costs of doing business with such fees and other charges to the maximum practicable extent to ensure sustainability of the trust's programs,

(ii) use its best efforts, including efforts by the trustees, to raise funds and other means of support for the trust from sources other than A I D , and to participate in training programs concerning fund-raising that may be financed under the project, or otherwise, and

(iii) use all resources available to the trust to implement project activities, including resources contributed from sources other than A I D , to the extent feasible



Roger D Carlson
Director
USAID/Swaziland

AUG 16 00

Date

Clearances Tim C Riedler, RLA Draft
Mary Huntington, DD MH
Ed Baker, PD/PEO EB
Susan Fine, A/PROG SF
Charles Brooks, CONT C Brooks

DRAFT TRIEDLER DLC AUTHORIZ/SWA
04/04/91
REVISED 06/24/91

SWAZI BUSINESS DEVELOPMENT PROJECT
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Acronyms

AID	Agency for International Development
AID/MS/OP	AID Management Services/Office of Procurement
AID/MS/OP/COM/P	AID Management Services/Office of Procurement /Commodities and Procurement
BDA	Business Development Advisor of SBT
BLM	Business Loan Manager of SBT
BMEP	Business Management Extension Program
BOCCIM	Botswana Chamber of Commerce, Industry and Manufactures
BS	Bachelor of Science
BWAS	Business Womens Associations
CAPM	Commercial Agricultural Production and Marketing Project
CARE	CARE International
CMA	Construction Management Assistance
COP	Chief Of Party
DBDA/TC	Deputy Business Development Advisor/Training Coordinator of SBT
DEPS	Department of Economic Planning and Statistics
DGM	Deputy General Manager of SBT
E	Emalangen
EEC	European Economic Community
EO	Executive Officer of SBT
EOPS	End Of Project Status
FY	Fiscal year
GM	General Manager of SBT
GOS	Government of Swaziland
HO	Home Office
IATA	International Association of Travel Agents
IDMA	Intensive Direct Management Assistance
IESC	International Executive Services Corps
IQC	Indefinite Quantity Contract
LCDSS	Limited Country Development Strategy Statement
LOP	Life of Project
LTTA	Long Term Technical Assistance
MBA	Master of Business Administration
MCIT	Ministry of Commerce, Industry and Tourism
MITC	Manzini Industrial Training Center
MOF	Ministry Of Finance
MOWC	Ministry of Works and Communications
MSE	Micro and Small Enterprises
MOU	Memorandum of Understanding
OEF	Overseas Education Fund
PACD	Project Assistance Completion Date
PD/PE	Project Development/Private Enterprise Office/USAID Swaziland

14

PD&S	Program Development and Support
PID	Project Identification Document
PIO/T	Project Implementation Order for Technical Assistance
PP	Project Paper
PSC	Personal Service Contractor
RCO	Regional Contract Officer
RFP	Request For Proposals
RHUDO	Regional Housing and Urban Development Office
RMA	Rand Monetary Area
RRA	Rapid Rural Appraisal
SACU	Southern African Customs Union
SADCC	Southern African Development Coordination Conference
SBA	Small Business Advisors of SBGT
SBD	Swazi Business Development Project
SBDP	Swazi Business Development Project
SBGT	Swazi Business Growth Trust
SBF	Small Business Facilitators of SBGT
SCA	Swaziland Commercial Amadoda
SCOT	Swaziland College of Technology
SDSB	Swaziland Development and Savings Bank
SE	Small Enterprises
SEAS	Small Enterprise Advisory Service
SEDCO	Small Enterprises Development Company
SIBAKHO	Small Business Organization
SIDC	Swaziland Industrial Development Company
SME	Small Medium Enterprises
SNBC	Swaziland National Business Council
SNL	Swazi National Land
STRIDE	Swaziland Training and Institutional Development Project
STTA	Short Term Technical Assistance
SUPA	School Uniform Procedures Association
SWASSIA	Swaziland Small Scale Industry Association
SWFT	Swaziland Women s Finance Trust
TA	Technical Assistance
TPU	Trade Promotion Unit
UNDP	United Nations Development Program
USAID	United States Agency for International Development
VOCTIM	Gwamile Vocational and Commercial Training Institute-Matsapha
WWB	Women s World Banking

I EXECUTIVE SUMMARY

The Swazi Business Development Project (SBD) is a four and a half year, US\$6 million, E1 million project, whose goal is to increase Swazi incomes and expand the employment-generating capacity of businesses owned by Swazis. The project's purpose is to stimulate the growth of Swazi owned businesses. This project represents Phase I of an anticipated longer-term effort by USAID in this sector.

Project beneficiaries will be primarily from small scale Swazi owned and operated businesses with growth potential. They will include established businesses, individuals with demonstrated managerial and technical skills, a sound business plan and some capital, or entrepreneurs who have achieved success in one line of business and who wish to diversify. Characteristics of the majority of the target group include having a fixed place of business, and employing at least one person other than the owner. The project aims ultimately for national coverage, although coverage may be limited in the early years due to start-up constraints and personnel and fund limitations.

Swaziland has shown impressive economic growth, largely private sector-led, since independence in 1968. Particularly in the past five years, foreign investment has boomed. However, despite this success, Swaziland faces serious challenges in the future. The country has failed to generate a broad base of Swazi entrepreneurs that spread economic growth more equitably. The private sector exhibits a sharp and growing gap between the medium and large scale sector, overwhelmingly owned and managed by expatriates, and the small and micro scale enterprise sector of Swazi owned and operated firms. Institutional linkages, and even communications, between these two private sectors have never developed leading to mistrust and a failure to work together. For the long-term economic development of Swaziland, it is critical to expand the base and size of Swazi owned businesses. This will disperse the benefits of growth more broadly in the society and will further anchor the Government of Swaziland (GOS) commitment to private enterprise and free markets.

In considering how best to encourage Swazi enterprise, AID reviewed the constraints limiting the expansion of small business and selected the interventions described below to achieve the overall project goal and purpose.

- To increase access to credit, the project will create a small business credit program that will provide small business

loans and technical assistance to these borrowers. Loans will primarily be in the range of E1,000 to E20,000 (US\$1=E2.50). The project will also provide technical assistance and guarantees for a limited number of loans greater than E20,000, where firms show substantial prospects for growth but are unable to access other sources of commercial credit.

- To forge business linkages between small scale businesses and large enterprises, the project will provide intensive direct management assistance to local firms to improve their managerial and production capabilities, and will encourage the development of business relationships between small and large businesses and small businesses and the GOS.

- To improve essential business skills, the project will support training for the small scale business sector. This will include both group training and individual direct management consultations to participating firms.

- To strengthen business associations and to improve the overall small business climate in Swaziland, the project will improve the quality of services offered by business associations through organizational advisory services, long term personnel support, commodities, and program support. Business associations will also receive support to engage in activities which improve the general policy environment for small business growth.

- To provide an institutional vehicle for assistance to the small business sector, the Swazi Business Growth Trust (SBGT) will be formed. This option was chosen as no other suitable alternative delivery mechanism could be found. The PID proposed that this institutional gap would be filled by an implementing unit which would be disbanded at the end of the project. The PID guidance cable questioned that idea and suggested exploring the option of a permanent institution. Swazi business people who were interviewed during the project paper design expressed their preference for a permanent non-governmental institutional option. Such a model was identified by the design team as being implemented successfully in Egypt and South Africa. The Trust was thus modeled after these successful private sector small business credit and service organizations, although the option of merging some or all of the functions of the Trust into one of the existing business organizations remains an open question to be explored during project implementation.

One disadvantage to this model is the initial high cost in developing the institution which reduces funds available for the actual delivery of services during the project. This is offset by the institution's potential for future delivery of such services to many more beneficiaries beyond the

life-of-project. An advantage of the model is its private enterprise orientation which tasks the Trust to seek sustainability through earnings from charges for services and through endowments or program funding from the private sector and other donors. The AID project design does not project that the Trust will reach sustainability through earnings during the life-of-project. The design does assume a follow-on AID project to provide more time for the Trust to reach this capacity. In addition, the project provides for the institutional contractor to provide expert technical assistance to advise the Trust Board and staff on fund raising techniques. The contractor will also continuously examine, develop and implement options in support of the sustainability of the Trust. In signing the cooperative agreement, the Trustees will commit themselves to participate in the seeking of funds and other support for the sustainability of the institution. Assuming that, during the project, the Trust delivers its program to small businesses in a creditable manner, SGBT will be attractive to international donors and private sector contributors as a way to support small business growth in Swaziland.

Also, recently received preliminary data from a small business baseline study indicate that the target group may be greater than conservative estimates used to develop this project. If true, the increased number of SGBT clients would increase earnings from SGBT programs such as credit and enhance the sustainability of the Trust.

The project will be implemented through SGBT, which will be organized as a private, tax exempt, non-profit legal entity. The operational philosophy of the organization will be that of a business rather than that of a philanthropic organization.

In keeping with that philosophy, fees will be charged for SGBT services provided to clients. Such fee earnings will be maintained in a separate interest bearing account during the life-of-project for use by the Trust after the Project Assistance Completion Date only for purposes consistent with the objectives of this project in furtherance of small business development in Swaziland. During the project, to further project objectives, exceptions to this policy could be approved by AID. An example of such an exception would be for use in topping off the credit guarantee fund to replace losses due to defaults.

Day-to-day project activities will be managed by SGBT, in part through a direct AID contract with an institutional contractor with extensive experience in the private sector especially small business project development and management. This contractor will be selected by USAID in collaboration with the

SGBT Board through a competitive bidding process and will provide team members to act as management personnel for SGBT

Project costs are estimated as follows

SUMMARY BUDGET BY FOREIGN EXCHANGE
AND LOCAL CURRENCY COSTS
IN US 000 s

BUDGET ELEMENT DESCRIPTION	FX	AID LC	TOTAL	GOS LC
Technical Assistance	3,590	332	3,922	
Operating Expenses	50	1,546	1,596	
Evaluation Audit & Project Management	392	90	482	
Credit Guarantee	-	-	-	400*
	4 032	1,968	6,000	400*

*Represents E1,000,000 of Section 416 Funds which are local currency funds jointly programed by USAID and the GOS

II BACKGROUND

A DEVELOPMENT CONTEXT

Swaziland is one of only a few African countries that has achieved strong and sustained economic growth in the post-colonial period. Since independence in 1968, economic growth has averaged nearly 5 percent per annum, enough above the population growth rate of 3.4 percent to generate a sizeable increase in per capita income. The Swazi economy has performed extremely well since 1985, fueled by investment capital and favorable prices for key exports such as sugar and wood pulp. During the past five years, economic growth has averaged nearly 6 percent per annum, employment has increased by roughly the same amount, and the export sector, especially manufactured exports, has boomed. Swaziland has a very attractive investment climate, largely due to the favorable macroeconomic environment.

Several other factors have also played a major role

Political stability Swaziland has enjoyed over twenty years of stability under the ruling monarchy, which has maintained a delicate balance between traditional institutions and values and the imperatives of modernization.

Economic linkages between Swaziland and South Africa

Sanctions and political unrest in the Republic of South Africa have promoted investment in Swaziland. Under the Southern African Customs Union (SACU) agreement, goods and services move freely, without duty, across the Swaziland - South Africa border. Similarly, under the Rand Monetary Area (RMA), the Emalangeni and the Rand are unofficially linked in value and freely convertible. These features, Swaziland's conservative monetary and fiscal policies, and preferential access to European community, eastern and southern African markets have made the country attractive for investors.

Active investment promotion By offering tax relief and other incentives Swaziland has attracted new investment. A co-financing program undertaken by the Swaziland Industrial Development Company (SIDC), a development finance company established by the GOS and other international donors, provides medium and long-term lending and takes equity positions in new enterprises.

Cautious and conservative government policies While the SACU and the RMA provide an element of discipline by precluding import substitution policies and monetary expansion, the GOS has consistently pursued sound and cautious fiscal policies, avoiding wasteful spending and maintaining generally modest tax rates. There is a favorable policy environment for private enterprise with minimal government controls and regulations. Talented, well-educated Swazis, who have chosen government service, are responsible for the policies which make their government one of the most fiscally responsible and stable governments in Africa. Since independence, Swazi nationals have replaced expatriates at virtually every level of government.

Caution and conservatism has generally served Swaziland well, but some problems call for a more active approach. Slow GOS planning and implementation of capital projects has led to an emerging infrastructure crisis, especially in the growing urban areas. Unemployment is a major problem, with the numbers of jobless increasing sharply each year. Furthermore, the private sector lacks a broad base of Swazi entrepreneurs that would spread the benefits of economic growth across the society. The GOS is increasingly aware of these problems, and, with support from the donor community, including USAID, is designing steps to address them.

Despite its success with private sector development, Swaziland faces serious challenges in the future. The private sector exhibits a sharp and growing dualism. The numerically small

but rapidly growing large scale sector overwhelmingly owned and managed by expatriates, contrasts with an underdeveloped and inefficient small scale enterprise sector of Swazi owned and operated firms. Institutional linkages, and even communications, between these two private sectors have never developed, leading to mistrust and failure to generate mutually beneficial initiatives. Furthermore, the dialogue between the private sector as a whole and the GOS could be strengthened to result in more proactive small business policies.

B PROJECT RATIONALE

While the Government of Swaziland (GOS) has long been committed to private sector-led development, the expansion of Swazi-owned businesses has not kept pace with the overall dynamic performance of the economy. An undesirable structural gap between the expatriate dominated medium and large firm sector and the large base of Swazi-owned small and micro-enterprises has resulted. The ensuing lack of a vibrant Swazi-owned small and medium business sector has limited the employment multiplier effect of the substantial new foreign investment Swaziland has attracted in recent years. It has also raised costs for the large-firm sector by forcing them to provide their own services and procure virtually all non-resource based inputs from South Africa.

The maintenance and strengthening of Swaziland's favorable investment climate (thus ensuring the continued flow of foreign investment needed to maintain economic growth and provide employment opportunities) can be best achieved by a vigorous effort to support the expansion of Swazi enterprises. Political pressures to address this issue are rising. Expanding the base of Swazi entrepreneurship will spread the benefits of growth more broadly and anchor the GOS commitment to private enterprise and free markets. The promotion of Swazi business will provide other important economic and social benefits.

- Swazi business will help absorb a portion of the thousands of new job seekers entering the market each year.
- Stronger economic linkages will be created between sectors of the economy.
- The promotion of small enterprise will make the business sector as a whole more accessible to Swazi entrepreneurs, thereby increasing Swazi ownership in the economy, and influencing more equitable wealth distribution.

C AID AND OTHER DONOR ACTIVITIES

Program Factors Affecting Project Selection

1 Conformity with GOS's Strategy

The GOS has espoused the virtues of a free market economy and private sector development since independence in 1968. The second of three priorities in the Fourth National Development Plan, the government's guiding policy document, is the stimulation of private investment in existing and new activities. Recent policy statements reinforce this orientation. In the 1991 budget speech, the Minister of Finance encouraged the deepening and diversification of the economic base through policy that encourages productive private investment.

He also mentioned the Swazi Business Development Project indicating that the initiative has great significance for Swaziland because it offers the potential of Swazi businesses creating employment for other Swazis. Recent discussion between USAID and GOS officials reconfirm that the SBD project's objective and approach are compatible with GOS priorities. The GOS has become increasingly sensitive to public sentiment that it is primarily interested in promoting foreign investment. Officials are anxious to signal commitment to the Swazi business sector. This project, the first comprehensive donor effort to address the specific needs of Swazi business, will be an important step in this direction.

2 Relationship to USAID/Swaziland's LCDSS and Action Plan

The stated program goal of USAID/Swaziland's FY1991-1995 LCDSS is to expand Swaziland's accelerating economic growth into a process of equitable and sustainable development that enhances the quality of life of all Swazis. Of nine constraints identified in the LCDSS, the three critical ones amenable to USAID interventions are rapid population growth, an education system not sufficiently adapted to the needs of the economy and inadequate Swazi participation in the modern economy. The LCDSS states that the indigenous business environment is dormant, and over the long term that factor will inhibit the broadening and diversification of the economic base. Greater Swazi participation is essential to avoid the social and political tensions which will increase if Swazi participation is not assured. The Mission's inclusion of a private sector strategy component in its LCDSS responds to this constraint, demonstrating a commitment to the expansion of the indigenous private sector as a key element in ensuring equitable and sustainable growth in Swaziland.

The SBD project will help achieve the Mission's strategic objective by helping established Swazi businesses grow and fill the gap between the very small and the large firms and will complement other projects currently underway. These include the Commercial Agricultural Production and Marketing Project (CAPM), which seeks to expand agribusiness and smallholder commercial farming, the Swaziland Training and Institutional Development Project (STRIDE) which will provide in country training for private sector managers, the Business Management Extension Program (BMEP), which provides training, credit and business premises to fledgling micro-enterprises, and a grant to CARE to strengthen the ability of several Swaziland institutions that assist the private sector. These five activities together constitute a coherent approach to achieving greater Swazi participation in the modern economy.

Furthermore, the Mission's FY1991-1992 Action Plan refers specifically to authorization of the SBD project as a priority in meeting one of the Mission's three strategic objectives. To Increase the Number and Size of Viable Swazi-owned Businesses

3 GOS and Other Donor Activities

The Ministry of Commerce, Industry and Tourism (MCIT) is the GOS's lead institution on matters relating to the private sector. MCIT's role is to support and regulate the activities of private enterprises rather than to become directly involved in commercial ventures. (Development Plan 1990/91 - 1992/93) MCIT's programs are aimed at creating a conducive environment for foreign and local investment and increased trade.

The GOS has recently launched a small enterprise loan guarantee program (SSE) through the Central Bank. The scheme will operate through five commercial banks, with the Central Bank providing guarantees for loans up to E50,000. Qualifying enterprises must be majority owned by a Swazi national, with assets not exceeding E150,000.

In the area of export marketing, MCIT has a Trade Promotion Unit (TPU) that receives technical assistance from several donors. The TPU established an export library and undertakes other activities to promote Swazi products, link potential exporters with markets and simplify export procedures. The Integrated Development and Trade, Tourism and Handicrafts Project, funded by the European Economic Community (EEC), supports the activities of the TPU as well as a handicrafts unit that promotes the development and export of handicrafts.

A new project proposed by the UN's International Trade Center to be implemented in conjunction with MCIT and the Central Bank, will

establish a comprehensive export financing facility for small and medium businesses. The scheme will include an export credit guarantee fund and pre and post shipment credit through commercial banks.

The GOS's primary vehicle for supporting Swazi businesses is the Small Enterprises Development Company (SEDCO), a parastatal under MCIT. SEDCO operates seven industrial estates that provide subsidized facilities, training and extension services for small entrepreneurs. The agency has, in the past, offered credit, but the program was terminated due to low repayment rates. SEDCO is widely perceived to be a troubled institution, but a plan to revitalize it by improving the quality and management of the estates and the training program is to be undertaken during the next few years.

MCIT itself provides some business skills training to rural retailers working through the Swaziland Commercial Amadoda (SCA). The training officers require additional training and access to transportation for the program to be more effective.

The Swaziland Industrial Development Company (SIDC) is an autonomous statutory body established by the GOS to promote and assist investment in industry, tourism and agro-industry. SIDC's shareholders include the GOS (37.5 percent), the International Finance Corporation, the German Finance Company for Investment in Developing Countries, the European Investment Bank and two local banks. SIDC also conducts investment promotion on behalf of the GOS. SIDC's purpose is to facilitate large investments -- its minimum involvement is E100,000 -- but it may explore opening a small business loan program in the future.

III PROJECT DESCRIPTION

A PROJECT GOAL AND PURPOSE

The goal of the SBD project is to increase Swazi incomes and expand the employment-generating capacity of Swazi businesses. The purpose of the project is to stimulate the growth of Swazi-owned businesses.

The SBD project will focus primarily on established small businesses with growth potential. The target group will also include individuals with demonstrated managerial and technical skills, a sound business plan and some capital or entrepreneurs who have achieved success in one line of business and who wish to diversify.

Characteristics of the majority of the target group include having a fixed place of business and employment of at least one person other than the owner. The project aims ultimately for national coverage, although coverage may be limited in the early years due to start-up constraints and personnel and fund limitations.

Preliminary studies now being completed show a high number of women owned businesses in Swaziland, indicating that many project beneficiaries will be women entrepreneurs. What is not yet certain is how many of these women-owned businesses fall within the parameters of the target group as defined above. The number may well exceed initial project estimates of 30% women beneficiaries upon which this project has been negotiated with the GOS as a minimum target. During these negotiations it was agreed that the 30% is not a ceiling. All qualified women entrepreneurs who request assistance from the Trust will receive help whenever possible. Once baseline studies are complete, the Trust will be requested to set a revised target for this group based on the final baseline estimates.

Other beneficiaries include the employees of firms that receive assistance through the project and the large firms operating in the country who can obtain local inputs and services more easily and at lower cost. Furthermore, the members of many business associations in the country will benefit from the project, through strengthened business associations which will provide additional member services and training to their members.

B IMPLEMENTATION MODES

The SBD project will achieve its objectives through four implementation modes

- Increasing access to credit,
- Helping Swazi businesses identify and capture new markets, primarily with locally-based large firms and the GOS,
- Improving essential business skills through group training courses and intensive direct management assistance to selected firms
- Improving the quality of services offered by business organizations and associations as well as their ability to engage in dialogue with responsible public and private sector persons to improve the small business climate in Swaziland

C END OF PROJECT STATUS INDICATORS (EOPS)

There are two End of Project Status (EOPS) indicators that will mark the achievement of the project purpose. A baseline survey conducted at the beginning and at the conclusion of the project will specify the project target group and will provide the basis for measuring and quantifying these EOPS.

- 1 Twenty five percent of the project serviced businesses will have increased in size as indicated by increases in one or more of the following, number of employees, sales turnover and/or assets
- 2 Twenty five percent of the project serviced businesses will have demonstrated an improvement in financial health as evidenced by improvements in the following indicators net equity position and current financial ratios

It is anticipated that at least 30 percent of the beneficiaries of the project who achieve these targets will be women

D PROJECT OUTPUTS AND INPUTS

The project will provide a focused mix of inputs to contribute to achievement of the project purpose The planned outputs of the SBD Project are described below

- Output 1 CREDIT Swazi business persons will have increased access to commercial credit as indicated by 500 first time small business borrowers of which 25% will have received repeat loans
- Output 2 STRENGTHENING BUSINESS ASSOCIATIONS Business associations will be providing additional services to Swazi businesses and representing their interests in dialogue with responsible public and private sector entities At least 7 business associations will have established and will be implementing action based plans to provide increased training and services to their members For example, 140 small business improvement courses will have been provided to the business community in coordination with these associations In addition, at least 4 policies constraining small business growth will have been analyzed and discussed in meetings with responsible parties who have the ability to influence or implement policy changes
- Output 3 BUSINESS LINKAGES Small Swazi businesses which have received project inputs are providing goods and services to either large businesses or the GOS At least 15 small businesses will be providing for the first time goods and services to larger businesses or the GOS 10 small Swazi construction firms will have an increased number of contracts with the GOS
- Output 4 TRAINING 1700 persons who are either owners and/or employees of small businesses will have improved business skills in one or more of the following areas planning, management, finance, marketing or technical

Output 5 IMPLEMENTING ORGANIZATION The Swazi Business Growth Trust will have been established and will be providing credit, training, and technical assistance to small Swazi businesses with growth potential

To achieve the desired outputs, the following inputs have been planned

Inputs will include the provision of technical assistance to develop and manage SGBT including its personnel, operations, staff hiring and training, salaries, travel and per diem, space, vehicles, equipment and supplies. Managed by an institutional contractor, technical assistance, training, operational support, travel and per diem, equipment and supplies, will be provided for 1) a small business loan guarantee program, 2) business organization strengthening, 3) linkages between small businesses and larger businesses and with the GOS, 4) improvement of small businesses management and operations. Inputs will also be provided for project monitoring, evaluations, and audits. Details of all project inputs follow within the descriptions of the project components and project implementation, procurement, monitoring and evaluation plans

E IMPLEMENTATION MECHANISM -- THE SWAZI BUSINESS GROWTH TRUST (SGBT)

The implementing unit will be the Swazi Business Growth Trust (SGBT), which will be established prior to the start-up of the project (see Annex C, Attachment 2). SGBT will be a private, tax exempt, non-profit legal entity established under the laws of Swaziland. It will be constituted specifically to implement the project, subject to a Cooperative Agreement. SGBT will have a Board of Directors that will provide overall guidance for project implementation. The operating philosophy of the organization will be that of a business rather than that of a philanthropic organization. It will attempt, as much as possible, to achieve cost recovery for services rendered.

Day-to-day project activities will be managed by SGBT through an institutional contractor who can demonstrate extensive experience in the private sector, especially small business development and management. This contractor will be selected by USAID in collaboration with the SGBT Board through a competitive bidding process. The contractor will field a team of (two) long term advisors, including (1) the Chief of Party, who will be the General Manager (GM) of SGBT and (2) the Business Development Advisor (BDA). Other principal SGBT officers will be the Deputy

General Manager Deputy Business Development Advisor/Training Coordinator and the Business Loan Manager These officers will be recruited by the GM as employees of SBTG The contractor will also be responsible for recruiting and supporting all short term advisors and for arranging the purchase and transfer of commodities

Staff of SBTG will number 17 including professional and support staff The principal structures of SBTG are described below

1 A Board of Directors of approximately nine people composed of respected individuals who are committed to the purpose of the project and who are willing to serve The composition of the Board will include two small business representatives, two large business representatives, one person from a Swazi business association or organization to represent business organizations, two professionals who have substantive private sector related responsibilities, one GOS representative, nominated by the Ministry of Commerce, and a representative from the commercial bank which participates in the credit activity As a condition to the project cooperative agreement, USAID will have an observer, nonvoting, position on the Board The Chairperson will be elected by the Board from among the group of nine Secretariat functions for the Board will be carried out by the Trust's General Manager, who will attend Board meetings for that purpose

The Board's chief role will be a non-executive one It will provide overall guidance to the project and set the general policies of SBTG, acting through the General Manager It will meet quarterly to a) provide overall policy direction to the Trust, b) promote the Trust, c) approve yearly work plans developed and presented by the General Manager The Board will also be responsible for developing a fund-raising plan to ensure the sustained future of SBTG when USAID project funding ceases

2 A Business Advisory Group that will meet periodically to provide feedback to the General Manager on project activity and effectiveness This group will be drawn primarily from the small business community although other interested parties concerned with small business development may be included These advisors will ensure that direct dialogue and feedback from the beneficiary group occurs throughout project implementation The Business Advisory Group's role will be purely consultative It will not have any policy or operational authority in SBTG The General Manager will, however, report on the Advisory Group's input to the Board of Directors

3 A General Manager (GM) will be provided by the US contractor who successfully bids on the SBD contract During the first three years of the project, the GM will manage the day-to-day technical activities of the project and will set up the SBTG offices and procedures The GM will produce SBTG's life-of-project and yearly work plans and reports S/he will develop and review terms of

reference and manage all short term technical assistance. A major responsibility will be recruiting and training the Deputy General Manager to assure a smooth transfer when the GM's contract is completed. As head of SBT, the GM will also promote the SBT concept in Swaziland. The GM will be funded for the first three years of the project.

4 A Deputy General Manager (DGM) will be a direct employee of SBT, recruited locally by the beginning of year 2. The DGM will report to the GM and will act as GM in his/her absence. This person will be expected to replace the GM at the conclusion of the GM's contract. The other professional staff members of SBT will report through the DGM to the GM.

5 A Business Development Advisor (BDA) will be recruited internationally and employed by the US contractor for a period of 36 months. S/he will be responsible for the business linkage component of the project and for organizing direct management assistance to Swazi companies. In addition, the BDA will coordinate the construction management component of the project with the A I D Regional Housing and Urban Development Office (RHUDO) Nairobi. The BDA will recruit, manage, and train the Deputy Business Development Advisor/Training Coordinator, who will take over the BDA function at the end of year 3.

6 A Deputy Business Development Advisor/Training Coordinator (DBDA/TC) will be hired locally in year one to coordinate the project's training component and to replace the DBDA at the end of year three of the project. The DBDA/TC will report to the Business Development Advisor and will work closely with business associations to design small business training courses locally.

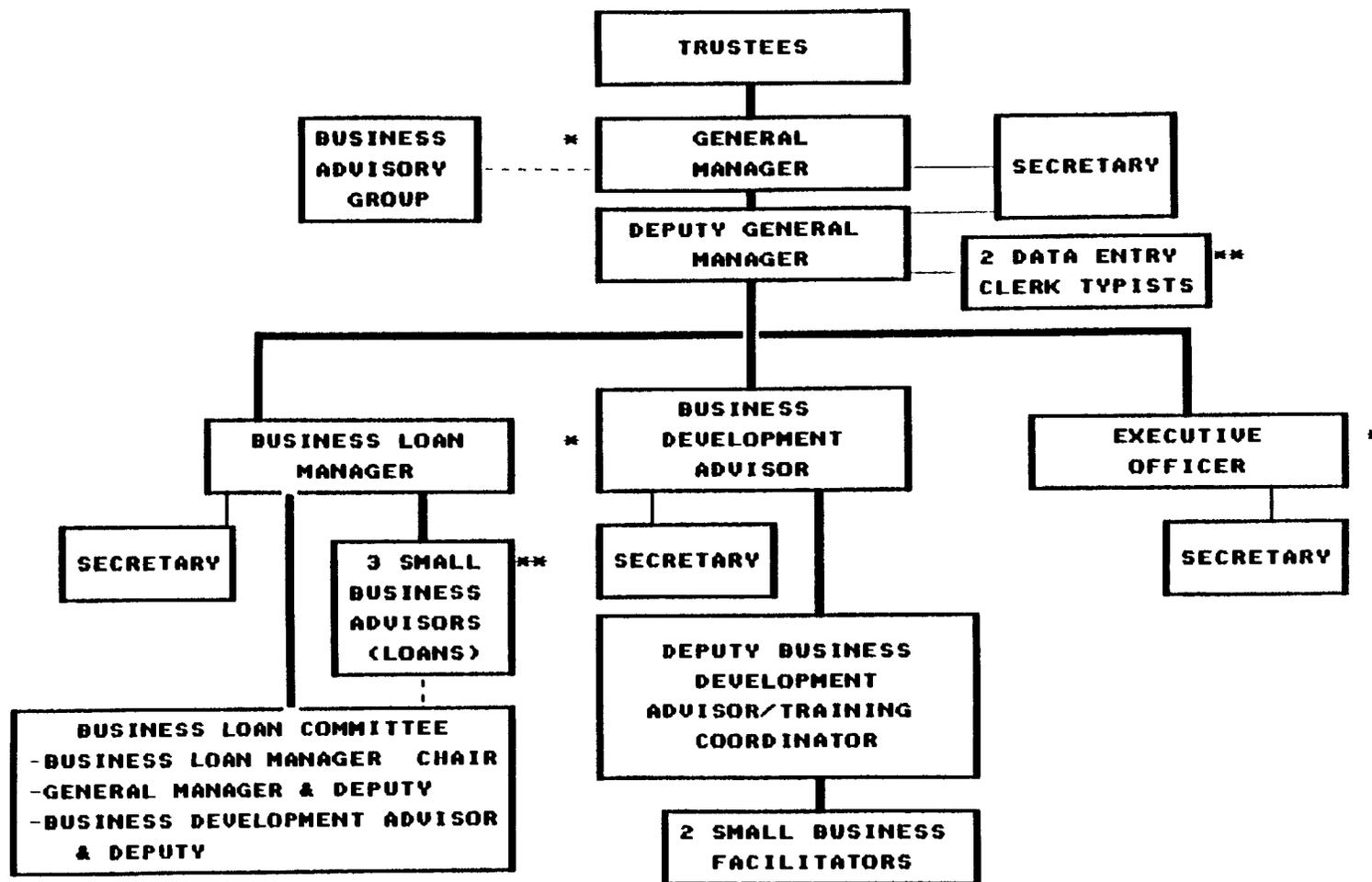
7 Small Business Facilitators (SBF) In years 2 and 3, two facilitators will be hired locally as employees of SBT to provide consultancy services to small businesses. They will report to the BDA.

8 A Business Loan Manager (BLM) will manage the credit component of the project. This person will be recruited locally by the GM as a direct employee of SBT. Although the BLM will report to the GM, s/he will have considerable operational autonomy. The BLM will recruit and develop the Small Business Advisors and establish credit policies and procedures. S/he will chair the Business Loan Committee.

9 Small Business Advisors (SBA)

Three Small Business Advisors will identify potential loan recipients, assist small business persons to prepare business plans and loan applications and monitor loans. Two SBAs will be recruited locally in year 1 and one more in year 2. All will be employees of SBT.

SWAZI BUSINESS GROWTH TRUST



* DENOTES EMPLOYEE OF CONTRACTOR ALL OTHERS ARE SBTG EMPLOYEES

** DENOTES ONE OF THESE EMPLOYEES STATIONED IN MANZINI

07-30-1991

10 An Executive Officer (EO), recruited locally as an employee of the technical contractor for 36 person months, will set up office systems and procedures, procure office equipment and other commodities, and prepare invoices and financial reports for the contractor and the SBT. When the technical contract has been completed, the EO will continue with SBT as a direct employee of the Trust.

11 Four Secretaries and two Data Entry Clerk Typists will be responsible for general office secretarial and clerical support. The secretaries will report to the General Manager, the Business Development Advisor, the Executive Officer, and the Business Loan Manager respectively. The clerk will be responsible for data entry of project monitoring information required for project management and evaluation and will report to the Deputy General Manager.

F PROJECT COMPONENTS

The SBT will implement and coordinate the activities of the four project components. They are:

- creation of a small business loan program,
- forging business linkages between small and large firms,
- providing business training to Swazi small business,
- strengthening business associations and encouraging changes to improve the environment for small business.

Each project component is discussed in detail below.

1 The Credit Program

A key constraint to small business growth is the inability of small businesses to obtain credit. Small businesses are reluctant to approach commercial banks. They realize that their lack of bookkeeping and managerial experience, inability to prepare and present business plans, and lack of collateral are barriers to obtaining loans. Furthermore, the banks face a shortage of management time. Small business lending takes time, has high transaction costs and thus is considered by banks as uneconomical.

To overcome these constraints and open a credit window to small businesses, the project will establish a credit unit within SBTG. This unit will provide small business persons with credit application preparation and business planning assistance as well as credit appraisal and monitoring. In addition, the project will provide for a guarantee fund to insure against defaults. The guarantee will be funded with E1 million of Section 416 local currency funds. These funds were generated from the sale of wheat donated to Swaziland by AID in 1987. The use of these funds is jointly programmed by USAID and the GOS. The project will establish a credit unit within the SBTG to help borrowers obtain loans from a commercial bank by assisting in the preparation of loan applications. The credit unit will operate two distinct programs: the Small Loan Program and the Loan Assistance Program. A brief description of these programs follows:

a) The Small Loan Program

This program will provide small businesses with loans from E1,000 to E20,000. The range was chosen because it falls below the level at which Swaziland's commercial banks consider lending to be economical and because loans below E1,000 are generally not critical to the target group. Lending to businesses which require loans below E1,000 is beyond the scope of the project, requiring a different type of intervention.

To establish the Small Loan Program, SBTG will enter into an agreement with a commercial bank. Under the agreement, the Trust will provide a loan guarantee, as well as loan preparation, appraisal and monitoring services. The bank will grant loans using its own funds and keep adequate accounting information to monitor loan performance. Over time, based on successful implementation of the programs, the bank will be expected to increase the level of lending of its own funds against the guarantee fund at an agreed upon ratio, giving more impact per Emalangen. Borrowers will not be expected to provide collateral. The bank will be the prime lender.

b) The Loan Assistance Program

This program will assist small businesses which require loans larger than E20,000. Initially, business planning and loan application preparation assistance will be provided by the Trust to these businesses to help them apply for credit through normal commercial bank channels, particularly banks participating in the Central Bank's small business loan guarantee program. Clients participating in this program will be drawn from those medium Swazi firms which have excellent potential but have been

unable to obtain credit from commercial banks because of their inability to satisfactorily present their loan proposals to banks or because they are unable to meet commercial banks collateral requirements. These clients, which may also have loan proposals which fall outside of the eligibility criteria of the Central Bank's credit guarantee program, may be considered for further SGBT assistance as follows. When a firm is one with which SGBT has been working in its linkage or business development programs, and when the firm shows significant growth possibilities, SGBT may provide a full or partial guarantee of the credit package.

Initially, E200,000 of the E1,000,000 guarantee fund will be allocated to the Small Loan Program and E800,000 will be placed against the Loan Assistance Program. This split has been determined on the basis of estimated demand levels. It takes into account the fact that as the participating bank gains experience with the Small Loan Program, it is expected to be willing to leverage the fund at 4:1. Thus, funds available for the Small Loan Program will be expanded to approximately E1,000,000 by the end of the project. Because the Loan Assistance Program will handle a very much smaller volume of loans, leveraging of the E800,000 is unlikely. The bank agreement will contain flexibility in the split between these amounts so that any necessary adjustments between these programs may be made based on experience.

The General Manager will periodically review the split, reporting to the Board any need to make a change. Furthermore, one year following the initiation of the credit program, the total amount assigned to the guarantee fund will be reviewed by the GOS and AID to determine if sufficient funds have been allocated for credit. If it is determined that additional funds are needed, both parties will hold discussions to review alternatives for increasing the fund.

c) Staffing

The credit unit will be headed by the Business Loan Manager reporting to the Deputy General Manager of SGBT. Other staff will include three Small Business Advisors (two recruited initially and one a year later) and support staff. Credit decisions will be made by the Loan Committee. To conserve project funds, no credit staff will be recruited until such time as funds for the SGBT Credit Guarantee Program have been granted to SGBT by the GOS and have been deposited into the participating commercial bank. Each position is described briefly below.

The Loan Committee will be comprised of the Business Loan Manager (Chair), the General Manager, the Deputy General Manager, the Business Development Advisor, and the Deputy Business Development

Advisor It will approve or disapprove all loan applications
The General Manager may select alternate members when primary
members are absent

The Business Loan Manager will coordinate all credit unit
activities This will include recruiting and training Small
Business Advisors, pre-appraising loans, developing procedures
and ensuring compliance with procedures S/he will work closely
with the Business Development Advisor to coordinate direct
management assistance

The Small Business Advisors will be responsible for identifying
potential loan recipients, assisting clients in the preparation
of loan applications, monitoring loan use repayment and
counseling clients

d) Training and Technical Assistance

To establish the unit, six months of initial technical assistance
will be provided to assist in development of procedures and
manuals, reviewing the fee structure, and advise on recruitment,
procedures and bank negotiations Staff will receive training,
both initially when they are hired, and on a continuing basis
over the life of the project Two months of initial loan
training and two months for an observational tour to the Get
Ahead Foundation in South Africa are planned Four person months
of continuing training will also be furnished over the life of
the project

e) Bank Agreement Establishing the Credit Program

USAID will enter into a Memorandum of Understanding (MOU) with a
local commercial bank prior to the establishment of the SGBT
which sets forth the parameters for the relationship between SGBT
and the bank for the Credit Program (See Annex F, Attachment
2) Subsequently, SGBT will enter into a detailed agreement,
based upon the MOU and negotiated by the General Manager, the
short term Credit Advisor and USAID's project manager The main
features of the MOU and the agreement will be

(1) Small Loan Program

- The SGBT will deposit a guarantee fund with bank, earning
a high rate of interest The SGBT will prepare, evaluate
and monitor all loans The bank will automatically grant
loans of less than E20,000 to any applicant recommended
by the SGBT The bank will be the prime lender and will
lend its own funds at an increasing rate relative to the
guarantee fund, according to a negotiated scale and based
on positive experience with the loan program

- Interest on loans will be at normal commercial rates
The bank will also charge its usual fees
- Once a loan has been disbursed, the bank shall use due diligence to collect repayments on the loan and utilize its usual procedures and notices to this end. The SBTG will monitor the loan repayments and provide borrowers with technical assistance and encourage repayment as necessary
- In case of default (i.e., loans falling more than a negotiated number of days overdue - probably 110 days), the bank shall have the option to automatically draw down on the guarantee fund for the outstanding balance, provided notice is given to the SBTG. Once a loan is in default, the bank shall turn over the collection of the loan balance to the SBTG
- The bank will also have the option to withdraw from the program and terminate further loans if the default rate on all outstanding loans exceeds a negotiated percentage (probably 20%)
- The bank will provide the SBTG with monthly reports on loan performance which the SBTG will use to monitor the loan portfolio
- SBTG will charge each applicant 10% of the loan amount in advance for its services

(2) Loan Assistance Program

For the Loan Assistance Program, the Bank will fully participate with SBTG in the review of credit applications, genuinely seeking, whenever possible, to meet the clients' credit requirements within its normal credit procedures or against the Central Bank Small Business Credit Guarantee Program. When the Trust's funds are used for a guarantee for this Program, it should be as a last resort.

f) Sustainability

The participating commercial bank will be the prime lender and a continuous point of contact with the borrower, the objective being to bring the borrower onto the commercial banking ladder. Default rates in other countries with similar schemes have been very low. Interest and other charges will be set at a level which prevents decapitalization of the guarantee fund.

Borrowers under the Small Loan Program will pay a fee, 10% of the loan amount for the assistance they receive. This fee may be adjusted based on experience in keeping with the sustainability requirements of the Trust and capacity of small businesses to cover such costs. The short term Credit Advisor will review the fee schedule and report on its appropriateness and recommend alternatives if a different schedule or mechanism is indicated. The General Manager will report to the Trust Board and USAID on findings and will recommend changes if any. If the 10% fee is maintained, it will contribute approximately E200,000 to project funds over the life of the project. Borrowers receiving Loan Assistance services will pay 2% of the loan amount plus 2% of any guarantee provided. This will contribute a further E100,000 to project funds over the life of the project.

2 Business Linkages (Business Development Advisory Program)

This component will assist small businesses with growth potential to develop business relationships with large, local companies and the GOS. Linkages between the smaller Swazi enterprises and these larger entities will generally occur through subcontractual relationships.

The component will promote, establish and publicize successful linkages, primarily through direct management assistance to individual small firms. Other components will support linkage development, especially the training and the business association strengthening components. Training to improve technical, marketing, quality control and service capabilities is essential to linkage development.

The linkage approach offers considerable potential to expand small business. A widespread belief exists among the small business community that large firms do not look to them for services. Instead inputs and services are imported or provided in-house at greater financial and managerial cost. Larger firms are fully aware of the benefits of sourcing inputs and services locally. However, they are concerned about quality control and service levels. They are not often approached by Swazi businesses which are able to provide these products and services.

This component will address the problems of lack of information on what is available from smaller business, large business inertia, and lack of capability on the part of small business.

a) Staffing

The project will establish a Business Development Unit in SBGT. The unit will be headed by the Business Development Advisor funded for 36 months, who will supervise the Deputy Business Development

Advisor/Training Coordinator, funded for 48 months Two Small Business Facilitators will be added to the Unit, one each in years 2 and 3, for a total of 60 months Short term technical assistance will also be provided

The Business Development Advisor will provide direct management assistance to a number of selected businesses with significant growth potential, coordinate specific technical assistance needed by the businesses, and promote business linkages both directly and through support of other project components The Business Development Advisor will also be responsible for coordinating the construction management sub-component with the other project activities This component will provide a three year program of on-the-job training in construction management S/he will promote a continuous dialogue between large and small business persons and the GOS throughout the life of project, arranging periodic forums for such contact S/he will also serve as a resource to the other project components and will identify opportunities to assist other SGBT staff Examples of these activities include - advice on preparation of a small business directory and on policy matters affecting the creation of linkages and liaison with the credit unit

The Deputy Business Development Advisor/Training Coordinator will be responsible for coordinating all training provided under the project This will include liaison with business associations, other training institutions, and other AID projects S/he will be responsible for developing course curriculum, evaluating courses, and, where appropriate, acting as an instructor Training will be provided to support all project components as follows

- Short technical workshops and business management improvement workshops provided through the business association strengthening component,
- Institutional development training also provided through the business association strengthening component,
- Credit training provided to SGBT staff as part of the credit component

- Rather than providing the training directly, local and regional training facilities and institutions will be used, to the greatest extent possible Likewise, local business associations will be utilized, as feasible, to support, coordinate and implement the training (The SBDA and the Training Coordinator will visit BOCCIM, an association of small and large businesses, in Botswana as part of their initial training BOCCIM has been providing business training with USAID support for the past three years and is an integral part of the Botswana Private Enterprise Development Project there)

Small Business Facilitators will be added as the unit's workload grows. They will be responsible for providing direct management assistance to small businesses at a lower level than provided by the BDA. During the first year of the project, while initial contact with the target group is made, these functions will be carried out by the Credit Program's Small Business Advisors. A total of 60 person months has been budgeted for the Facilitators. The Small Business Facilitators may be brought on earlier than planned if the need becomes apparent. Included within the 60 person month budget for the Facilitators are funds for 24 person months for this contingency.

b) Activities

The Business Development Unit will undertake the following activities:

(1) Survey of Large Businesses

The Business Development Advisor will conduct a survey of large businesses to identify potential linkage opportunities. It will be conducted using a structured survey questionnaire to ascertain inputs and services procured locally, inputs and services procured outside Swaziland, and inputs and services provided internally. The survey will also determine factors influencing sourcing decisions.

(2) Selection of Small Businesses for Intensive Direct Management Assistance

The Business Development Advisor will select small businesses to receive intensive direct management assistance (IDMA). The selection will take into account a number of factors:

- Potential market demand for the product or service
- Evidence of the business's expansion potential
- The value of the business, once expanded, as a role model
- The likelihood that assistance will result in rapid expansion of the business

Approximately thirty businesses will receive IDMA over the life of the project. In addition, a number of businesses will receive less intensive assistance through extension services.

(3) Intensive Direct Management Assistance (IDMA)

The aim of IDMA will be to facilitate the growth and viability of the participating businesses and add to the business knowledge and skill of the owners. For the recipients of IDMA, the Business

Development Advisor will start by assisting the business owner to prepare a business plan. The plan will cover marketing (including target companies), finance and cash management, production and quality control, credit and sales policy, capital investment, purchasing, and personnel/training requirements.

The business owner will pay a nominal fee, perhaps E500, for preparation of the plan. Once the plan has been prepared, the Business Development Advisor will determine whether the owner requires implementation assistance. This will be provided by the BDA on an extension service basis over a one to six month period. The amount of assistance will depend on the complexity of the business and the managerial sophistication of the owner. The business will be required to pay for this assistance. The proposed charge will be E350 per month.

The Business Development Advisor will spend approximately 50 percent his/her time on the provision of direct management assistance. In addition, the BDA can draw on 16 person months of short term technical assistance available to supplement his/her activities. This TA will be provided where additional detailed or specialist technical assistance is required that the BDA is unable to provide due to time or skill constraints.

In a number of cases client businesses will need either standardized training (such as a marketing course) or specialist technical training. This training need will be referred to the Deputy Business Development Advisor/Training Coordinator.

(4) Small Business Counseling

The Small Business Facilitators will provide business advice to businesses not receiving specific direct management assistance. The services provided will be similar but less intensive, with the officer making typically one or two visits per month to the client businesses. Businesses will be identified for this support through the credit component or through the client selection process. Clients will be asked to pay a small monthly fee for extension services. This amount will be reviewed periodically.

(5) Construction Management

The Business Development Advisor/Training Coordinator will be responsible for coordinating the construction management training sub-component with the other project activities. This component will provide a three year program of on-the-job training in construction management skills to small and medium-scale Swazi owned contracting firms and assistance to the Ministry of Works and Communications (MOWC) to revise tendering procedures. This assistance will encourage linkages between small Swazi contractors.

and the large firms operating in the country. It will also help to increase the number of small contractors hired under government contracts. This will be provided with technical support from the RHUDO office in Nairobi and is designed to assist small constructor contractors.

(6) Sustainability

Although SGBT will charge a nominal amount for all of the services provided under this component, it is unlikely that this level of assistance will be sustainable without continued support. Thus, the primary measure of sustainability will be the growth of the businesses. The majority of participating businesses will continue to grow after project completion. Additionally, the successful linkages will serve as an example and a role model to other small and large businesses of what can be achieved. This will encourage further development of linkages perhaps promoted through the larger business associations. It is noted that all fees charged for these services will be subject to periodic review by the General Manager and such review will take into account sustainability issues and the capacity of small businesses to pay.

3 Business Management Training

Impediments to small business growth consistently identified by the project design group include weak marketing, financial, technical and business planning skills. Training under the project will attempt to address these constraints in order to increase the size and stability of established Swazi business. The training component will not operate as an independent unit, but will be closely coordinated and integrated into other project elements, especially those of the business association strengthening component and the activities of the Business Development Advisor. Where feasible, training activities will be conducted with the support and sponsorship of the business associations. Furthermore, business associations will be provided with organizational development training to help them in their institutional development.

Business training will be funded under the project to upgrade small business management and technical skills and to encourage service delivery to small businesses by business associations. Through this process, business owners and employees will gain valuable skills and business associations will be strengthened as members perceive that they are receiving something useful from membership in these associations.

In addition to the group training, intensive one-on-one training will be offered through the Business Development Advisor and by the Small Business Facilitators. This intensive training is discussed in the credit and business development sections.

a) Staffing

Under the project, with the support of the Trust, business associations will develop detailed training plans. The Deputy Business Development Advisor/Training Coordinator, based in the SBGT, reporting to the Business Development Advisor, will coordinate training activities of the project. S/he will assist in developing training plans for business associations as part of the action plan process, coordinate with other training institutions and AID projects, develop course curriculum, identify resource firms, evaluate courses, and participate as an instructor. The baseline survey conducted at the start of the project will be an important cornerstone of the training program.

b) Activities

Experience has shown that at the small business level, generic classroom training is much less effective than individualized, one-on-one counselling over an extended period of time. The SBD project's training component provides for both individual firm assistance and tailored, small group experiences which will fall into two categories: Small Business Improvement Workshops, and Direct Business Management Assistance. In addition, a special project subcomponent will provide training in construction management to small contractors to improve their capabilities and encourage linkages with larger construction firms.

An important consideration for Trust sponsored training is that, as much as possible, the costs of training should be covered by the participant businesses. While this may reduce the number who apply, the training is more likely to benefit those who value it enough to pay. The different types of training provided under the project are described below.

(1) Small Business Improvement Workshops

This project intervention directed at small businesses will be organized and conducted where possible through business associations. The assistance will consist of two types of training namely, short-term technical workshops and business management improvement workshops.

- Short-Term technical workshops will be organized on a sectoral basis for groups of businesses. Specific technical assistance for various sectors have been identified in such areas as selection and use of equipment and materials, production techniques, and quality control. Examples of businesses that could benefit from this type of training are garment producers and woodworking shops.

- Business management improvement workshops will be organized on a sectoral basis for groups of business owners. The workshops will focus on the four strategic business functions as follows
 - Marketing/Sales
 - Production/Operations
 - Finance/Accounting
 - Personnel/Industrial Relations

All four modules will be conducted annually during the life of the project. Each module will be tailored to meet the specific needs of the participating businesses. For example, marketing and sales considerations are radically different for personal services businesses than those for retail operations or manufacturers.

The workshops will be designed to enhance the learning of the participants and to facilitate the application of new knowledge and skills to their business environment. In short, the workshops must be aimed at changing the behavior of participants by providing them with confidence-building learning situations and basic management concepts.

The learning situations will, as much as practical, be drawn from the participating owners' businesses.

(2) Direct Business Management Assistance

This project intervention will be directed at small businesses with significant growth potential, and is designed to complement the group training courses. It will consist of individualized training/consultancy for approximately thirty small business owners. The objectives are to

- Facilitate growth,
(measured by turnover, assets, labor force)
- Determine viability of participating business,
(measured by profitability and income)
- Add to the business knowledge and skills of owners,

The Business Development Advisor will manage and conduct this component. S/he will conduct an initial situation analysis of the targeted business. Next, a business plan

will be prepared with the clients participation. The Business Development Advisor, supplemented by additional short-term technical assistance, as required, will provide follow up advice during business plan implementation.

4 Strengthening Business Associations

Since June 1990, numerous developments have occurred which have altered the business organization panorama in Swaziland. Perhaps the most important has been the formation in July, 1990 of the Swaziland National Business Council (SNBC), an umbrella body of eight Swazi business organizations. The SNBC represents both large and small business and its purpose is to facilitate dialogue both within the private sector and between the private sector and the GOS. It may also become affiliated with the Southern African Development Coordination Conference (SADCC) network of regional business councils.

The project aims to strengthen several business organizations that appear to be in the best position to provide leadership and services to the Swazi business people who form the target population of the project. Strengthened business associations will have a positive impact on Swazi businesses, as the associations increase their capacity to provide greater and more varied services to their members.

Given the fluid nature of business associations in Swaziland, the project must retain flexibility both in the choice of specific business associations to receive assistance and in the determination of the precise assistance that is provided. As several of the existing business associations represent women business persons, activities under this element will directly benefit women.

a) The various types of assistance could include

- (1) Organizational advisory services
 - Strategic planning
 - Developing an action plan
 - Membership development
 - Improving internal management efficiency/budgeting
- (2) Administrative and management personnel support
 - Executive Director funding
 - Membership/Administrative Assistant funding
- (3) Commodities support
 - Modern office equipment (fax, photocopy, computers, typewriters, etc)
 - Office furnishings
 - Office space

(4) Program strengthening support

- Reference materials including legislation trade directories and publications
- Leadership training (in country)
- Newsletters/Publications/Directories
- Studies, seminars and conferences related to improving the business environment for small business growth
- Small innovative activity support

General organizational advisory services will be provided early on in the project to map out a program of assistance that is relevant and appropriate to each association and to the achievement of project goals. Organizations selected by the SGBT Board of Directors will initially receive assistance in developing a statement of organizational purpose and goals and a strategic action plan to meet these targets. Based on these plans and an assessment of the organization's needs and viability, SGBT will be able to provide various types of strengthening inputs to selected organizations. These inputs will, of course, vary depending on the unique circumstances surrounding each organization.

The project provides for a pool of funds available to be programmed flexibly for business association strengthening in the areas described above. Based upon the action plans and demonstrated commitment to implement them on the part of association leadership, further assistance can be provided in the areas of personnel and administrative support, commodities, and program strengthening.

b) Timing and Management

The General Manager of SGBT will be responsible for this project component and will liaise directly with the heads of the various business associations. The Deputy Business Development Advisor/Training Coordinator will also have extensive contact with the business associations and will develop a detailed training program with each association.

Following the completion of the organizational analysis of each association, the SGBT General Manager will make recommendations to the Board of Directors of SGBT for a final decision on assistance to be provided. The action plans will be reviewed annually to take into account any changes that have occurred within the organizations, as well as to monitor the success and progress of various initiatives.

c) The Policy Environment for Small Business in Swaziland

Swaziland is one of the most private sector oriented countries in Africa, as well as one of the most successful economically.

The GOS has a history of a rather laissez-faire policy towards the private sector, characterized by minimum red tape and interference. In addition, Swaziland's membership in the South Africa Customs Union has permitted the free flow of imports from South Africa. This competition has inhibited the development of strong local production in a number of product areas.

The GOS has several advisory committees, all within the Ministry of Finance (MOF). These advisory committees include private sector individuals and associations. They meet on a regular basis and deal with company and personal taxation issues as well as customs and sales tax issues. These committees, however, are rather specific in scope and do not consider more general policy issues related to small business.

The SBD project will seek to encourage improvements in the overall environment for small business in Swaziland, primarily by facilitating dialogue about small business concerns within the public and the private sectors, and by improving the capacity of business organizations to analyze constraints to small business growth.

To facilitate this dialogue, the project will fund 8 person months of technical assistance to conduct analyses of both private sector and public sector constraints to small business growth. One of these studies will be to examine constraints and alternative solutions to full and equitable participation of women in economic activities in Swaziland. Seminars, conferences and meetings of both private and public sector persons to discuss findings of the analyses will also be funded by the project and hosted by the National Business Council. The SBT General Manager will assist the SNBC in arranging for the studies and in organizing the discussion forums.

In addition to the project funded inputs, \$20,000 in PD&S funds will be provided by AID to sponsor a small business conference to discuss small business growth constraints among small business persons, the GOS and other interested parties. This event will be directly contracted by USAID on behalf of the Trust. It will be carried out before the long term contractor arrives and is expected to assist in maintaining small business interest in the project while awaiting actual project startup.

Program Income

During the project, all earnings of the Trust generated by AID financed inputs, such as fees for services, will be deposited into an interest bearing account to be used after the end of the project to finance Trust activities which further small business growth in Swaziland. Exceptions to the use of such funds for the purpose described above before the end of the project may be approved by AID on a case by case basis.

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IV COST ESTIMATE AND FINANCIAL PLAN

Presented below are Summary Budgets by Fiscal Year Foreign Exchange and Local Currency Costs, Expenditures by Fiscal Year and Methods of Implementation and Financing Table 1 shows Element costs by Fiscal Year for AID project funding and the GOS contribution The project budget contemplates 4 years of funding and 4 and a half years of implementation The total AID funding has been estimated at \$6 0 million with a GOS contribution in local currency equivalent to \$400,000 from Section 416 deposits, for a total project funding of \$6 4 million The major budget elements are

A Technical Assistance

The Technical Assistance budget element amounts to \$3 9 Million or 65% of the total AID funding Technical Assistance funds a total of 19 person years of funding of which approximately 40% correspond to two long term technical advisors for three years each and the other 60% is comprised of short term technical assistance

B OPERATING EXPENSES

The Operating Expense budget element amounts to \$1 6 million or 27% of the AID total The Operating expense element is funding 66 person years of locally hired personnel at a cost of approximately \$0 9 million and the balance of \$ 0 7 million will fund the office operations and the procurement of necessary furnishings, office equipment, computer equipment, vehicles and its operation costs, rents and utilities

C EVALUATION, AUDIT AND PROJECT MONITORING

The Evaluation, Audit and Project Monitoring budget element of the project amounts to \$0 5 million and will fund the cost of the USAID project monitoring consisting of a full time Assistant Project Manager for the first 9 months of the project plus 50% of a long-term PSC for a total of 2 75 person years of technical assistance providing project monitoring and follow-up In addition this budget element provides the required funding for evaluation and audits in years two and four The Trust Agreement requires audit of the Trust s accounts This funding will cover those costs as well as Non Federal Audit Requirements at the end of the Project A baseline survey will be conducted the first year and will be supplemented by PD&S funds to equal a total of \$46,108 for this line item

T A B L E 1

SUMMARY BUDGET BY FISCAL YEAR
IN US 000 s

ELEMENT DESCRIPTION	FISCAL YEAR				AID TOTAL	GOS FY91	PFOJ TOTAL
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>			
01 Technical Assistance	1,384	1,098	1,151	289	3,922	-	3,922
02 Operating Expenses	451	374	366	405	1,596	-	1,596
03 Evaluation Audit & Project Management	121	133	60	168	482	-	482
04 Credit Guarantee	-	-	-	-	-	400	400
 Total Project	 1,956	 1,605	 1,577	 862	 6,000	 400	 6,400

Table 2 is a Summary Budget dividing project cost by foreign exchange and local currency costs. Foreign exchange costs are 67% or \$4.0 million, and 33% or \$2.0 million correspond to local currency costs. The GOS contribution is all in local currency from funds derived from Section 416 Wheat Sales and will guarantee the credit component of this Project.

T A B L E 2

SUMMARY BUDGET BY
FOREIGN EXCHANGE AND LOCAL CURRENCY COSTS
IN US 000 s

BUDGET ELEMENT DESCRIPTION	AID			GOS LC
	EX	LC	TOTAL	
01 Technical Assistance	3,590	332	3,922	
02 Operating Expense	50	1,546	1,596	
03 Evaluation Audit & Project Management	392	90	482	
04 Credit Guarantee				400
 Total	 4,032	 1,968	 6,000	 400

Table 3 represents a projection of expenditures by Fiscal year. This project paper is scheduled to be approved in the latter part of June of 1991 with an expected FY 91 obligation in July of 1991. Some expenditures are estimated to start in FY 1991 and continue through to FY 1995.

T A B L E 3
PROJECTION OF EXPENDITURES BY FISCAL YEAR
IN US 000 s

<u>Fiscal Year</u>	<u>AID</u>	<u>GOS</u>	<u>TOTAL</u>
1991	100	-	100
1992	1,600	400	2,000
1993	1,700		1,700
1994	1,500		1,500
1995	1,100		1,100
<hr/>			
Total	6,000	400	6,400

Table 4 summarizes the project's Methods of Implementation and Financing described by each of the three budget elements. As can be seen from this table, the project contemplates a Direct Contract with a US firm to provide most of the technical assistance services.

The contractor will also assume the contracting of the short-term technical assistance and training required by the project and will hire all the local personnel. The Contractor will establish accounting and administrative systems and manage the Trust's business. A passthrough cost has been budgeted for the first two years of the project to cover the operational management of the Trust.

To allow for more rapid institutional contractor start-up, the procurement of the office and other equipment will be handled by AID as will be any emergency procurement that may arise in the project implementation. The baseline survey will also be procured directly by AID. At the termination of the third year of long-term technical assistance, it is contemplated that the Trust will assume the role of the employer of the local staff and the continuation of local procurement and services.

AID reserves the right of procurement for the Evaluation, Audit and Project Monitoring budget element of the project.

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T A B L E 4

METHODS OF IMPLEMENTATION AND FINANCING

<u>Element</u> <u>Description</u>	<u>Amount</u> <u>000 s</u>	<u>Method of</u> <u>Implementation</u>	<u>Method of</u> <u>Financing</u>
01 <u>Technical Assistance</u>	3,922		
Long term	2 199	U S Institutional	
Short term	746	Contractor	Cost
Training	519	No Advance	Reimbursement
Direct costs	108	Anticipated	
Overhead Passthrough	17		
Construction-RHUDO	333	RHUDO Nairobi-IQC	Direct Reimbursement
02 <u>Operating Expenses</u>	1,596		
Salaries	902	U S Institutional Contractor for up to 2 years	Cost Reimbursement
Other Office Operational Costs	481	PILS approving yearly work plans and budgets will be the basis for disbursement of these costs	Management fees paid under Direct contract as Passthrough Direct Payment with AID Advances under PILs
Office & Other Equipment	213	Mission Issued PIO/Cs, Purchase Orders or supply Contracts	Direct Payment
03 <u>Evaluation Audit and Project Implementation</u>	482		
Project Monitoring	291	Mission Issued PIO/Ts to fund USPSCs	Direct/Payment Reimbursement
Evaluation	161	Mission Issued PIO/T to fund (IQC)	Direct Reimbursement
Audit	12	Mission Issued PIO/T to (IQC) and for local Audit firm	Direct Reimbursement
Baseline Survey	18	Mission Issued PIO/T to (IQC)	Direct Reimbursement
TOTAL COST	<u>6,000</u>		

All cost estimates presented above are based on current (1991) prices. Since most of the project cost is attributed with start-up in the first year or dollar costs of the long term institutional contractor, inflation has been calculated at 5 percent per year and limited contingency funds have been included.

The budget analysis and estimate shows very tight funding, therefore project implementation will have to be implemented in a very conservative and judicious fashion. It is expected that revenue will be earned from certain project activities as well interest on the loan guarantee fund. All earnings will be utilized for project purposes.

Annex J1 presents a summary budget by element and fiscal year and Annex J2 shows the detailed line item budget for the Projects funding.

V IMPLEMENTATION PLAN

The Management and Administrative Analysis Section of this Implementation Plan discusses the roles to be assumed by AID, SGBT and contractors during project implementation. An illustrative implementation schedule depicting dates by which critical actions should be completed is included. The institutional technical assistance contractor hired to provide administrative support to the SGBT will develop, on behalf of the SGBT, a detailed implementation schedule shortly after arrival in the field. The Procurement Section of this Implementation Plan discusses methods of procurement and lists services and other project inputs to be procured.

A Project Management and Administration

1 Role of USAID

Overall management of the project will be the responsibility of the Project Development/Private Enterprise Office (PD/PE) of USAID/Swaziland. Under the project USAID will hire a personal services contractor to act as AID's Project Manager for the project. S/he will report to the PD/PE at USAID.

2 Role of the Swazi Business Growth Trust

The Board of Directors of SGBT will have principal responsibility for establishing Trust policy, approving workplans, participating in fund raising efforts and participating with USAID in the selection of the Institutional Contractor. SGBT staff will receive training from the Contractor to enable them to implement project activities during the project and to manage the Trust during the last year of the project and thereafter.

3 Role of the Institutional Technical Assistance Contractor

For the first three years of the project, day-to-day SGBT operations will be managed by an institutional technical assistance contractor. This will include directing SGBT operations, hiring, training and supervision of its staff, procurement of supplies, managing other operational costs, and designing operational procedures and manuals in such areas as personnel, procurement and accounting.

This Contractor will be selected by AID with input from the SGBT Board through a competitive proposal process. The Contractor team will include two long term internationally recruited advisors one of which will act as General Manager of the Trust the other will fill the SGBT position of Business Development Advisor. This Contract team will include a locally recruited Executive Officer to provide administrative and accounting support to the Contractor and the SGBT. In the role of GM of SGBT, the Contractor will locally recruit, hire and supervise persons appropriate to fill permanent SGBT staff positions. The Contractor as GM of SGBT will recruit all short term technical assistance advisors and trainers for SGBT programs. The methodology of identifying, recruiting and contracting these short term advisors and trainers will be appropriate for adoption by SGBT as a cost effective and sustainable system for use by SGBT after the Contract has been completed. Thus, to the degree possible, these persons will be recruited locally, possibly through a subcontract with a local Swazi firm.

The staff of SGBT will number 17 including professional and support positions. Of the 17 SGBT positions, three will be Contractor direct employees, the General Manager (GM) as Chief of Party, the Business Development Advisor, and the Executive Officer. The Executive Officer will continue as a direct employee of SGBT when the technical contract is completed. The other 14 positions will be filled by SGBT employees funded under the AID grant. The Contractor, in the role of SGBT's General Manager, will recruit, hire, train, manage and pay these 14 SGBT employees with funds granted to SGBT but managed by the Contractor. The Contractor will be responsible for establishing management and accounting systems for SGBT acceptable to AID before funds are released for SGBT staff or SGBT programs. While filling the position of General Manager, in a custodial role, the Contractor will manage and account for AID funds granted to the Trust.

For the first three years of the project, funds to cover the cost of SGBT employees salaries, office utilities and maintenance will be made available through periodic advances under the terms of the cooperative agreement to the SGBT but will be managed by the Contractor in its role as overseer of the Trust. The TA Contractor will be responsible for managing, accounting for, and billing contract as well as SGBT Cooperative Agreement costs funded under the project.

Through their roles within the SGBT structure, the Contractor's long term field team and short term consultants will complete the design of and implement project components in small business credit, small business training, business association strengthening, small business linkages to supply products and services to large firms and the GOS, direct management and technical consultations with client firms.

A particularly important function of the Contractor will be the training of SBTG staff to enable them to manage the Trust upon the departure of the Contractor. This includes training in management of internal financial and procurement systems to be developed by the contractor. A key part of this training will be the training of board members and senior staff in fund raising to enable the Trust to continue to provide services after the project has ended. The Contractor's SBTG staff will also develop fee structures for services and training to be delivered by SBTG. In addition, it will continuously review options for increasing the sustainability of SBTG through earnings or cost savings.

The Contractor will be required to develop a computerized system for monitoring and evaluation of project activities, develop life of project and yearly work plans, and prepare biannual progress reports which describe headway against project outputs for USAID monitoring purposes.

Award fees will be set for the following targets:

- The Contractor will provide the long-term field team within 45 days of contract signing.
- The Contractor will provide to USAID, within two months of the arrival of the long-term TA team, a Life-of-Project Implementation and Monitoring Plan. This plan will list all outputs to be achieved under the project and all major activities required to achieve the outputs. Quantifiable targets for each output/activity for quarterly intervals will be listed in consecutive columns in a spreadsheet. Supporting the scheduling of the targets, the implementation plan will provide details of how scheduled targets are to be achieved, who is responsible, what actions/physical inputs are required, and when and where such actions are to take place. Many of these targets for interim project years will be negotiated into the contract and associated with award fees.
- The Contractor will establish a computerized system, approved by USAID, for the gathering and recording of gender specific information needed for project management and evaluation one year after arrival of the long-term field TA team.

- The Contractor will establish a computerized data base system, approved by USAID, for the quarterly reporting of the cost, source, origin, and location of items procured under the project
- The initial field team (Chief of Party and the Business Development Advisor) will remain with the project in these capacities for the initial three years of the project
- At the end of the contract, the Credit program will have provided loans to at least 400 first time commercial bank borrowers, with a default rate, at that time, not exceeding 5% of loans issued
- At the end of the contract, the SGBT will have in place viable management, personnel, financial and procurement systems acceptable to AID, and is fully staffed with 9 trained management/outreach employees and 2 trained data entry computer operators
- By the end of the contract, the SGBT Trustees will have a fund raising program operational and have successfully raised funds to endow the Trust
- By the end of the contract, the SGBT will be implementing a plan, approved by AID, which demonstrates how its credit, small business training and direct management assistance programs will be sustainable after the end of the project. Such sustainability should be demonstrated by actual and projected earnings for services and by endowments obtained through Trustee efforts
- By the end of the contract, a determination will be made as to whether SGBT should be retained as an independent organization or whether, within the objectives of the project, some or all of its functions and resources should be incorporated into an existing Swazi business organization

4 Role of RHUDO/ESA

For the construction component, RHUDO/ESA contractors will provide on the job training in small works contract management to small Swazi contractors, implement 11 workshops in construction management for these contractors, advise the MOWC on ways to regularize contractor registration and categorization procedures and design a simplified system of contracting small works

B PROCUREMENT

1 Long and Short Term Technical Assistance for SGBT Management

Except for the construction component, services will be provided primarily through an AID direct contract for technical assistance solicited on a formal competition basis. A Request for Proposals (RFP) will be issued by USAID/Swaziland RCO. Unless the offeror is a disadvantaged enterprise, not less than 10% of the value of the offeror's cost proposal must be set aside for subcontracting with disadvantaged enterprises. The contract will provide 72 person months of long-term expatriate technical assistance, 36 person months of locally recruited long term technical assistance, 36 person months of short-term expatriate technical assistance, 42 person months of in-country training consisting of seminars, workshops, conferences, and non-credit courses.

Since this project is DFA-funded, Code 935 is the authorized procurement code. As required by DOA 551, Section 5F, and the DFA Procurement Policy Recommendations and Africa Bureau Instructions dated April 4, 1988 (88 State 105351) the following procurement limitations apply to the project:

The long-term institutional contractor will be from the U S. Short term contractors will be from the US or from Africa. No long-term training will be financed under the project, though short-term training will be either in the U S or in Africa. All air travel and transportation financed by AID to and from the United States will be limited to U S flag carriers, subject to documented exceptions, which will be made sparingly. Because U S flag carriers do not fly into Southern Africa, non-U S carriers will be used for this leg of flights to and from the U S. With respect to ocean shipping, the Cargo Preference Act rules apply and to the extent commodities financed under the project are shipped on ocean carriers at least one-half of the gross tonnage of such commodities will be shipped on U S vessels, if they are available at fair and reasonable prices. With respect to motor vehicles, because left-hand drive vehicles cannot be used safely in Swaziland, where vehicles are driven on the left, U S manufactured vehicles cannot meet the needs of the project. Therefore, non-U S vehicles from Code 935 countries will be procured. Finally, U S goods and services will be procured to the maximum practicable extent. A brief summary of this DFA procurement plan will be cabled to AFR/PD, indicating the intended percentage in terms of dollars of both U S -based commodity and TA procurement, including training. The cargo shipping plan will be forwarded to MS/OP/TRANS.

2 RHUDO/ESA Supplied Services

For the construction component, USAID will buy into a RHUDO/ESA contract to provide 155 working days of international TA and 312 working days of local TA for on the job training in small works contract management to small Swazi contractors. RHUDO will also manage 11 workshops in construction management for these contractors. In addition, 3 person months of technical assistance will be provided to the MOWC to regularized contractor registration and categorization procedures and to design a simplified system of contracting small works.

3 USAID Contracting for Project Monitoring, Evaluation and Audits

USAID will directly contract a four year PSC project manager to monitor the project. A short term assistant to the project manager will also be contracted for nine months by USAID to assist during the Small Business Project start-up.

AID/MS/OP will procure, through the AID IQC mechanism, two project evaluations and audit services as needed.

4 Equipment, Physical Space, Vehicles and Services

In advance of the arrival of long term technical assistance, USAID will procure equipment, vehicles, lease physical space for the Trust, contract for a baseline study, and for a small business conference as follows:

- The USAID Executive Office will procure office furniture and will lease space for the SGBT offices
- AID/MS/OP/COMS/P will procure computers, peripherals, software, fax machines, photo copiers, telex machines and typewriters

The USAID RCO will procure vehicles

The USAID RCO will contract for baseline work to funded with both project and PD&S monies

The USAID RCO will undertake contracting of inputs for a small business conference to be funded with PD&S

An illustrative list of services and equipment to be funded follows on the next page

Equipment Needed by SBT

Abbreviations

GM General Manager
DGM Deputy General Manager
BDA Business Development Advisor
DBDA Deputy Business Dev Adv /Training Coordinator
BLM Business Loan Manager
EO Executive Officer
SBA Small Business Advisors
S Secretary
C Data Entry Clerk Typist
SBF Small Business Facilitators
GO General Office
BR Boardroom

Office Furniture

Desks - 20 (1GM, 1DGM, 1BDA, 1BLM, 1EO, 3SBA, 1DBDA/TC, 4S, 2C, 2SBF, 2TDY)

Chairs - 28 (3GM, 3DGM, 3BDA, 3BLM, 2EO, 6SBA, 2DBDA/TC, 2SBF, 2C, 4S, 4TDY)

Bookshelves - 10 (1GM, 1DGM, 1BDA, 1BLM, 1EO, 1SBA, 1DBDA/TC, 1TDY, 2GO)

Credenzas - 6 (GM, DGM, BDA, BLM, EO, BR)

Computer Stands - 12

Board Table and 12 chairs

Filing Cabinets - 6 four drawer (6S), 4 2-drawer (3SBA, 1DBDA/TC)

Reception Area furniture -- 1 sofa, 2 coffee tables, 2 armchairs, 1 lamp

1 bulletin board

Coffee pot or hot water heater

Set of coffee cups

Fax Machine

1 GO for Mbabane,

1 GO for Manzini

Photocopy machine

1 - GO

Computers

12 - Hard disk desk top (1GM, 1DGM, 1BLM, 1BDA, 1DBDA/TC, 4S, 2C, 1EO)

Printers

- 1 Laser printer (BDAssec y)
- 2 - Letter quality(1GMsec y, BLMsec y)
- 4 - Near letter quality(BDA, shared with DBDA/TC, TDY office)
- 2 - Dot matrix (C)

Modems

- 2 - one in Mbabane and one in Manzini

Software

- Word Processing
- MSDOS
- Lotus
- DBASE
- Bank software
- Sideways Printing Program

Typewriters

- 4 - 4S

Telex Machine

- 1 - GO

Vehicles

- 4 (1GM,1BDA, 2 Credit program)
- These vehicles will a sedan for the GM, a station wagon for the BDA and two pickups for the Credit Program

Other Operating Costs

- Office Rental (470sq meters total for offices in Mbabane and Manzini)
- Utilities
- Communications
- Stationery and Supplies
- Cleaning
- Vehicle Petrol, Maintenance and Insurance
- Postage

ANNEX

Staff of SBT

Total Staff -- 17

Professional Staff

- (1) General Manager (Begins in year 1 Funded for 36 months
- (1) Deputy General Manager (Begins in year 2 Funded to PACD)
- (1) Business Development Advisor (Begins year 1 Funded for 36 months)
- (1) Deputy Business Development Advisor/Training Coordinator (Begins in year 1 with funding to PACD)
- (1) Business Loan Manager (Begins in year 1 Funded to PACD)
- (3) Small Business Advisors (2 begin in year one , 1 begins in in Year 2 All funded until PACD)
- (1) Executive Officer (Begins year 1 Funded for 36 months as employee of technical contractor, thereafter funded to the PACD as a permanent employee of SBT)
- (2) Small Business Facilitators (1 in Year 2, 1 in Year 3 All funded to PACD)

Support Staff

- (4) Secretaries (4 begin in year one All funded through PACD)
- (2) Clerks (1 begins in year one, the other in year 2 Both funded to PACD)

Configuration of SBT Staffing

Two International -- General Manager, Business Development Advisor

Four Local/Regional -- Deputy General Manager, Deputy Business Development Advisor/Training Coordinator, Business Loan Manager, Executive Officer

Eleven Local -- Small Business Advisors (3), Small Business Facilitators (2), Secretaries (4), Clerks (2)

SGBT

Phase in of Staff

	Month 0	Month 12	Month 24	Month 36	Month 48
GM	_____				
DGM		_____			
BDA	_____				
DBDA/TC	_____				
BLM	_____				
SBA	_____				
SBF		_____			
SBF			_____		
EO	_____				
S 1	_____				
S 2	_____				
S 3	_____				
S 4		_____			
C 1	_____				
C 2		_____			

VI PROJECT MONITORING AND EVALUATION

A Monitoring

A Project Manager, reporting to the Project Development Private/Enterprise Office in USAID, will be funded under SBD to monitor the project and to provide coordination between USAID and SBDE. Through regular site visits and review of implementation documents s/he will assure that the project is being implemented in accordance with standard AID project implementation requirements as specified in AID Handbooks and other official guidance.

In addition the Regional Contract Officer will provide overall management of the contract with the institution or firm selected to provide technical assistance to the SBT and the Cooperative Agreement with the SBT itself. The USAID Controller's Office will monitor financial aspects of the project, providing financial reports to the Project Manager and other interested parties in the Mission. Finally, a USAID Project Committee will follow the progress of the project and periodically meet to discuss and advise on project issues.

Project monitoring will be conducted to assure timely implementation progress against planned objectives. The basis for monitoring will be a time-phased LOP implementation plan which will be updated annually. The SBT General Manager will be responsible for the preparation of the plans and for training SBT staff in their preparation.

These plans will be prepared and presented on spreadsheets. Listed in the first column of these spreadsheets will be all outputs to be achieved under the project and all major activities required to achieve the outputs. Quantifiable targets for each output/activity for quarterly intervals for the remainder of the project will be listed in consecutive columns in the spreadsheet.

Supporting the scheduling of the targets, the implementation plans will provide details of how scheduled targets are to be achieved, who is responsible, what actions/physical inputs are required, and when and where actions are to take place. As necessary to clarify the plans, other analytical tools such as PERT or Gantt Charts may be used and presented.

The LOP implementation plan spreadsheets will be the basis for quarterly reports to be prepared by the General Manager and presented to USAID. These reports will 1) report progress against targets specified in the LOP work plan and 2) report on any problems/constraints to meeting these targets and 3) provide plans for their resolution. They will be used by the Project Manager in preparing Project Implementation Reports (PIRs) which are the basis for USAID biannual project reviews. As such, they will be used as a formal, systematic reporting tool for project achievements, to identify implementation problems, and as the impetus for implementation problem solving.

Included in these quarterly reports will be a data base list of items procured under the project including the cost, source, origin and current location.

B Evaluation

The technical assistance contractor will establish a computerized system for the gathering and recording of gender specific information needed for project management and evaluation. The system will incorporate data sheets to be completed at each stage of contact between SGBT employees and project beneficiaries. On a daily basis, the data sheets will be entered into the SGBT tracking system by a data entry clerk. The data will be used to generate reports necessary for day-to-day management and implementation and for periodic project evaluations. In addition to these reports, the participating bank under the credit component will provide financial reports on loans which will also be used for monitoring borrowers.

To establish a basis for project evaluation, an initial baseline study, funded with PD&S funds, is in the final stages of editing and will be available before significant project activities are initiated. The baseline study will provide most of the information needed from which to measure project impact. However, late in the project design process, an AID Washington team recommended additional project indicators to be followed under the project. As a result, \$27,833 in PD&S monies, to be obligated under the project for this purpose, and \$18,275 in project funds will be used to develop this additional baseline. These indicators will be developed in the first year of the project and will concentrate, to the degree possible, on easily-obtained, firm-level criteria. Monitoring of these indicators by the Contractor, SGBT Management, and USAID/PD/PE (through reports generated by the computerized monitoring systems discussed above) on a periodic basis over the life of the project will allow USAID to view the changes in specific firms receiving project assistance. More qualitative indicators such as enhanced management capability, better bookkeeping and business planning skills will be captured through the field reports discussed in the previous paragraph. The SGBT General Manager will provide USAID with a plan for monitoring the control group.

The baseline survey discussed above will be updated at the end of year three of project implementation. Subject to availability, about \$80,000 in PD&S is expected to be used to fund the survey using a buy-in to an AID Central Contract. The survey will be used for impact reporting and in development of a follow-on project. This survey will be expanded to include data on micro businesses without a fixed location and will include a closer examination of rural small and micro businesses to determine the feasibility of future SGBT program interventions with those groups.

Using the data generated by the project's computerized tracking system, two project evaluations will be completed through buy-ins to AID Contracts or through AID IQCs. The PD/PE office will be responsible for drafting scopes of work and PIO/Ts. The first evaluation is scheduled in 1993 and will be used for both impact reporting and to make mid-stream adjustments in the project. The second, and final evaluation will be carried out three years from the initiation of project implementation. It will be used for impact reporting and to assist in the refinement of USAID's follow-on project.

VII SPECIAL CONSIDERATIONS AND COVENANTS

SBGT will be a new institution. Since it will be managed in all respects for the first three years by an institutional contractor capable of meeting AID requirements in financial controls and procurement, a cooperative agreement may be signed with the Trust. However, after three years the contractor will be phased out and the Trust must be prepared to demonstrate that it has the capacity at that time to manage AID funds. Therefore, before funding may be obligated for the fourth year of the project, the Trust must demonstrate to AID that it has the capability to manage AID funds.

As a covenant, the Trust, in keeping with a private sector orientation, will to the degree possible, identify and implement procedures to sustain the organization through cost recovery for services rendered.

As a covenant, the Trustees will seek to raise funds to endow the Trust and to participate in fund raising training programs provided under the project.

As a covenant, during the project, the Trust will use its full resources to implement the project activities described in the Cooperative Agreement.

LOGICAL FRAMEWORK
SWAZI BUSINESS DEVELOPMENT PROJECT

GOAL	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
The goal of the project is to increase Swazi incomes and expand the employment generating capacity of Swazi businesses	<ul style="list-style-type: none"> - Expanded sales by program participants - Increased assets of program participants - Increased employment by participating firms - Increased net earnings by participating firms 	<ul style="list-style-type: none"> - Baseline study - SGBT MIS reports - Surveys of participating firms - Midterm and final evaluations 	<ul style="list-style-type: none"> - Overall economic conditions continue to be strong - Demand exists for SME production and services - SME demand for credit, technical assistance and training is high
PURPOSE	END OF PROJECT STATUS (ROPS)	MEANS OF VERIFICATION	ASSUMPTIONS
The Purpose of the project is to stimulate the growth of established Swazi owned businesses	<ul style="list-style-type: none"> 1 25% of the project serviced businesses will have increased in size as indicated be increases in one or more of the following number of employees, sales turnover and/or assets 2 25% of the project serviced businesses will have demonstrated an improvement in financial health as evidenced by improvements in the following net equity position and current financial ratios 	<ul style="list-style-type: none"> - Baseline study - SGBT MIS reports - Surveys of participating firms - Midterm and final evaluations 	Increased access to credit and improved business knowledge and contacts will lead to small business growth
OUTPUT COMPONENTS	OUTPUTS	MEANS OF VERIFICATION	ASSUMPTIONS
1 Swazi business persons have increased access to commercial credit	<ul style="list-style-type: none"> 1 500 first time borrowers will have received business loans 25% of these borrowers will have received repeat loans 	<ul style="list-style-type: none"> - Baseline study - SGBT MIS reports - Surveys of participating firms - Midterm and final evaluations 	<ul style="list-style-type: none"> - Procedures for providing credit, technical assistance, and training are appropriate to SMB community - GOS and Business Associations are committed to promoting small business

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LOGICAL FRAMEWORK

SWAZI BUSINESS DEVELOPMENT PROJECT
(page 2)

OUTPUT COMPONENTS	OUTPUTS	MEANS OF VERIFICATION	ASSUMPTIONS
2 Business associations will be providing additional services to Swazi businesses and representing their interests in dialogue with the GOS and other interested parties	2 7 business associations will have produced and are implementing action plans to provide increased training and services to their members 140 small business improvement courses will have been provided to the business community in coordination with business associations 3 policies constraining small Swazi business growth will have been analyzed and discussed in meetings with responsible parties who have the ability to influence or implement policy changes	Baseline study - SBT MIS reports - Surveys of participating firms - Midterm and final evaluations	Procedures for providing credit, technical assistance, and training are appropriate to SMB community GOS and Business Associations are committed to promoting small business
3 Small Swazi businesses who have received project inputs are providing goods and services to large businesses and/or the GOS	3 15 small businesses will be providing for the first time, goods and services to larger businesses and/or the GOS 10 small Swazi construction firms will have an increased number of contracts with the GOS		
4 Owners/employees of small businesses will have improved business skills in one or more of the following planning, management, finance, marketing or technical areas financial and technical skills	4 1700 business owners/employees will have received business training or technical assistance under the project		

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LOGICAL FRAMEWORK

SWAZI BUSINESS DEVELOPMENT PROJECT
(page 3)

OUTPUT COMPONENTS	OUTPUTS	MEANS OF VERIFICATION	ASSUMPTIONS
5 Swazi Business Growth Trust established and providing credit, training and technical assistance to small Swazi businesses	SBGT is staffed and operationally prepared to continue with small business programs in credit, direct management assistance and training	Baseline study SBGT MIS reports Surveys of participating firms - Midterm and final evaluations	- Default rate on credit program is less than 10% - SBGT's performance has been sufficient to attract funds from other donors to endow the Trust to provide future funding sufficient to maintain its credit, technical assistance and
INPUTS	MAGNITUDE OF INPUTS	MEANS OF VERIFICATION	ASSUMPTIONS
AID and GOS funding for the following	USAID \$6 million	Cooperative agreement and allocation of funds to SBGT	Availability of A I D funding
1 Establishment of SBGT	GOS R1 million of Section 416 funds	GOS agreement with and allocation of funds to SBGT	All CPs and Covenants are met
2 Establishment of Credit Program			
3 Operational support			
4 Technical assistance and training			
5 Project management			
6 Evaluations and audits			
7 Swazi business baseline study			

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ECONOMIC ANALYSIS

A Project Definition and Alternatives

The Swazi Business Development (SBD) Project is designed to stimulate the growth of the micro and small enterprise sector. This objective was chosen because of mounting concern on the part of USAID and the Government of Swaziland (GOS) that the indigenous business sector has not participated in nor benefited substantially from the strong economic growth of recent years. The lack of development in the largely indigenous Small and Medium Enterprise Sector (SME) sector and a persistent structural gap between the foreign-dominated medium and large firms and the domestic small firms has limited the multiplier effect of foreign and domestic investment. By building a base of indigenous small and medium-sized firms that can provide products and services to large enterprises, the GOS (which accounts for a significant percentage of domestic investment) and other specialized markets, the benefits of foreign and domestic investment will be more widely distributed. Where the cost of providing these goods and services in-house or of importing them from South Africa is high, an increased local capability to provide goods and services will improve overall economic efficiency.

An alternative approach to addressing the lack of Swazi participation in the benefits of economic growth would be to promote more foreign investment in labor-intensive industries. However, prior foreign investment, while it has benefited the overall economy, has not resulted in the broad growth of the indigenous Swazi business sector. Furthermore, the nation's leadership has spoken out strongly against the concept of Swaziland becoming a nation of workers in foreign-dominated enterprises. Sustainable development implies a greater degree of direct Swazi participation in economic growth and development than occurs now. So, concerns about equity and the ability to control factors that might affect the project's outcome led to the rejection of the foreign investment promotion alternative.

B Methodology

The objective of the SBD Project - to stimulate the growth of existing micro and small businesses - is difficult to measure

and value. While growth in the number of a firm's employees is used as the primary indicator of business growth, the project's aims are much broader than employment creation. As indicated above, the project is trying to boost the multiplier effect of foreign and domestic investment by increasing the size and efficiency of the small and medium size business sector, therefore allowing these businesses to take advantage of opportunities that arise. The equity content of this purpose, i.e., greater Swazi participation in the business sector, makes it virtually impossible to attach a value to the benefits of the project. Furthermore, the experimental nature of the so-called linkage activity and the institution building aspects of several other project activities make it difficult to establish a direct causal link between project inputs and the intended results. These factors suggest that a traditional benefit-cost analysis is not feasible and that cost effectiveness analysis is the appropriate methodology for an economic assessment of this project.

Cost effectiveness analysis is used in circumstances where project benefits are difficult to quantify or value. This is often due to the essentially non-monetary nature of the benefits. Insufficient knowledge about the causal relationship between the project's outputs and the achievement of the overall objective also makes it difficult to quantify and value benefits. Both of these factors are at work in the SBD project.

One way of measuring cost effectiveness is the least cost approach. This approach seeks to minimize the cost of achieving a given level of effectiveness. The inputs are examined in terms of what they are expected to accomplish, and it is considered whether there is a less costly way of achieving the same result. This is the type of analysis that will be used to evaluate the SBD project. The expected benefits of each project component will be discussed, along with the inputs associated with each component, and the rationale for the choice of inputs will be analyzed.

C Project Components

1 Linkages and Construction Management Assistance

The project's effort to foster the establishment of contracting relationships between large and small firms (referred to as linkages), is experimental in nature and intended to have a demonstration effect. Much of this component's efforts will be aimed at improving the flow of information and building a sense of trust between the large and small firm sectors, and demonstrating that linkages can be beneficial for both parties. Once the large firms, in particular, see that these types of contracting relationships can work and are in their economic interest, they will be more inclined to seek them on their own initiative.

The development of linkages will be input intensive. One long term technical advisor will be responsible for facilitating these linkages, and it is anticipated that this individual will work with about 30 firms to provide them with direct management assistance, during the life of the project. A local counterpart will take over the position during the final year of the project. The firms may also require additional specialized short term technical assistance (STTA) or training, to be drawn primarily from sources in the southern African region.

The design team considered three alternative approaches: a) reducing the amount of direct management assistance and substituting training which could access a much wider number of beneficiaries for a much lower cost, b) reducing the amount of direct management assistance and substituting increased promotional activities to encourage the development of linkages, and c) using less expensive, locally recruited resources to provide the direct management assistance.

Saving on direct management assistance by increasing training would ostensibly reduce costs significantly (or alternatively, for similar cost allow access to a much wider group). However this approach would suffer a number of severe operational limitations which would render it ineffective. The initial target group for the development of linkages is relatively small. Many of the businesses have highly specific issues which need to be addressed before linkages can be established. It would not be practical to address these issues purely through general training. Also, given the need to establish successful linkages as role models, training may not act quickly enough, particularly as many proprietors may not be fully aware of the areas in which they are weak. Given the training already to be provided by the project, further training to address the specific area of linkages is not appropriate.

Encouraging linkages through additional promotional activities to persuade the larger businesses to establish subcontracting relationships would also reduce costs. However it would also suffer severe limitations in meeting project objectives. The main barrier to linkages is the perception by larger firms that many Swazi businesses do not meet the quality and service standards required. This is in part because of difficulties the smaller firms have in the area of planning, personnel, costing and general management, as well as production and quality control directly. Until these issues are resolved, successful linkages will not be forged. Indeed, it would be highly prejudicial to project objectives to attempt to forge linkages without also ensuring standards are raised to meet the contracting companies requirements.

Using a locally recruited person as the LTTA, would be cheaper. However, given the poor state of relations between the small and large firms, a neutral individual from outside the country is required, at least initially, to command the confidence of both the large and small firms. This is particularly so because a key part of the LTTA's role is promotional activity. For this, someone with a similar background to the managers of the larger firms is to be preferred.

While the level of inputs is high considering the small number of linkages to be established, it is anticipated that this endeavor will have a demonstration effect for other firms.

The Construction Management Assistance (CMA) program is a sub-component of the linkage program. The program's objective is to improve the ability of Swazi contractors to undertake larger construction contracts including those of the GOS. The benefits of this program are twofold, the Swazi contractors will be able to do more business, thus providing more employment, and more of the Government's capital program will be completed. The GOS was only able to carry out 66% of its planned capital budget in FY88/89. The causes of this have been documented in a study by the Harvard Institute for International Development and will not be explored here. The GOS's capital projects are, however, critical to the overall efficient functioning of the economy, where essential infrastructure is lacking or in poor repair, economic growth is hindered.

Inputs for CMA consist largely of locally and regionally based STTA, which is far less costly than international technical assistance. The advisors will work with contractors individually and in groups to strengthen their management skills. The number of firms the project expects to assist, at least initially, is small - in the range of 8 - 12. If successful, however, the program may be expanded without the help of project funds. Local expatriate firms have expressed interest in providing similar assistance to Swazi contractors on a volunteer basis as well as matching the training fees paid by the small contractors to fund the program on an on-going basis.

2 Small Business Credit

The project's credit component will guarantee loans predominantly in the E1,000 to E20,000 range. The credit will be offered at commercial interest rates and is meant to provide small business people with the means of establishing a favorable credit record so that subsequent larger loans can be obtained directly through the banking system.

Commercial banks are unwilling to make small business loans for two reasons, the high transaction cost involved and the general lack of collateral due to Swaziland's land tenure system. From the banks' perspective, such loans are both uneconomic and involve an unacceptably high level of risk. From society's perspective, it may well be worth making a loan to a viable small business because the loan enables it to improve the efficiency and value of its operations to the point where further loans are commercially viable. The employment that may be generated by an expanding business would be valued by society. While a commercial bank is not able to capture all the benefits of providing the loan to a small business, from society's point of view, there is value in making that loan.

The inputs required for this project component consist of the guarantee funds, local technical assistance in the form of a loan manager and loan officers, staff training and commodities to support the operation. A small amount of STTA will be provided to guide the launching of the program.

The design team considered two alternative approaches: a) establish an intermediary credit institution, and b) put in less management effort but accept a higher default rate.

Establishing an intermediary credit institution would allow the credit unit to make a spread between the interest rate it pays on money borrowed from the bank and the rate at which it lends to clients. This spread is likely to be around 4%, although against this the unit would have to meet higher banking charges which would otherwise be borne by the clients. However, if this were done it would be necessary to establish suitable accounting systems to monitor the different client accounts. This would be expensive and would be unlikely to be economical, given the scale of operations likely in the short run. The option selected makes use of the banks' existing accounting systems.

The option of reducing management effort but accepting a higher default rate would save considerably on personnel costs. This is not really an acceptable option, however. It would encourage dependency, and create a poor public image for the banks. The cost of the defaults would be high (an initial default rate of 30% is likely and this would probably rise with time) and the participating bank would certainly not provide any gearing so the funding costs would be considerably greater.

While the level of inputs is substantial, experience has shown that, at this level of credit, simply providing funds with no additional technical support will not work. Business people need assistance in managing the credit and possibly other aspects of their businesses appropriately. Employing full-time staff which can develop on-going relationships with clients is the only alternative for developing a viable loan program.

3 Strengthening of Business Organizations

The main purpose of strengthening business organizations is to improve the flow of information both within the business community and between the business community and the GOS. Lack of networking and coordination within the business community can raise transaction costs to the point where economically viable transactions do not take place. This is a market failure that can be alleviated by the presence of functioning business organizations.

In the policy area, a number of policies and procedures have been identified that raise costs, either directly or indirectly, for small businesses. Where these can be changed without imposing additional costs on society, it is in society's interest to do so. The business community needs a mechanism for presenting these issues in a unified manner, and it is anticipated that one of the business organizations, the Swaziland National Business Council, will perform this role, with support from the project.

The inputs for this component include STTA, personnel and commodity support for some of the organizations, and support for external training and conferences for organization leaders. The project's Chief-of-Party will also serve as a technical advisor for the business organizations. The rationale for these inputs is that the organizations cannot really serve their members without a minimal infrastructure. It is expected that as the organizations' programs develop, they will be able to provide more of their own basic support through members' dues and other contributions. But they will not be able to collect dues until they have demonstrated to their members that they are providing worthwhile services. Furthermore, the project will ensure that the sincerity of each organization's efforts are demonstrated through developing a strategic plan and carrying out initial steps without the assistance of the project.

Until the strategic plans have been prepared, the precise nature of the support to the different associations will not be determined. Accordingly, it is not practical to consider alternatives for a least cost analysis at this stage. In effect, provision is made for the most efficient use of resources to be determined during the implementation of the project as the ability of the different associations to serve the needs of their members becomes more clearly demonstrated.

4 Training

Training is integrated into all of the project's components but is treated separately here since it represents such a significant portion of the project's activities. Numerous

surveys of SMEs in Swaziland have confirmed a vast unmet demand for training in business and financial management and technical areas. While it is difficult to directly translate the benefits of training into monetary terms, there is at least an indirect relationship between training and business performance. To the extent that businesses are managed more efficiently and produce better quality products (assuming sufficient demand for the product), net income will increase.

The challenge confronting project designers is to design a training program that balances cost and effectiveness. Experience has shown that at the microenterprise level, classroom training is the least effective form of training. The most effective form of training for this group is individualized, one-on-one counselling over an extended period of time. The dilemma, of course, is that this form of training is quite expensive.

The design team has recommended an option that falls midway between these two approaches: small workshops conducted with groups of clients working in the same or similar types of businesses. To ensure that these workshops are as practically oriented as possible, the project's training coordinator will work on developing appropriate methodology and materials with the institutions delivering the training. The use of local and regional training resources in combination with a local training coordinator who may, in some cases, also do training of trainers, is the least costly way of providing meaningful training.

The training coordinator will act principally through the training associations who will be the leaders in the provision of training. This will help to enhance the image of the associations as the providers of useful services to their members.

The alternative considered by the design team was to establish a full training facility within the Foundation. This would be more expensive, because it would require additional full-time staff to provide the range of expertise required, and would not take advantage of any inputs provided by the business associations. An in-house facility may give more flexibility in setting up and running the required courses on a timely basis, but it would fail to reinforce the business association strengthening efforts. The additional cost did not seem justified.

ANNEX C

INSTITUTIONAL ANALYSIS

The Swazi Business Growth Trust (SBGT)
Project Implementing Mechanism

The SBD project will be implemented over a four and a half year period with LOP funding of six million US Dollars. The project will be funded through a Cooperative Agreement with the implementing entity.

The implementing unit will be The Swazi Business Growth Trust (SBGT) which will be established prior to the start-up of the project. SBGT will be a private, tax exempt, non-profit trust established under the laws of Swaziland. It will be constituted specifically to implement the project, subject to the Cooperative Agreement. SBGT will have a Board of Directors with representatives mainly from the private sector that will provide overall guidance for project implementation. The operating philosophy of the organization will be that of a business rather than that of a philanthropic organization.

Day-to-day project activities will be managed by SBGT, in part through operational staffing by a direct AID contract with an institutional contractor who can demonstrate extensive experience in private sector, especially small business, project development and management. This Contractor will be selected by AID, with input from the SBGT Board, through a competitive proposal process. The Contractor will field a team of (two) long term advisors, including the Chief of Party, who will be the General Manager (GM) of SBGT and the Business Development Advisor. Other principal officers of the SBGT will be the Deputy General Manager, the Deputy Business Development Advisor/Training Coordinator, the Business Loan Manager. They will be recruited as employees of SBGT by the Contractor in the role of GM of SBGT. The Contractor will also be responsible for recruiting and supporting all short term advisors, and for arranging the purchase and shipment of commodities.

The staff of SBGT will number 17 including professional and support positions. Of the 17 SBGT positions, three will be Contractor direct employees, the General Manager (GM) as Chief of Party, the Business Development Advisor, and the Executive Officer. Upon completion of the Contract, the Executive Officer will be employed by SBGT as a direct employee. The other 14 positions will be filled by SBGT employees funded under the AID grant. The Contractor, in the role of SBGT's General Manager, will recruit, hire, train, manage and pay these 14 SBGT employees with funds granted to SBGT but managed by the Contractor. The Contractor will be responsible for establishing management and accounting systems for SBGT acceptable to AID before funds are released for SBGT staff or SBGT programs. As General Manager, in its custodial role, the Contractor will manage and account for AID funds granted to the Trust.

The principal structures of SGBT will be

1 A Board of Directors of nine persons composed of respected individuals who are committed to the purpose of the project and who are willing to serve. These persons will be drawn mainly from the Swazi business community. The composition of the Board will include two representatives of small businesses, two representatives from large businesses, two professionals from firms, universities, or parastatals who have major private sector related responsibilities and orientation, one business organization leader to represent business organizations, one representative from the commercial bank which participates in the credit program, and one GOS representative nominated by the Ministry of Commerce. The Chairperson and Deputy Chairperson will be elected by the Board from among the group of nine. One non-voting observer seat will be held by a representative from AID during the project only.

Board members will serve a three year term. Each Board member will be eligible for reappointment for an additional three years. New Board members will be appointed by the Board, subject to approval by USAID.

The Board's chief role will be non-executive, providing overall guidance to the project and setting the general policies of SGBT, acting through the General Manager. The Board will approve the yearly work program for SGBT activities and upon recommendation from the General Manager the specific activities planned under the business association strengthening component of the project. The Board will also play a role in promoting SGBT in the Swazi community. It will not be involved in SGBT's day-to-day operational matters, nor will it take part in the loan review process. The Board will also have a fund-raising role and will be responsible for planning the future of SGBT when USAID project funding ceases.

The Board will hold quarterly meetings as well as convene other meetings considered necessary. A quorum will consist of five members. In a situation where the vote is tied on a given issue the Chairperson shall cast the deciding vote. The Board will be paid Board fees from project funds provided to the Trust and managed by the Contractor, for meetings attended at a level consistent with common practice, probably once a quarter. Absence from two consecutive quarterly meetings will be cause for removal from the Board. Exceptions to this policy may be made by the Chair for reasons of illness or other extraordinary events. Additional details concerning the role of the Board may be found in the draft Deed of Trust, Attachment 1 to this Annex.

2 A Business Advisory Group will meet periodically to provide feedback to the General Manager on project activity and effectiveness. This group will be drawn primarily from the small business community although other interested parties concerned with small business development may be included. Candidates for the Advisory Group may be nominated by members of the Board, the SBT GM, business organizations, USAID and the GOS. These advisors will ensure that direct dialogue and feedback from the beneficiary group occurs throughout project implementation. The Business Advisory Group's role will be purely consultative. It will not have any policy or operational authority in SBT. The General Manager will, however, report on the Advisory Group's input to the Board of Directors. In addition, the General Manager will develop and present to the Board for approval the administrative guidelines for the Advisory Group's participation in the Trust.

3 A General Manager (GM) will be recruited internationally as part of the institutional technical assistance contract to manage day-to-day activities of the project and set up the SBT office and procedures. The General Manager will be responsible for the administrative and technical direction of the project. As secretary to the Board and a non-voting member, s/he will prepare Board meeting agendas as well as minutes and will also serve on the Loan Committee. The GM will produce SBT's life-of-project and annual work plans and will be responsible for all reporting to USAID. S/he will review terms of reference and manage all short and long term technical assistance provided under either the institutional contract or the cooperative agreement. The GM will also recruit and train the Deputy General Manager and assure a smooth transfer by the end of the project.

As head of SBT, the GM will promote the SBT concept and programs in the Swazi business community and will have specific responsibility for the business association strengthening and policy component of the project. The institutional contract will fund the General Manager for the initial three years of the project. S/he should possess extensive experience in small business development and the development and management of business organizations.

4 A Deputy General Manager (DGM) will be recruited locally by the beginning of year 2 of the project as a direct employee of SBT. The DGM will report to the GM and will act as GM in his/her absence. This person will be expected to replace the GM at the end of the project period and would gradually take on all responsibilities of the GM during the life of project. The DGM will serve on the Loan Committee. The other professional staff members of SBT will report through the DGM to the GM.

5 A Business Development Advisor (BDA) will be recruited internationally and be employed by the US contractor for a period of 36 months. S/he will be responsible for the business linkage component of the project and for organizing direct management assistance to Swazi companies. In addition, the BDA will manage the construction management component of the project, liaising with the A I D Regional Housing and Urban Development Office (RHUDO) Nairobi. Short-term technical assistance to Swazi construction firms and the MOWC will be provided through contracts arranged by the Nairobi office of RHUDO. The BDA will recruit, manage, and train the Deputy BDA/Training Coordinator, who will take over the BDA function at the end of year 3.

6 A Deputy Business Development Advisor/Training Coordinator (DBDA/TC) will be hired as a direct employee of the Trust to coordinate the project's training component and to replace the DBA at the conclusion of the project. The DBDA/TC will report to the Business Development Advisor and will work closely with the business associations receiving assistance under the project to design small business training courses.

7 A Business Loan Manager (BLM) and three Small Business Advisors (SBA). The BLM will manage the SBT credit program. S/he will be hired as a direct employee of the Trust. Although the Business Loan Manager will report to the Deputy General Manager, s/he will have considerable operational autonomy and will be responsible for the success of the credit division. The BLM will recruit and develop the Small Business Advisors and will establish policies and procedures for the credit program. S/he will chair the Business Loan Committee which, in addition to the BLM, will be comprised of the GM, DGM, the BDA and the DBDA/TC. The Business Loan Committee will approve or disapprove all loan applications.

The Small Business Advisors will be responsible for visiting potential loan recipients identified during the baseline survey, assisting applicants in the preparation of business plans and loan applications. They will also be responsible for monitoring loans and for delinquent loan collection. They will also identify training needs of credit beneficiaries. Two SBAs will be recruited in year 1 and one more will be recruited in year 2.

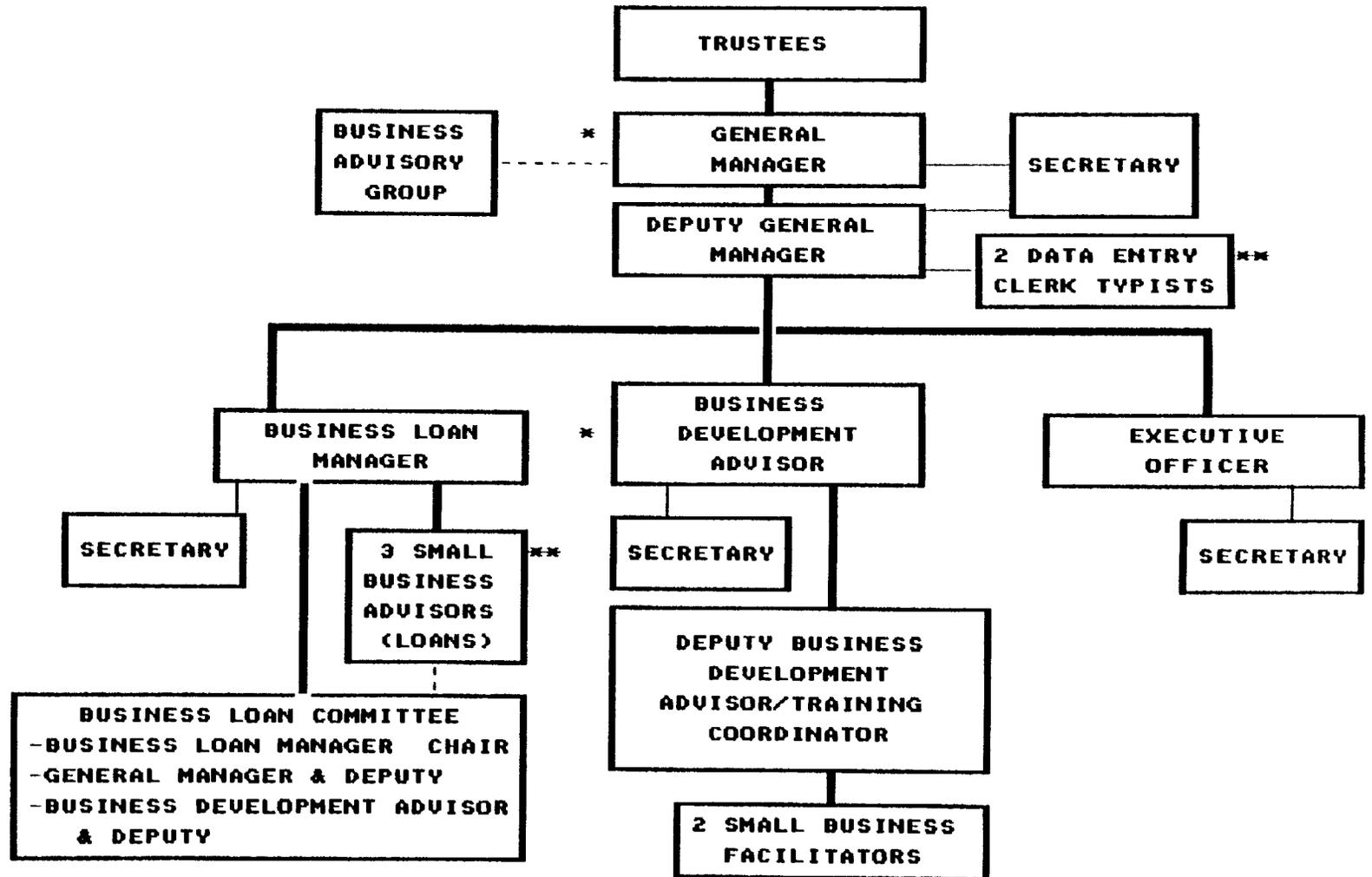
8 An Executive Officer (EO) will be employed by the central contractor to set up office systems and procedures, to procure office equipment and other commodities and to prepare invoices and financial reports for the contractor as well as SBT. This person will be recruited locally and will be funded for 36 months under the contract and for 12 months as a direct employee of SBT.

9 Four secretaries (S) and two Data Entry Clerk Typists (C) will be responsible for general office secretarial and clerical support. The secretaries will report to the General Manager, the Business Development Advisor, the Executive Officer, and the Business Loan Manager respectively. The clerks will be responsible for data entry of project monitoring information required for project management and evaluation and will report to the Deputy General Manager.

10 Small Business Facilitators (SBF) In years 2 and 3, two Facilitators will be hired locally to provide business management consultancy services primarily to businesses receiving loans under the credit component. The SBFs will report to the BDA.

An organizational chart of SBGT is shown on the following page followed by job descriptions of SBGT long and short term contractors and of SBGT employees to be funded under the project.

SWAZI BUSINESS GROWTH TRUST



* DENOTES EMPLOYEE OF CONTRACTOR ALL OTHERS ARE SBGT EMPLOYEES

** DENOTES ONE OF THESE EMPLOYEES STATIONED IN MANZINI

07-30-1991

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SBGT

JOB DESCRIPTION

GENERAL MANAGER/CHIEF OF PARTY

Period of Contract Initial 3 years of project implementation

Qualifications At least 10 years of supervisory management experience in organizations concerned with the provision of development services At least 4 years field experience as Chief of Party in a similar project or in designing and managing small business credit and technical assistance programs

A thorough knowledge of business organization development concepts

A thorough knowledge of development and commercial credit concepts, procedures and policies

A private sector orientation in developing solutions to development constraints

Must have strong business community networking skills

An MBA or equivalent experience, preferably with marketing or finance emphasis

The General Manager/Chief of Party will be responsible for the overall technical and administrative performance of the project S/he will report to the appointed USAID Project Officer and will ensure compliance with all AID regulations and procedures

Specific responsibilities include

1 Hiring local staff for the project and setting up the Trust office and procedures, making logistical arrangements for long-term technical personnel,

2 Coordinating with the Board of Directors, acting as Secretary to the Board, calling meetings setting agendas, and implementing decisions taken by the Board,

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- 3 Managing Trust staff through the Deputy General Manager
- 4 Coordinating all short term technical assistance under the project including
 - drafting and/or reviewing terms of reference
 - identifying appropriate resources
 - managing short term consultants
 - preparing contracts
 - reviewing short term consultancy reports
- 5 Directly managing the business association strengthening component and the improved business environment assistance activity of the project,
- 6 Preparing life-of-project workplans and activity monitoring reports,
- 7 Preparing invoices and financial reports,
- 8 Managing subcontractor relationships,
- 9 Training the Deputy General Manager to assume GM responsibilities at the end of USAID funding,
- 10 Continuously reviewing SGBT operations and plans to identify ways to improve the sustainability of SGBT
- 11 Developing and coordinating fund raising training program for Board members and coordinating technical assistance to develop fund raising strategic plans for use by the SGBT Board
- 12 Acting as the interface between the institutional contractor who employs him/her and the AID Contracting Officer for all contractual issues affecting the long and short term field team members also employed by the institutional contractor Performing the role of Contractor Chief of Party, both with relation to USAID and to the institutional contractor

SBGT
JOB DESCRIPTION
DEPUTY GENERAL MANAGER

Tenure

Permanent SBGT position to begin in year 2 of project implementation

Reports to General Manager

Qualifications

At least 5 years of top level supervisory management skills in a large business or development organization

Private sector orientation to the solution of development problems

Strong business community and GOS networking skills

An MBA or equivalent with emphasis on organizational management

The Deputy General Manager will be responsible for managing the day-to-day operations of the project. The DGM will report to the GM and will act as GM in his/her absence. He/she would be expected to replace the GM at the end of the project.

Specific Responsibilities

- 1 Under the guidance of the GM, supervise the day-to-day operations of SBGT and all of its staff,
- 2 Assist the GM in the development of LOP work plans, evaluations and reports
- 3 Assist the GM in coordinating and managing short term technical assistance,
- 4 Actively promote the Trust within the Swazi private and public sectors,
- 5 Continually evaluate the operations and objectives of SBGT in relation to small business needs and provide suggestions and plans for improvements for consideration by the GM

SBGT

JOB DESCRIPTION

BUSINESS DEVELOPMENT ADVISOR

Period of Contract

Initial three years of project implementation

Reports to Deputy General Manager

Qualifications

At least 10 years of project or business management experience

At least 5 years of experience in designing or implementing small business management and technical training programs

A thorough knowledge of development through private enterprise concepts

A private sector orientation to the solution to development problems

Excellent private enterprise networking and concept marketing skills

Experience in business planning, marketing, production, finance and quality control

Familiar with dealing with large businesses either by directly working with management or through experience through sub-contracting relationships

Experience with organization of business promotional activities desirable

An MBA or equivalent with an emphasis on marketing

The Business Development Advisor will be responsible for identifying and implementing direct assistance to indigenous Swazi businesses with growth potential. S/he will report to the General Manager/Chief of Party of the Trust. Specific responsibilities include

1 Promoting business linkages between small business and large business,

2 Identifying opportunities for business linkages by

- Conducting a demand survey of large business to determine what products and services are needed,
- Creating a small business directory to identify small business products and services that are available,
- Promoting the concept of business linkages in the Swazi environment,

3 Providing direct management assistance to small business firms This assistance will be designed to upgrade their management and technical skills in order to enhance growth This should include but not be limited to general business planning, financial planning and management, personnel management, production issues such as quality control, and negotiating contracts,

4 Drafting terms of reference for short term consultants to carry out direct management assistance,

5 Managing short term consultants reference above,

6 Managing the training coordinator who will identify and coordinate group training activities,

7 Preparing periodic activity reports required under the project,

8 Coordinating with RHUDO/Nairobi to manage the construction component of the project

JOB DESCRIPTION
DEPUTY BUSINESS DEVELOPMENT ADVISOR/
TRAINING COORDINATOR

Tenure

Permanent SSGT position to begin in year 1 of project implementation

Reports to Business Development Advisor

Qualifications

The specialist will be responsible for managing the training component of the project S/he will report to the Business Development Advisor and will act as his/her deputy Specific responsibilities include

- 1 With each business association, identify training needs of members and develop training plan and courses,
- 2 Coordinate with the business associations, make logistical arrangements for training courses,
- 3 Develop library of training resources from the region and abroad that would be useful to indigenous businesses,
- 4 Coordinate with other USAID, GOS and other Swaziland projects providing training to small business, such as SEAS, STRIDE and BMEP,
- 5 Identify outside training resource that could be utilized in conducting training courses Assist in selecting appropriate firms Draft terms of reference for their involvement in training programs,
- 6 Participate, when appropriate, as a training instructor in training courses,
- 7 Work closely with the Business Development Advisor and assist in the small business assistance consultancy aspect of the project which will provide one-on-one assistance to Swazi companies,
- 8 Liaison with AID project managers and contractors involved in small business training projects in nearby southern African countries

JOB DESCRIPTION
BUSINESS LOAN MANAGER

Tenure Permanent SGBT position to begin in year 1 of the project but only after GOS has placed guarantee fund in participating commercial bank

Reports to Deputy General Manager

Supervises Small Business Advisors

Qualifications

At least 10 years business management experience

Strong knowledge of business planning, management, production, marketing and finance

Bachelor of Business Administration or Bachelor of Commerce with emphasis on finance Advanced business degree desirable

Responsibility Administration and control of the Business Loan Program

Detailed functions

- 1 Recruit, select, supervise, and train Small Business Advisors
- 2 Develop credit unit policies and procedures
- 3 Train Advisors in the implementation and application of loan policies and procedures
- 4 Identify shortcomings in the loan process and draft policies and procedures to overcome these for the Loan Committee approval
- 5 Chair the Loan Committee
- 6 Identify the training needs of beneficiaries of the Business Loan Program
- 7 Monitor performance of the loan program with reference to recovery rates and numbers of loans

- 8 Take steps to recover bad debts
- 9 Advise Training Coordinator and Business Development Advisor on the needs of the borrowers
- 10 Assist Advisors in difficult or advanced cases
- 11 Perform credit analysis on loan applications and screen out bad applications before submission to Loan Committee interview applicants where necessary to verify facts
- 12 Review loan performance of the Advisors and take appropriate action
- 13 Ensure approved loans are correctly processed
- 14 Ensure Advisors visit borrowers to provide loan after-care services
- 15 Supervise record keeping for operations and evaluation
- 16 Prepare suitable reports for management and donors
- 17 Coordinate administration of the program with the bank

JOB DESCRIPTION

SMALL BUSINESS ADVISORS

Tenure Two to begin in year 1 of the project and one to begin in year 2 None to be hired until GOS places guarantee fund in participating commercial bank

Reports to Business Loan Manager

Supervises No supervisory function

Qualifications One of the first to be hired to have a bachelor of business administration or commerce with at least 5 years of business experience in financial analysis Two with advanced level high school diplomas with five to ten years business experience or have a bachelor degree in business administration or commerce and up to five years business experience

They should be able to rapidly acquire basic financial skills

Be well motivated and of high integrity

They should be able to communicate well with their small business target group and be from and willing to serve in the community in which they will be stationed

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Responsibilities

- 1 To promote the Business Loan Program
- 2 To select, appraise and recommend loan applications
- 3 To monitor loans and provide post-loan services to the borrowers

Functions

- a) Visit small businesses and identify those with growth potential
- b) Assess the applicant s business to determine if it is viable
- c) Assess the applicant s financial needs
- d) Receive loan applications from small businesses in the area
- e) Assist applicants with preparation of a loan proposal and business plan and refer the proposal to the Business Loan Manager
- f) Conduct credit checks to determine if the applicant has a clear credit history
- g) Conduct character checks to determine the credibility of the applicant
- h) Review loan applications and determine if they meet the Foundation s selection criteria
- i) Visit the borrower at least once a month to monitor the loan
- j) Report to the Business Loan Manager on the training and marketing needs of the borrowers

SBGT
EXECUTIVE OFFICER

JOB DESCRIPTION

Period of Contract Initial 3 years of project as Contractor employee, thereafter will be employed directly by SBGT

Reports to Deputy General Manager

Qualifications

Education A Bachelors Degree in Accounting is required Graduate training or degree desirable

Prior Work Experience, At least 6 years of professional financial management experience of which at least four must be related to accounting, auditing and business management

Language Excellent knowledge and command of written and spoken English

Knowledge and Abilities A thorough understanding of bookkeeping, accounting and auditing principles and procedures Capable of establishing and administering sound accounting records, controls, financial statements and reports In addition, able to draft administrative, accounting and reporting guidelines and procedures Able to perform cash flow analysis and financial statement projections and budgets Ability to use financial computer programs highly desirable

The Executive Officer will report to the General Manager of SBGT S/he will be an employee of the contractor team during the term of the Contract, thereafter will be employed directly by SBGT S/he is expected to provide services as specified below

1 Handle all administrative and financial matters related to the SBD project such as

- organizing all records and files,
- making payments for invoices received,
- reconciling bank accounts,
- maintaining accurate financial records,
- entry of all accounts into the computerized accounting system,

- generating monthly and other reports for the Home Office (HO),
- handling preparation of monthly billings to be submitted to USAID,
- tracking all inventory,
- procurement of equipment and supplies
- clearance of contracting actions with regard to availability of funds within line items and cost considerations

2 Assist the General Manager, or his designee, with setting up and arranging Board meetings and conferences

JOB DESCRIPTIONS

SHORT TERM TECHNICAL ASSISTANCE

BUSINESS ORGANIZATIONS STRATEGY ADVISORS

Period of Contract 2 Advisors for 3 person months to arrive two months after arrival of General Manager of SBT

Qualifications

At least 3 years consultancy or teaching experience in strategic planning relevant to the development of business organizations vision and long range strategy and action plans to meet business organizations targets

Specific Tasks

Assess long range viability of up to seven business organizations and their relationship and importance to the growth of the Swazi business sector

On the basis of the above described assessments, recommend to the General Manager SBT which associations should receive organizational strengthening assistance from SBT

As directed by the General Manager SBT, based on above assessments and SBT Board approval, work with selected business organizations to define their organizational vision (long range goals and objectives) and assist these organizations to develop strategic plans to meet their goals and objectives

Based on these strategic plans provide to the General Manager of SGBT proposals for SGBT organizational strengthening assistance to viable organizations for presentation to the SGBT Board for their approval

JOB DESCRIPTION

SHORT TERM INTERMITTENT TECHNICAL ASSISTANCE IN BUSINESS MANAGEMENT, MARKETING, FINANCE, AND IN TECHNICAL PRODUCTION RELATED AREAS

Period of Contract Sixteen person months of intermittent technical assistance related to strengthening small businesses to better manage their businesses and meet market standards

Specific Tasks

The exact needs and consultant qualifications will be defined during the course of project implementation as Trust contractors and staff meet with small business persons and encounter problems in technical or managerial areas which require specialized assistance not available from the Trust staff. Criteria for selection of clients to receive this TA will include inter alia an assessment of the viability and potential of the beneficiary firm for growth and will be developed by the Business Development Advisor. Scopes of work will be developed by the Business Development Advisor and/or his Deputy and cleared by the General Manager, the USAID Project Manager and the USAID/RCO

Whenever possible, the project will use local consultants. The basis for this local sourcing emanates from the need to assure that the Trust will be able to emulate and thus continue this activity upon completion of the project - both on a cost and logistical basis. Following the departure of the prime contractor, Trust Management will develop scopes of work and with USAID approval, contract for the services

JOB DESCRIPTION

SHORT TERM TRAINING IN BUSINESS MANAGEMENT, MARKETING, FINANCE, AND IN TECHNICAL PRODUCTION RELATED AREAS

Period of Contract Thirty three person months of short term training related to strengthening small businesses management and technical capabilities to meet market standards

Specific tasks

The exact needs will be defined during the course of project implementation as Trust contractors and staff meet with small business persons and encounter problems which require specialized training not available from the Trust staff. In addition, at the onset of the project, the Deputy Business Development Advisor/Training Coordinator, in cooperation with Swazi business associations, will develop a LOP training plan for association members, their employees and the small business community at large. The plan will include criteria for selection of trainees. Scopes of work for each training event will be developed by the Training Coordinator and cleared by the Business Development Advisor, the General Manager, the USAID Project Manager and the USAID RCO. Whenever possible, consultants providing the training must be obtained from local sources. The basis for this local sourcing emanates from the need to assure that the Trust will be able to continue this activity upon completion of the project - both from cost and logistics standpoints.

JOB DESCRIPTION

SHORT TERM CONSULTATIONS FOR CONSTRAINT ANALYSIS

Period and Purpose of Contract

To strengthen the environment for small Swazi business growth, the project will include funding for 8 person months of short term technical assistance to analyze and recommend alternative solutions to constraints to growth of small business in Swaziland. It is anticipated that 4 to 6 separate studies will be completed. For each study completed, the consultants will participate in forums with persons from the public and private sectors to discuss study findings and recommendations.

Identification of constraints to be analyzed will be the responsibility of the General Manager of SGBT in coordination with the Swazi National Business Council. Topics will be determined through networking with private and public sector managers, business associations and the SGBT Advisory Council. The GM will be responsible for developing scopes of work identifying candidates to be approved by a panel from SBFT, the National Business Council and USAID. It is anticipated that the forums will be hosted by the National Business Council with the support of SGBT.

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JOB DESCRIPTION
SHORT TERM CREDIT ADVISOR

Period of Contract

6 person months to coincide with arrival of SBTG s Credit Program Loan Manager and after GOS places guarantee fund in participating commercial bank

Qualifications

At least 8 years of experience in design, implementation and management of micro and small credit programs in developing countries

A thorough knowledge of development and commercial banking concepts, policies and procedures

An MBA, preferably in finance or its equivalent in experience

Responsibilities

Design the internal policies, procedures, forms and manuals necessary for the implementation, reporting and evaluation of the credit program

Assist the SBTG Loan Manager in designing and setting up the operational systems for the Trust Credit Program

Design and participate in staff training of SBTG credit program staff including the provision of scopes of work and identification of training facilities or trainers

Design the promotion plan for the SBTG credit program

Assist the SBTG in negotiating a formal agreement with the participating commercial bank with reference to the bank s role in management of the Guarantee Fund

Review project proposed fee structure for SBTG credit program and make suitability recommendations As necessary, recommend alternatives to the General Manager for presentation to the Board

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MEMORANDUM OF UNDERSTANDING

between

the Government of the Kingdom of Swaziland

and

the Government of the United States of America

with respect to

Swazi Business Development in Swaziland

The Government of the Kingdom of Swaziland (GOS) and the Government of the United States of America (USA), as represented by the United States Agency for International Development (USAID) and hereinafter referred to as "the parties", hereby enter into this Memorandum of Understanding (MOU) effective as of the date written below

WHEREAS, the GOS has provided support to the development of Swazi-owned, small-scale business in Swaziland, as in the case of a loan guarantee scheme funded by local currency generated by the sale of AID financed commodities under the Section 416 Program and administered by the Central Bank of Swaziland for the benefit of small-scale enterprises owned by Swazis,

WHEREAS, USAID has also provided support to the development of Swazi-owned, small-scale business in Swaziland, as in the case of assistance provided such businesses under USAID's Swaziland Enterprise Advisory Services (SEAS) project managed by Cooperative for American Relief Everywhere (CARE), and USAID's support to the Business Management Extension Program (BMEP) in Manzini,

WHEREAS, the GOS and the USA, as represented by USAID, desire to continue and to strengthen such support for indigenous small business in Swaziland and believe that collaboration and cooperation with each other will significantly enhance such support,

NOW, THEREFORE, the GOS and the USA, as represented by USAID, hereby agree as follows

1 The GOS and USAID will continue to support the development of Swazi-owned, small-scale business in Swaziland, and will periodically consult with each other and explore opportunities to collaborate and mutually support each other's efforts in this area, where appropriate

2 1 The GOS and USAID will provide such support as may be agreed upon to assist indigenous Swazi-owned small and medium scale businesses in Swaziland under USAID's Swazi Business Development (SBD) Project. The SBD Project is intended to address the problem of inadequate participation by Swazi entrepreneurs in economic development in Swaziland. The SBD project will focus primarily on established small businesses with growth potential. The target group could also include individuals with demonstrated managerial and technical skills, a sound business plan and some capital, or entrepreneurs who have achieved success in one line of business and who wish to diversify

2 2 Characteristics of the majority of the target group include participation in the banking system, having a fixed place of business and employment of at least one person other than the owner. The project aims ultimately for national coverage, however, coverage may be limited in the early years due to start-up constraints and personnel and fund limitations

2 3 This Project is expected to provide training and technical assistance in business planning, management, marketing and financial skills, strengthen business associations and organizations in Swaziland, increase the access of Swazi entrepreneurs to credit (as a complement to the Central Bank's loan guarantee scheme), and improve the general business environment for the benefit of small Swazi entrepreneurs

2 4 The SBD Project will be implemented through a private sector, non-profit Trust (the Swazi Business Growth Trust) that will be established in Swaziland prior to commencement of the Project.

3 1 The GOS hereby endorses the SBD Project and approves it as an assistance activity or project to which the Bilateral Agreement on Economic, Technical and Related Assistance dated 5 December 1989 between the United States of America and the Government of the Kingdom of Swaziland is applicable

3 2 The detailed activities of SBD will be provided in the Cooperative Agreement between the Trust and USAID. Such agreement will be provided to the GOS before obligation

4 1 To facilitate the development and implementation of the SBD Project, the GOS acknowledges that the Trust is a charitable public organization and as such qualifies for exemption from tax in terms of section 12 1(a)(viii) of the Income Tax Act as a charitable institution of a public character, or/and that the Trust will otherwise be exempt from tax pursuant to section 12 1(m) of the Income Tax Act Therefore, the Government of Swaziland agrees to grant the Trust tax exempt status as soon as is feasible following the effective date of this MOU

4 2 It is the understanding of both Parties hereto that any distribution of trust assets or proceeds upon liquidation of the Trust will also be tax exempt However, liquidated proceeds would only be tax exempt if used for purposes in line with the Trust's objectives as described in the Deed of Trust and approved by USAID and the GOS or if the liquidated proceeds were returned to the Founder (USAID)

4 3 Any agreement between USAID and the Trust or grant of funds by USAID to the Trust will be free from any taxation or fees imposed under laws in effect or which may become effective in Swaziland

5 The GOS also agrees to use its best efforts to expedite the issuance of all necessary work permits for SBD Project personnel and otherwise facilitate prompt entry into Swaziland and work authority for such personnel

6 1 As its contribution to the Project, the GOS will provide E1,000,000 in local currency, generated from the sale of AID financed commodities under the Section 416 Program, to support the credit component of the Project

6 2 The GOS will also collaborate in other Project activities, as appropriate and as agreed upon among the GOS, USAID and the Trust

7 1 As its contribution to the Project, it is planned that USAID will provide US \$6,000,000 to support Project activities, including the activities described above in paragraph 2, subject to the availability of funds and the agreement of USAID and the Trust to proceed

7 2 The GOS and the USA, as represented by USAID, will consult on any major changes in the allocation of Project funds

8 The GOS and the USA, as represented by USAID, will share with each other any reports, implementation letters, studies with regard to USAID's contribution, and other data that pertains to the SBD Project specifically or small business development in Swaziland generally and are prepared by or on behalf of such party for general circulation

9 It is the understanding of the Parties that the GOS will be entitled to appoint one GOS representative as a Trustee of the Trust, in accordance with the terms of the Trust's Deed of Trust

10 The parties hereto may establish specific responsibilities to be undertaken by each party in support of small business development in Swaziland in specific written agreements mutually agreed to at a later date

11 This MOU may be modified by the mutual agreement in writing of both Parties hereto

12 This MOU remains in effect until terminated It may be terminated by either party upon 60 days prior written notice to the other party

13 For purposes of this MOU

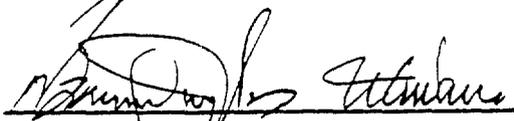
a the GOS will be represented by the individual holding or acting in the Office of the Principal Secretary, Department of Economic Planning and Statistics, and

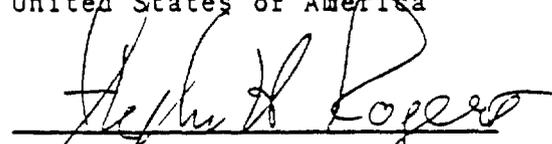
b AID will be represented by the individual holding or acting in the Office of Director, A I D Mission to Swaziland

IN WITNESS WHEREOF, the respective representatives of the Governments of the Kingdom of Swaziland and the United States of America have caused this Memorandum of Understanding to be signed in their names and delivered as of the date written below

For the Government of the Kingdom of Swaziland

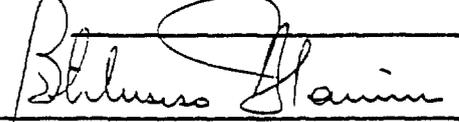
For the Government of the United States of America

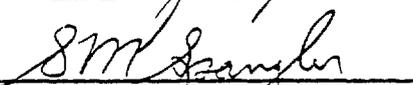




By The Honorable
N Douglas Ntiwane
Title Minister of Commerce,
Industry and Tourism

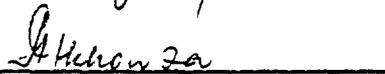
By Stephen H Rogers
Title Ambassador

Date 

Date 10 July 1991


By The Honorable
B Sibusiso Dlamini
Title Minister of Finance

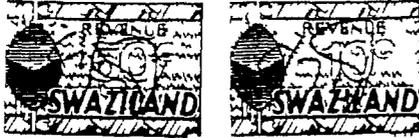
By Scott M Spangler
Title A I D Assistant
Administrator for
Africa

Date 10 July 1991


Date 10-7-91

By A Phindile Mkhonza
Title For the Principal Secretary
Department of Economic
Planning and Statistics

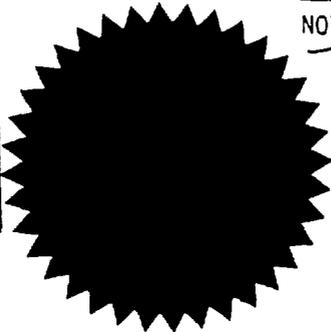
Date _____



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I certify that the attached Deed of Trust is a true copy of the original filed with my Protocol


NOTARY PUBLIC



NOTARIAL DEED OF TRUST

KNOW ALL MEN WHOM IT MAY CONCERN.

That on this 9th day of JULY in the year of Our Lord One Thousand Nine Hundred and Ninety One, before me, Robert David Friedlander, Notary Public duly sworn and admitted and residing and practising at Mbabane in the Kingdom of Swaziland, personally came and appeared ROGER D CARLSON in his capacity as Director in Swaziland and duly authorised hereto by virtue of the authority granted to him by

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

(hereinafter referred to as the Founder)

100

and

MS MOROESI KHOZA

MR EDDIE LITCHFIELD

MR ROBERT CORMACK

MR MADHU RAMKOLOWAN

MR DAN MASEKO

MR A T DLAMINI

MR SAM MASILELA

ABE MESEKO

THEMBAYENA DLAMINI

(hereinafter referred to as the Initial Trustees)

AND THE APPEARERS DECLARED THAT

WHEREAS the Founder wishes to create a trust to promote the establishment and expansion of small and medium sized indigenous Swazi owned businesses

NOW THEREFORE

1

The Founder hereby establishes a trust in Swaziland to be known as

The Swazi Business Growth Trust

(hereinafter referred to as the Trust)

2

The Founder hereby donates to the Trust an initial sum of E10,00

DEFINITIONS

For the purpose of this deed the following words shall have the meanings assigned to them hereunder: -

- Board Board of Trustees,
- GOS Government of Swaziland,
- person shall include a company partnership, association or organisation

- Target
- Business means any type of commercial business activity which is or will be directly or indirectly beneficially owned as to at least 51% by Swazi citizens and which in the opinion of the Loan Committee can be classified as a small or medium sized business,

- Loan Committee the committee referred to in 7.4 of this deed,
- Year calendar year

OBJECTS OF THE TRUST

The objects of the Trust are -

- 4.1 To promote the establishment and expansion of the Target Businesses Without restricting the generality of such object the Trust shall, inter alia,
 - 4.1.1 increase and facilitate the access of such businesses to credit facilities,
 - 4.1.2 provide or facilitate technical assistance and training,
 - 4.1.3 develop and rationalise their linkage with large businesses,
 - 4.1.4 strengthen Swazi business associations and organisations

- 4 1 5 engage in dialogue and consultation with GOS to enlist its assistance with the furtherance of the objects of the Trust
- 4 2 To raise and receive funds in cash or in kind by way of donation, loans and grants from any person or organisation for the furtherance of its objectives
- 4 3 To do all such things and to perform all such services as are reasonably ancillary to the object set out in 4 1
- 4 4 Such further objects as the Founder may from time to time direct in writing to the Board

5

BOARD OF TRUSTEES

Subject to the provisions of this deed general administration of the Trust shall be in the hands of a Board of Trustees -

5 1 Composition of the Board

The Board shall consist of not less than 7 nor more than 9 trustees drawn, as far as is reasonably possible, from the following sectors of the Swaziland community -

- 5 1 1 Two persons from the Target Businesses,
- 5 1 2 Two persons from large private-sector business organisations,
- 5 1 3 One person from a Swazi business association or organisation,
- 5 1 4 Two persons from the private-sector business community or the Swaziland professional community or otherwise working in or associated with the Swaziland Business Community
- 5 1 5 One person appointed by GOS,
- 5 1 6 One person appointed by a commercial bank nominated by the Founder who shall initially hold office for a period of one year. Should the bank elect not to be represented on the Board it shall be entitled to have an observer present at Board meetings

5 2 Notwithstanding the provisions of 5 1 the initial trustees shall be the persons who are the parties to this deed

5 3 At their first meeting the trustees shall, by a majority vote, appoint from amongst themselves a chairperson and a deputy chairperson provided however that neither post may be filled by either of the trustees referred to in 5 1 5 and 5 1 6 Upon the expiry of the terms of such chairperson or deputy chairperson a new chairperson or deputy chairperson shall be appointed in similar manner from among eligible trustees

5 4 There shall be an executive committee of the Board comprising the chairperson, the deputy chairperson and the trustee appointed in terms of 5 1 6

5 5 Any vacancy occurring on the Board with respect to trustees appointed in terms of 5 1 1 to 5 1 4 shall be filled by a person elected by a majority of the remaining trustees Any vacancy occurring on the Board with respect to trustees appointed in terms of 5 1 5 or 5 1 6 shall be filled by a person selected by GOS or the relevant commercial bank, respectively

5 6 Term of Service of Trustees

5 6 1 The trustees appointed in terms of 5 1 1 to 5 1 4 shall hold office for a period of three years

5 6 2 The term of service of the trustees appointed in terms of 5 1 5 and 5 1 6 shall be regulated by the parties appointing them

5 7 Re-Appointment of Trustees

On the expiry of his or her term of office any trustee shall be eligible for re-appointment to serve for a further term/s

5 7 1 The re-appointment of trustees appointed in terms of 5 1 1 to 5 1 4 shall be made by a majority vote of the trustees appointed in terms of 5 1 1 to 5 1 4 at the last quarterly board meeting referred to in 5 8 3 preceding the end of his or her term of office

5 7 2 The re-appointment of trustees appointed in terms of 5 1 5 or 5 1 6 shall be made by the GOS or the relevant commercial bank respectively

5 7 3 In considering the re-appointment of a trustee regard shall be had to the performance of the trustee in question in respect of attendance at meetings, active participation in Trust affairs and initiative in promoting Trust fund-raising activities

5 8 Meetings of the Board

5 8 1 A quorum of the meeting of the board shall be 5 (five) and all decisions taken by the board shall require the assent of a simple majority of the trustees except in the event of a meeting held among only 5 trustees, in which case all decisions must be unanimous In the event of there being an equality of votes, the Chairperson shall have a casting vote

5 8 2 In the absence of the Chairperson the meeting shall be chaired by the Deputy Chairperson

5 8 3 The Board shall hold a minimum of four quarterly meetings in each year and may meet more frequently as and when the conduct of the affairs of the Trust so require

5 8 4 The Board shall regulate its own proceedings

5 8 5 The Board shall keep minutes of its meetings which shall be available for inspection at all reasonable times to Founder or a representative designated by it

5 8 6 No trustee shall be disqualified by his office from contracting with the Trust either as vendor, purchaser or otherwise or from being interested in any contract or arrangement entered into by and on behalf of the Trust or from receiving technical assistance or training sponsored by the Trust, provided that immediately any matter in which he has an interest as aforesaid is raised at a meeting he shall declare his interest, refrain from taking part in discussions on the matter and shall not vote in regard thereto, and provided that in no event shall any trustee be eligible to receive loans under any credit program managed by the Trust Notwithstanding the foregoing no professional person who is a trustee may contract to supply his or her professional services to the Trust

5 9 Termination of Trustees Appointment

5 9 1 Any trustee who fails to attend two of the four annual quarterly meetings during the course of a year shall, except for good cause in the opinion of the Chairperson, be automatically removed as a trustee

5 9 2 A trustee shall cease to be a trustee on the happening of any of the following events -

5 9 2 1 if application is made for the sequestration of his or her estate and a provisional order of sequestration is made,

5 9 2 2 if he or she file an application for the surrender of his or her estate as insolvent,

5 9 2 3 if he or she compounds generally with his or her creditors,

5 8 2 4 If the trustee is placed under guardianship or is declared by a Court of competent jurisdiction to be incapable of managing his or her own affairs

5 9 2 5 if he or she gives written notice to the Chairperson of his resignation

TRUSTEE S POWERS

The Board shall have general control of the trust assets and shall strive to attain the objects for which the Trust is established. The Board shall have all such powers as may be necessary to enable it to administer the Trust and, without limiting their general powers in any way, and for the purpose of furthering the aims and objects of the Trust, it shall also have the following powers:

- 6 1 to invest the funds of the Trust and also such income from the Trust which may not be immediately required for the purposes of the Trust, in such manner as they may think fit and to realise, vary and transpose any securities assets, investments and property from time to time and at such times as they in their sole discretion shall determine or consider to be in the best interests of the Trust,
- 6 2 to purchase sell, let and hire any movable and immovable property in due and customary form,
- 6 3 to expend Trust funds on maintenance construction, improvement, alteration, rates, taxes, insurance premiums and other charges in and pertaining to any immovable property,
- 6 4 to advance and lend money to any person, company, corporation, association or institution either with or without security and upon such terms and conditions as to repayment or otherwise as the Board may, in its sole discretion deem fit,
- 6 5 To act as guarantor for and on behalf of any person and to provide security in respect of such guarantee

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- 6 6 to borrow money and in order to provide security for such borrowing, to mortgage and/or pledge the Trust assets and to arrange the manner of repayment of such loans as the Board may in its sole discretion decide
- 6 7 to pay all expenses incurred in connection with the administration of the Trust,
- 6 8 to employ any person, to manage or assist in the management of any objects of the Trust and to remunerate such employee from funds administered by the Trust, including travelling and other expenses which may necessarily be incurred by such employee,
- 6 9 to appoint an agent or agents to represent them for any specific purpose, including the power to employ accountants, attorneys, advocates and other professional persons for any specific purpose and to remunerate such persons at the usual professional or business rates,
- 6 10 to take action in a court of law for the recovery of any amounts due to the Trust or to compel the fulfilment of obligations in its favour and to defend any proceedings that may be instituted against the Trust,
- 6 11 to allow time for payment of debts due to the Trust and to compromise claims by the Trust in their discretion,
- 6 12 to accept further donations and bequests from the Founder or other persons in favour of the Trust and to administer the same, subject to the terms hereof and also subject to such conditions as may be imposed by the Founder or other persons, provided that such conditions are not inconsistent with the terms of the Trust,
- 6 13 to purchase or otherwise acquire any equipment that may be necessary for the promotion of the objects of the Trust,
- 6 14 to open and control any bank accounts or building society accounts and to draw, accept or give promissory notes, bills of exchange and other negotiable instruments,

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5 15 to attend all meeting of creditors of any person or persons company, corporation or body whatsoever indebted to the Trust whether in provisional or final insolvency liquidation judicial management or otherwise, and to vote for the election of a Trustee and/or liquidators and/or judicial managers, as also to vote on all questions submitted to any such meeting or creditors and generally to exercise all rights accruing to a creditor

6 16 to enter into any partnership, joint venture or other association, with any other person, firm or company for the doing or performance of any transaction or series of transactions within the powers of the trustees in terms hereof

OPERATIONAL MANAGEMENT OF THE TRUST

7 1 Whilst the Board shall be responsible for the general administration of the Trust the day to day operational management of the Trust's business shall be carried on by a management team consisting of suitably qualified personnel

7 2 The personnel to fill the above positions for the first 4 years after the execution of this deed shall be appointed by the Founder which shall in addition lay down their terms of employment After the expiry of the 4 year period all appointments to the posts in question shall be made by the Board

7 3 Subject at all times to general guide lines laid down by the Board the management team shall have broad authority to conduct the business activities of the Trust including authority to make management, technical, operational, funding and personnel decisions

7 4 There shall be constituted from amongst the management a Loan Committee consisting of General Manager, Business Development Advisor, Business Loan Manager and the Deputy General Manager and Deputy Business Development Advisor for as long as the latter two posts exist All decisions concerning the granting of loan or credit facilities shall be made by the said Committee

7 5 It is expressly provided that the Board shall have no say in decisions made by the Loan Committee in terms of 7 4

BOOKS AND RECORDS

8 1 The Board shall ensure that management keeps, or causes to be kept, proper books and records of all transactions entered into by them (the management) on behalf of the Trust

8 2 The Board will from time to time determine a date when the financial year of the Trust will end. Until otherwise determined the financial year of the Trust will end on the last day of June in each year

8 3 The Board shall from time to time appoint auditors to act as auditors for the Trust and procure the preparation of audited financial statements in respect of the affairs of the Trust by such auditors within 60 days of every financial year

SECURITIES AND EXEMPTIONS

9 1 No trustee whatsoever and wheresoever resident shall be obliged to furnish security to any person or authority in connection with the performance of his or her duties as trustee in terms hereof

9 2 In the proposed administration of the Trust no trustee shall be liable for any loss to the Trust which may occur as a result of any improper investment made in good faith, or as a result of the negligence or fraud of any agent or other person employed by the Board (even though such employment was not strictly necessary) or occasioned by any mistake or omission made in good faith by the Board, or arising from any other cause, except the wilful and individual fraud or dishonesty of such trustee. No trustee shall be liable for any loss occasioned by the fraud, dishonesty or wrongdoing of the other trustees or any other trustee unless he or she was a party to such fraud, dishonesty or wrongdoing

AMENDMENT OF DEED OF TRUST

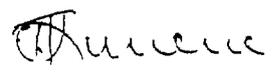
This deed may be amended by a two-thirds majority vote of the trustees provided that no amendments shall be made for the initial period of 4 years after the date of execution of this Trust without the approval of the Founder and provided that during such 4 year period the Founder may amend this deed in its own discretion

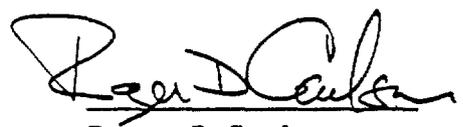
DURATION OF TRUST

The Trust shall endure for as long as, in the opinion of the Founder, it can continue to usefully serve the purpose for which it is being created or such other purposes as the Founder may from time to time direct Should the Founder decide to terminate its relationship with the Trust it shall after consultation with the Board give directions as to the manner in which the Trust is either to continue or be dissolved

THUS DONE AND SIGNED at MBABANE on the day, month and year
aforewritten, in the presence of the undersigned witnesses

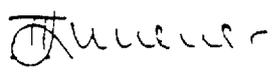
AS WITNESSES

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Roger D Carlson
FOUNDER
For the Government
of the United
States of America

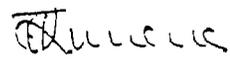
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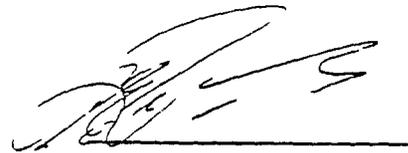
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TRUSTEE
Moroesi Khoza
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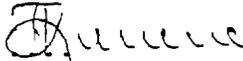
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Eddie Litchfield

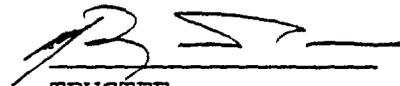
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TRUSTEE
Robert Cormack

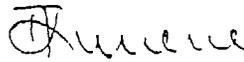
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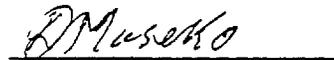
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TRUSTEE
Madhu Ramkolowan

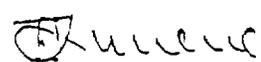
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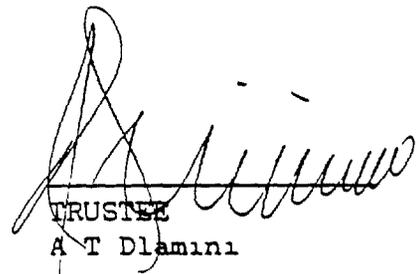
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TRUSTEE
Dan Maseko

AS WITNESSES

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TRUSTEE
A T Dlamini

AS WITNESSES

1 *SL BL*

2 *Thumane*

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TRUSTEE
Sam Masilela

AS WITNESSES

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2 *Thumane*

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TRUSTEE
Abe Meseko

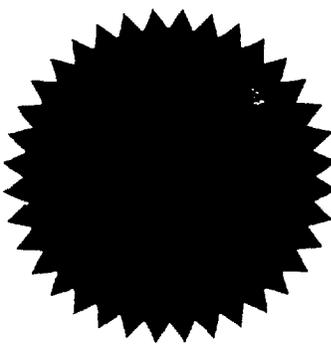
AS WITNESSES

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TRUSTEE
Thembayena Dlamini

QUOD ATTESTOR



[Signature]
NOTARY PUBLIC

WID CONSIDERATIONS

PROJECT DESCRIPTION

Purpose

The purpose of the SBD project is to stimulate the growth of indigenous Swazi-owned businesses, including the number of women owned businesses. The consideration of gender and the integration of Swazi women in the program is critical to the achievement of the project's goal and purpose.

1 THE SOCIOCULTURAL AND ECONOMIC SETTING

In Swaziland, women account for 52 percent of the population. A large proportion of these women live in the rural areas where they engage in agricultural production both for subsistence and for cash crops. Others reside in urban areas where they are either wage earners, self-employed or unemployed. Women in Swaziland need money for their domestic obligations and to bring up their children. Many married women receive little or no financial assistance from their husbands, who may be unemployed or may have deserted them. (Furthermore, some women are the sole support of their family). Nationally, 39 percent of households are headed by females.

Sociocultural constraints limit women's full participation in the country's economy. The major constraints lie in the following areas: attitudes, marriage laws, male control and distribution of Swazi Nation Land, and the number of children and women's domestic responsibilities. Each is discussed in more detail below.

a Attitudes

According to a recent WID study conducted for USAID Swaziland in 1989, the general attitude of most educated and non-educated men toward the role of women is still conservative. The woman's place is at home, caring for children and husbands. Women are viewed as subordinate to male control.

Attitudes have affected educational levels as well. The number of educated women is lower relative to the educated population in the country despite the fact that men and women have equal access to education. In the past families preferred to educate boys rather than girls. As a result of

this differential access to education lack of education keeps many women from wage employment However, this gender gap is lessening Recent statistics show that boys still outnumber girls in the higher grades, but that the discrepancy is nearly closed at the primary school level

A number of institutions offer adult and non-formal education in the country While many women are graduates of these institutions, women with families often cannot avail themselves of these opportunities because of time constraints

b Marriage Laws Control of Wealth

The Roman Dutch Common Law operates together with Swazi law and custom (which applies only to indigenous Swazi) The two marriage systems often conflict, but also reinforce each other to severely disadvantage women in the economic sphere

The dual legal system has caused confusion among Swazi women While Swazi women know now Swazi Law and Custom operate, most are unfamiliar with the modern legal system, especially with regard to laws that govern marriage, inheritance and property rights

According to the traditional legal system, married women have no rights of succession to husbands estates, and husbands have marital power over wives Women who wished to own property have opted for civil marriage, under Roman Dutch Common Law But under Section 24 of the Act governing civil marriages, marital powers and property rights are governed by Swazi Law and Custom In essence, the husband has absolute power over the economic assets of a marriage and administers the joint estate In the absence of a prenuptial agreement, which is permitted by Section 25 of the Act, a wife cannot obtain loans, open a bank account, or start a business without her husband s consent, neither does she have any independent collateral or wealth Awareness of the advantages of a prenuptial agreement is not widespread among Swazi women, hence, few attempt to take advantage of its benefits

The marriage laws in Swaziland put women in a position of perpetual minority status and are a major constraint to their ability to advance economically Even if a women does receive her husband s consent to establish a business or obtain a loan the husband has the legal right to control the income from the business, without any reference to his wife s wishes

c Control of Swazi Nation Land (SNL)

Land is traditionally controlled by men. Married and unmarried women cannot be allocated land for any purpose without male representation on Swazi Nation Land (land owned by the king in trust for the nation). Married women cannot purchase property without their husband's consent, however, this constraint does not apply to unmarried women. Since nearly three quarters of the Swazi population live on Swazi Nation Land, this discrimination in land tenure has a significant effect on Swazi women's ability to progress economically.

d Number of Children and Domestic Responsibilities

The average number of children per woman is 6.5. In rural areas, this number is even higher, with women having as many as 10 to 12 children. Obviously, this high number of children increases the time burdens on women. Caring for children below school age is now a problem for working mothers in both the urban and rural areas. Numerous children also increase the need for some sort of income-generating activity to supplement a father's income or to provide for all basic necessities in the absence of a father. Torn between domestic responsibilities, agricultural production and the need for cash income, rural women are limited in the type of income-generating activities that are possible. These activities must be flexible, part-time, and must fit into their domestic responsibilities.

e Lack of skills and education

Most women, even if they are educated, do not possess the necessary business or management degrees in order to qualify for administrative and managerial positions, which are the highest level jobs in the formal sector, both in the public or private sectors. This lack of education, combined with attitudes that are negative towards women's full economic participation at higher levels, reinforces male predominance in administrative and managerial positions. For self-employed women in entrepreneurial and income-generating activities, the deficiency in business management skills is consistently identified as a major problem constraining women's progress.

2 WOMEN'S ECONOMIC PARTICIPATION IN SWAZILAND

a Formal Sector

In 1987 of the 82,744 Swazis employed in the formal sector, 29 percent, or 23,844, were women. While more men than women are employed in the formal sector, female employment has increased more rapidly than male employment. Twenty years ago

female employment accounted for only 13.7 percent of formal sector employment, but more than doubled to 29 percent, by 1987. See Table 1. This success is especially evident in the professional and technical fields. In 1987, 61 percent of the professional and technical positions in both the private and public sector were held by women (5,322 women compared to 3,406 men).

(1) Public Sector/Private Sector Employment

Most employed women are found in the public sector, constituting about one-third of total employment in that sector. They are under represented (relative to their participation in that sector as a whole) in senior administrative posts, but dominate the professional and clerical posts. In 1982, women held 62 percent of the professional/technical positions in the public sector, but only 14 percent of the administrative posts. Female gains into private sector professional/technical positions has also been impressive. Female employment surpassed male employment in those fields by 1987. In 1982, women held 42 percent of all professional/technical positions in the private sector, by 1987 this figure had jumped to 55 percent.

While the growth rate of female employment at the professional/technical level has been impressive, barriers continue to exist to women entering the administrative and managerial level. Men predominate in these more highly paid posts in both the public and private realms. They held some 80 percent of these positions in 1987 in both the private and public sectors.

Generally, women predominate in those public sector job categories which are traditionally regarded as female. For instance, 62 percent of the teachers, nurses and health administrators are women. In the private sector, women occupy a disproportional share (relative to their participation in the sector as a whole) of the skilled white collar jobs, especially professional and clerical posts. Female employment in the private sector is concentrated in the poorly-paid unskilled jobs (67.1 percent) in contrast to the public sector where 56 percent of women hold professional posts and only 20 percent are in the lower skill categories. As Tables 2 and 3 illustrate, the most striking feature of working women in Swaziland is their concentration in white collar occupations, 48 percent of females compared with only 22 percent of males in wage employment are in such jobs.

Despite legislation enacted in 1980 which outlaws discrimination in employment on grounds of sex and establishes the principle of equal pay for equal work, women are more easily laid off during economic recessions and they earn less than men at every level of skill in the private sector. Consequently, it is more economical to employ women when they are available.

(2) Urban/Rural distinctions

In the urban areas, a large percentage of women with little or no education are found in the informal sector where they engage in a wide variety of entrepreneurial activities. An estimated 19,000 women are self-employed as hawkers, peddlars and vendors who mainly specialize in selling new or second-hand clothing, bed linen, cosmetics and other small items. For some of them, this is a supplementary job to formal employment. Very few of these women own established retail businesses. Some women purchase from rural handicraft producers for retail and have established an extensive market network in South Africa. Mini-buses carry substantial loads of grass and sisal handicrafts for sale in South Africa.

Traditional Sector

In the traditional sector, most women engage in agricultural production primarily for subsistence, but if there is a surplus in the yield, it is sold in the local markets. In order to earn additional money, women engage in income-generating activities such as beer brewing and production and marketing of handicrafts. Rural women, individually or in *Zenzele* (do it yourself) groups, have engaged increasingly in non-farm income-generating activities such as grass and sisal weaving, pottery, sewing and knitting.

3 CONCLUSION

Although it is not possible to make a case that the majority of women in Swaziland are relegated to unskilled, low-paid or underpaid work, nonetheless, the nature of women's economic roles has changed. In addition to retaining their customary roles and responsibilities, they have assumed some of the traditional male roles and have entered wage employment. Thus, women's overall responsibilities and burdens have increased, but traditional attitudes regarding their roles have not changed.

The major, continuing constraint to full equality of economic opportunity for women is a legal one. Until the laws governing marriage are reviewed and changed, or until more women avail themselves of the advantages of the prenuptial agreement, women's ability to progress economically will be constrained.

4 HOW THE PROJECT WILL ADDRESS WID CONSIDERATIONS

The project aims to assist existing Swazi entrepreneurs, many of whom are women. There are several project elements that will specifically address the constraints to women in business.

a Under the SGBT Credit Program, the participating bank will against a credit guarantee automatically issue credit from E1,000 to E20,000 to persons who have been approved under the SGBT Small Loan Program. This automatic extension of credit is expected to relieve credit constraints on participating women entrepreneurs.

b Business management training

A well-defined need of women entrepreneurs is training in the areas of business management, planning, marketing and financial management. The SBD project will provide training in all areas. All courses will be open to women. This training will be carried out in conjunction with various Swazi business associations which are discussed briefly below and in greater detail in the institutional annex.

c Strengthening of business associations

One of the business associations which could receive assistance under the SBD project is the newly-formed Business Women Association of Swaziland (BWAS). The project could assist BWAS in three ways:

1 Carrying out business training programs for its members

2 Facilitating and coordinating linkages between BWAS and other businesswomen's associations in other parts of the world

3 Providing additional assistance in setting up a secretariat for the association, if warranted in later years

4 Carrying out policy studies on the effect of women's legal status on their economic development and prospects. Swaziland could be linked with a program sponsored by the Overseas Education Fund (OEF) called Women and the Law. This project works in a number of countries around the world to identify legal constraints to women and to assist in initiating lobbying efforts to permanently change the legal basis for women.

d Other

Another women s organization which has recently been formed is Women s World Banking (WWB) WWB plans to establish a loan guarantee fund specifically designated for women This fund will be administered with the Swaziland Development Bank An emphasis of the WWB program is the provision of management and credit training Through the SBD s training component, WWB could receive assistance in developing and implementing business training programs specifically targeted at women business owners

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ANNEX E

SOCIAL SOUNDNESS ANALYSIS
SMALL BUSINESS DEVELOPMENT PROJECT

I Social Feasibility

Introduction The major structural problem of indigenous Swazi enterprise may be described as the missing middle. The economy is dominated, at its upper reaches, by large, expatriate business and capital, while most Swazi-owned ventures are microenterprises clustered near the bottom of the country's business pyramid. The Small Business Development Project (SBDP) is targeted at the segments of that pyramid just above the microenterprise level, and aims at strengthening not only the businesses and their organizations, but also their links (currently almost totally nonexistent) with the top strata. Felicitously, recent developments have been rapidly improving the organizational climate for small business in Swaziland and significantly enhancing the prospects for success of the SBDP.

Since early 1990, for example, five new business organizations - ranging from fairly promising to spectacularly successful - have been founded (the Swaziland National Business Council, Swaziland Small Scale Industries Association, the Business Women's Association of Swaziland, the School Uniform Producers Association, and the Women's World Banking-affiliated Swazi Women's Finance Trust). In addition, an organization granting credit to micro/small entrepreneurs (Asikhutulisane) has compiled a very positive record and reputation. Women owners of small businesses have been very prominent in these new, successful organizations. Under dynamic leadership, their organizations have been trying to connect with both large-scale and micro-level businesses, and to overcome the constraints to women's economic endeavors that stem from being considered legal minors. These new organizations have acted as a stimulus to significant segments of Swazi small business owners. These new developments and organizations clearly provide an opening for SBDP efforts, but they embrace only a small proportion of Swazi entrepreneurs. Can such a narrow target be justified?

* The Rapid Rural Appraisal methodology underlying this Social Soundness Analysis is presented in Appendix A

II Project Beneficiaries

The most important question of the Social Soundness Analysis concerns the beneficiaries/target group. USAID is focusing on a very specific and special slice of the micro/small enterprise (MSE) pyramid in Swaziland: (1) those already in business, (2) at a fixed location, (3) with at least one worker, and (4) situated (at least initially) in the Mbabane-Manzini urban corridor. The draft Project Paper also targets women as at least 30% of those aided.

This strategy sounds restrictive in a country that is about 75% rural, and it also elicits questions of equity, since the smallest entrepreneurs would not be included. It even raises concerns about the gender distribution of benefits, since extant data on Swazi MSEs indicate that women own anywhere from close to half to close to three-quarters of the business (see below). But this strategy permits the finessing of many of the problems that have been raised about Swazi entrepreneurs.

For example, one of the questions that has arisen in project design concerns the basic entrepreneurship of the average Swazi, given that they live in an open economy dominated by large-scale foreign capital. Requiring that most beneficiaries already be established in business weeds out many who are not sufficiently entrepreneurial to make a go of it. The additional requirements concerning beneficiaries also mitigate other problems.

- Initially targeting beneficiaries in the urban Mbabane-Manzini corridor means that the project will be able to utilize what the world MSE literature indicates is the most effective mechanism for selecting and following up viable MSE credit subjects: geographically-based promoters (loan counselors) who really get to know their clientele. The further requirement of a fixed location further facilitates the promoters' vetting and monitoring of credit clients.

- Requiring that at least 30% of beneficiaries be women clearly strengthens the project, since, as will be discussed below, women have a longer, stronger entrepreneurial tradition in Swaziland and the current research found women MSEs to be more uniformly dynamic and business-oriented. Indeed, the conclusion of the gender analysis below is that targeting the proportion of women beneficiaries as at least 40% might enhance the project's prospects for success.

The important point is that precision targeting can be justified in terms of the project goals and objectives. As the first USAID project of its type in this country it is essential that the SBDP set a positive demonstration effect. There already has been a history of failed credit projects aimed at various segments of the MSE community. In a country the size of Swaziland, bad word of mouth could haunt USAID's efforts for years to come. While ultimately, considerations of both sustainability and equity require a broadening of the beneficiary base, USAID's strategy of narrow targeting seems justified and socially sound at this point.

Moreover, it is interesting to note that the Business Women's Association of Swaziland (BWAS) one of the organizations scheduled to be strengthened by the project, has a social conscience about those further down the MSE pyramid. They hope to get a grant that would enable them to set up a rotating fund for minimalist credit to hawkers and other micro-entrepreneurs. To the extent that such people as market vendors use credit, it tends to be through moneylenders at a fully 20% a month. A scheme that provided short-term working capital at commercial interest rates, plus surcharges for insurance, training, etc., could soon pay for itself, as the worldwide MSE literature shows (ADEMI in the Dominican Republic, BKK in Indonesia, and the Grameen development Bank in Bangladesh are among the relevant examples). So, if BWAS is able to do well by doing good, it would represent a spread effect of great promise for the ultimate breadth of coverage of the SBDP and its successors.

Men, women and the SBDP. This brings us to the final special topic in this section on beneficiaries gender. Specifically, although the current research was qualitative and too brief for even a full Rapid Rural Appraisal methodology to be applied, its findings and/or prior research have indicated that

- Men have greater access to the formal sector of the economy, women must disproportionately earn their income in the informal sector

- Women have a long entrepreneurial tradition in the rural areas. They long have been important in farming, and are now the principal farmers. Traditionally, women have sold excess produce in local markets and utilized the proceeds for their own children's welfare. Under the prevailing African system of polygamy, income and expenditures tend to be allocated to husbands and wives separate purses rather than household pooling.

- With polygamy, male off-farm migration to Swazi urban areas and South Africa, and the high proportion of female-headed households, all women must earn income. Since they generally earn less than men, they have greater unmet income needs. Women are not only more likely to be entrepreneurial, they are likely to be hungrier. And because so many women are responsible for feeding their children, their efforts at income generation must be realistic and even relentless.

- Many Swazi women have not only had to generate their own income, they have had to do so in the face of an unfavorable and precarious legal situation. If married, they are legal minors and require their husbands (often written) consent to open a bank account, get a loan, etc. Legally, their husbands are the ultimate owners of their wives' income, property and assets. Therefore, a wife cannot even pledge property bought entirely with funds she has earned without her husband's consent.

- According to some informants, a married woman can better protect and shelter her income if it is generated via informal sector entrepreneurial activities than if it comes from a formal sector paycheck. This further enhances women's proclivities toward own-account business.

But the balance of all these factors promoting vs hindering women's entrepreneurship is clearly positive, as witnessed by the high proportions of women among Swazi MSEs. Those with established businesses in the urban Mbabane-Manzini area have overcome the legal and other constraints. Perhaps as a result of the process of getting over the multiple hurdles confronting women entrepreneurs, those interviewed appeared to be generally more dynamic and entrepreneurial than most men interviewed.

To be sure, most female informants mentioned problems with credit as a major concern for themselves and other Swazi businesswomen. But most of them began their own businesses with savings, rather than loans. Moreover, although married women discussed their husbands' potential claim on their business earnings, they also discussed how they managed to avoid confiscation of income. (MSE women's strong claim to their own income is based not only on the widespread perception that they use it for family welfare, but also on husbands' recognition that dipping into wives' operating capital could kill the goose that lays the golden eggs.)

Whether or not other women entrepreneurs elsewhere in the country might be more hampered by their negative legal/credit situation is not relevant for Phase I of the SBDP. The female informants interviewed for the current Social Soundness Analysis all had solved the income control and credit problems to greater or lesser degree, and most of their ventures were progressing. These informants were chosen specifically because they are precisely the women most likely to receive first round USAID assistance.

In short, USAID's strategy of targeting established enterprises also acts as a de facto solution to the potential problem of women not having ultimate control of their own business earnings. Those who survive have figured out ways of holding their own.

All these efforts on behalf of women are fully justified on two grounds: (1) the prevalence of women among micro/small entrepreneurs, and (2) their track record both with respect to entrepreneurship and credit. Each of these topics will be discussed in turn.

(1) Just how many women are out there? Evidence on the proportion of women micro/small entrepreneurs and in the USAID target group.

Five estimates were encountered, ranging from an impressionistic guesstimate to the preliminary tabulations of a stratified random sample survey. These will be presented from earliest to most recent.

(1) The first empirical data showing that Swazi women predominate among the entrepreneurs of the informal sector was a study by Matsebula in 1985.

A large sample of low income urban households in 1984 showed that 27.7% of households derived income from informal sector activities, 78.5% of operators being women, with an average income of all operators from this source being three times the rate for unskilled manual labor (Russell 1986:305, citing Matsebula's (1985) findings, emphasis added).

(2) A study by Coopers and Lybrand (1989) found that 52% of the urban enterprises and fully 73% of the rural enterprises (SEAs, or small enterprise activities) in their sample of 500 were owned by women.

(3) A member of the Project Paper team, Paul Clark, estimated (1991) that women are around 60% of the SBDP target group. This was a guesstimate based on a number of sources and impressions.

(4) An analysis (Blumberg 1991) of David Shrier's data (1990) indicates a figure in the same general range as the levels reported in the preceding three

(5) Most importantly, Mike McPherson's (1991) preliminary run from the ongoing baseline research for the SBDF indicates that 65.8% of the overall sample of 868 businesses are female owned. It should be noted that the methodology involved getting data about only the primary business within a sampled household, defined as the one that was reported to generate the most income. This was the only business about which information was collected about gender of owner. In other words, if the husband had a business, it would be culturally unlikely that his wife would claim hers as the primary enterprise even if, in fact, it did produce more income.

McPherson also tabulated a percentage that is even more relevant to the SBDF than the total sample figure - even though this, too, is an underestimate of the proportion of women (see below). He disaggregated urban businesses with a fixed location and at least one worker beside the proprietor - precisely the target group envisioned in the Project Paper. He found that 331 of the 836 businesses fit this category and that 43.8% were owned by women.

This 43.8% is an underestimate because some wealthier tracts fell into the random sample, and a number of businesses with over 50 employees were included. One man's business, for example, had 1,500 employees, and several others had a few hundred each. This is reflected in the figure (from McPherson's preliminary tabulations) that the 331 businesses involved 2,900 workers, of whom

453 are proprietors
211 are unpaid family
2,161 are paid workers
165 are apprentices

In short, these 331 urban businesses averaged 6.5 paid workers and a total of 7.7 workers beside the proprietors. The final tabulations will drop businesses with over 50 employees. McPherson estimates (1991) that when the very large, male-owned businesses are removed from the sample, the average number of employees will go down to 2 or less and the proportion of women owners of urban fixed location businesses with at least one employee may rise to half or more.

All in all, then, we can take as the minimum estimate for the SBDF target group that women own at least the 43.8% found in McPherson's preliminary tabulation.

(2) How well do women small business owners perform compared to men? Preliminary indications

Numerous women interviewed perceived themselves - and other women - as harder working, more entrepreneurial, and more responsible about credit than their male counterparts. There is some evidence that their impressions are correct. First, to reiterate, women's lower access to formal sector jobs gives them fewer alternatives to entrepreneurship, and this is coupled with a strong need to earn income to feed their children, especially in a form which is sheltered from their husbands. This tends to push them toward own-account, informal sector activities.

Second, also as noted, the women who succeed in business have had to work around legal and collateral constraints hampering Swazi business women. The final results of this almost Darwinian process of selection are women who are more likely than not resourceful, determined, dynamic and business-minded. Men have more economic options and fewer structural obstacles to business success, so the range of male entrepreneurial talent is likely to be broader.

Only two examples of women's credit performance were encountered, but both are positive. First, the head of the Community Development service that launched the loan programs of the Women in Development project and the follow-up People's Participation Project affirmed their low arrears and default rates. Second, information obtained from the debt collection section of a major Swazi bank shows that women borrowers are good payers, compared to men borrowers. The general manager of the bank was encouraged by these results (which he had requested, apparently these data had not previously been broken down by gender). Accordingly, he has designed a pilot program to increase women borrowers and ease the collateral constraints that prevent many credit worthy women from getting loans. It should be reiterated that the worldwide MSE literature almost unanimously shows women to be as good, or better, in loan repayment than male counterparts.

In conclusion, given the general entrepreneurialism and energy displayed by women small business owners, the project's prospects for success will be enhanced by having more than 30% women. As women are the majority of SME owners, this is likely to be the case among SDBP beneficiaries *

III Organizational Strengthening

While time constraints were too great to carry out a full organizational analysis, there was a strong preliminary impression that two of the organizations Sibakho and Swaziland Commercial Amadoda, have credibility problems whereas the other four visited were much stronger candidates for project intervention. The SBDP Project Paper places considerable emphasis on the promise of the newly-created Swaziland National Business Council (SNBC). But if the complaints that surfaced spontaneously in a number of interviews are any indicator, the SNBC's prospects as an umbrella organization could be clouded by the fact that not all of the organizations represented are strong.

On the other hand, there is cause for considerable optimism concerning the other four organizations visited, especially the 865-member Business Women's Association of Swaziland (BWAS). No other organization was able to provide information about its membership beyond an approximate total of members and, in several mixed groups, a rough idea of the proportions of men and women members.

The following table from BWAS is less remarkable for the information it contains than the fact that it was produced the morning following the original request for data on members. BWAS has computerized its records and already had entered data on just over 800 of its total of 865. The treasurer was able to set up and run a 10% sample of the members, aggregating data from the membership file on each member.

* The major finding of the largest AID evaluation on women in development ever undertaken (based on a CDIE study of a random sample of 100 projects) is that mainstream projects that ensure women's participation in proportion to their roles and responsibilities within the project's baseline situation are more likely to achieve their immediate purposes and their broader socioeconomic goals than are projects that do not (Carlson 1987 xiv)

TABLE 1 STATISTICS OF BUSINESS WOMEN S ASSOCIATION OF SWAZILAND

SAMPLE	10%
<hr/>	
Female	98%
Male	2%
<hr/>	
Urban	79%
Rural	21%
<hr/>	
New Businesses	33%
Established Businesses	67%
<hr/>	

TYPE OF BUSINESS

Nursery, Transport Services	7%
Handicraft, Softgoods Hawkers	34%
Retail Shops	18%
Knitting, Sewing Production	15%
Farming	11%
Other	15%

SOURCE Prepared by G T Dlamini (LaMahlalela), Treasurer, 28th March, 1991, based on a membership total of 800

The table shows that BWAS has an overwhelmingly urban membership, the majority of whom are engaged in commerce (52%), followed by clothing production (15%) Officers noted that most members are from the Mbabane-Manzini corridor, with the Mbabane area accounting for the lion s share One of the forms of assistance of the organizational strengthening component is to be commodities support (computers, offices, etc) and another is program strengthening support (training courses) Other projects reported on in the worldwide MSE literature have come to grief when they provided commodities such as computers without the appropriate software or training of stable personnel to use the equipment BWAS s extent both of computerization and use of its data base apparently is unique among indigenous Swazi organizations It could be used as a model for extending effective computerization to other organizations targeted for SBDP aid

Several of BWAS's proposed activities merit mention at this point because of their relevance for the SBDP. The organizational strengthening component lists innovative activity support as one strengthening support. BWAS is seeking resources (from various sources) to launch several innovative programs.

(1) an E100,000 revolving fund for emergency short-term loans to members (in the E2,000-5,000 range, with a 10% surcharge for administrative costs),

(2) a minimalist credit program of short-term working capital loans to women microentrepreneurs (i.e., hawkers and proprietor-only ventures that fall below the SBDP target group), market interest rates and surcharges for insurance, etc. would cover the costs of the program but still be far cheaper than the 20% per month hawkers currently pay moneylenders for short-term credit, and

(3) a factory in Matsapha producing dresses for export. An indigenous venture of this sort would be a first for the country. This is a longer-term goal based on the expertise of BWAS's members, 15% of whom are in knitting/sewing production.

(4) BWAS also is seeking funds for a Center, where members could go to a staff person for help in filling out loan applications, and meetings and training could be held.

The minimalist credit program aimed at microentrepreneurs, (2) above, could perform an important pilot role for future donor efforts to aid indigenous business. If BWAS is able to launch the program, its experience, including both positive and negative lessons learned, could shorten the learning curve for donors as projects subsequent to the SBDP attempt to reach a broader target group of Swazi entrepreneurs. This could multiply the project's prospects for sustainability. Many minimalist credit programs targeting microenterprises are running in the black, worldwide. Clearly the largest number of Swazi private sector ventures are in the microenterprise, rather than small business, category, and the evidence indicates that perhaps two-thirds or more are operated by women. BWAS's program could blaze the trail for sustainable future donor efforts.

SWASSIA If the enthusiasm and success of its founder, owner of a Mbabane brake and clutch business employing 35, is any indication, SWASSIA (Swaziland Small Scale Industry Association) is another up-and-coming organization despite its present small size (40 members, mainly SEDCO tenants) a majority of whom are women garment producers.

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SWASSIA s brochure describes its aims as mobilizing small scale industry in Swaziland, bridging the gap between government and small business, influencing government policy on small scale industry, and promoting the marketing of small business products

SWFT the Swaziland Women s Finance Trust boasts an impressive array of business and professional women among its founders (it currently has about 100 paid-up members of a mailing list of some 200) Once it begins operations (it already has raised half the capital it needs to activate the Women s World Banking guarantee fund), it should greatly enhance the access of local women to bank credit and services It also intends to pioneer further innovations to preclude women s need for their husband s signature on loan applications

SUPA the School Uniform Procedures Association was founded by a former school teacher who was also a founding member of BWAS All but one of its 200 members are women The sole man was introduced by SEDCO to be treasurer SUPA is eager for linkage to large-scale firms, hoping to supply them with work uniforms

In sum the SBDP should assist the vibrant and promising organizations that seem well-suited for roles in the development of the Swazi business sector

IV Linkages

Forging ties between the small entrepreneurs and the large-scale firms at the top of the Swazi economic pyramid is a major goal of the project Indeed, a program for the construction industry has already been developed and other potential linkages are being investigated While the Sibakho representatives stressed that large firms seem not to want to link with indigenous Swazi enterprises, others were more optimistic

Even among some of the optimists, however, there was concern about the ability of many Swazi small businesses to compete successfully for the contracts of the large firms due to several factors, especially pricing, and quality/quality control

A Pricing Various kinds of producers (e g , of uniforms and other kinds of clothing) stated that they had difficulty competing with South African firms on price This is because many of the South African suppliers are big businesses able to benefit from economies of scale, using

materials produced in South Africa. Meanwhile, small-scale Swazi producers have to pay higher prices for raw materials purchased in smaller quantities from South African sources. Several business owners with aspirations of linkage suggested some sort of group sourcing scheme as a solution.

B Quality/quality control The volume and fixed deadlines demanded by the large-scale firms can easily exacerbate the small producers' extant problems with quality and quality control. Several producers of school uniforms declared their eagerness to supply work outfits to big firms but recognized that both they and their employees would need training in quality/quality control.

C Additional obstacles to linkage and suggested solutions Another frequently mentioned problem was the need for management and accounting training for the small businesses. This was not viewed as strong an impediment to linkage as pricing and quality issues, but training for owners and bookkeeping employees (if any) was viewed as desirable. Once again, bilingual training geared to their particular type of business was suggested as a solution.

D Candidates for linkage

1 Construction is already designated in the Project Paper as a principal focus of linkage efforts. Uniform producers constitute the second major linkage candidate. In addition, those providing certain kinds of services (secretarial, travel), and producers of handicrafts might be able to link up with larger firms.

2 Services

a Travel/Tourism/Secretarial Services There are modern, efficient, indigenous Swazi-run businesses in both secretarial/office services and travel/tourism that seem fully capable of serving the large firms. For example, one woman-owned secretarial firm has computers with various word processing and office programs, fax and even color photocopying. Additionally, another woman owns a travel agency that is about to become the first indigenous Swazi-run firm to qualify for IATA (International Association of Travel Agents) membership. This will give her 30-day credit with the airlines and enable her to meet corporate billing cycles without going bankrupt. Both women, as it happens, are active members of BWAS.

They are doing an energetic job in seeking out large firms on their own but suggested that there be more structured contact between large firms and aspiring Swazi suppliers. If the project, through the Swazi Business Growth Trust and/or the business organizations, were to organize such contact, it would help solve the problem of initial entree for Swazi small businesses seeking linkage.

b Day care/Child care

Meanwhile, Swazis themselves are coming up with new ventures that offer possibilities for linkage. A final example under services are child-related services: day care and transporting children to day care or school. One woman, an officer of BWAS, has begun a transport service that is expanding at 20% a year. Her driver now carries about 130 children each morning. With an additional van, she hopes to double this. The growth of her venture is linked to the growth of day care centers: there are now 10 in Mbabane alone with more likely. All these new services are linked to the growth of well-paid female employment, including for the large firms. It is conceivable that, with a little help from the project, day care and child transport firms could begin to market their services directly to the large firms.

c Producers Unlike the uniform producers, the handicraft producers and vendors are not yet organized into a sector-specific association. Several expressed interest in exporting to South Africa or beyond, and indicated that they would welcome contact with larger-scale firms that deal with South Africa and the European Community. They recognized that they would need design assistance before they would hope to be attractive to such firms.

In sum, it appears that pushing forward on several potential linkage fronts over and above construction could be fruitful. The uniform producers and selected services would seem to be the most promising initial targets, especially since they already are members of organizations (SUPA, BWAS) that will be involved in the SBDP.

IV Credit

The credit component offers potential in opening up new opportunities for growth to small-scale Swazi businesses which never before had access to commercial loans. But no other component runs as high a risk of inflicting devastating damage on the overall project's prospects for success if things go wrong. In a country as small as Swaziland, with such a geographic concentration of its micro/small entrepreneurs, bad

news travels fast. A number of previous small business credit programs are considered failures. Perhaps as a result, when the basic features of the SBDP credit component were presented to a few small business owners, some skepticism was expressed, in addition to a surface veneer of optimism. If too few loans are given out, or there are insufficiently vigorous efforts to collect outstanding loans and people come to view project credit as a freebie to a select group, the repercussions could affect the effectiveness of other SBDP components.

In addition, there are other new credit programs which are being launched, with which SBDP could be confused. Currently, the government is promoting the Small Scale Loan Guarantee Scheme, for example. It began disbursing loans in November 1990, according to an informant. The banks associated with the scheme have been requiring 25% collateral. This is being contested by BWAS, which asserts that women have a much harder time coming up with collateral acceptable to the bank, given their legal disadvantages. They cite as evidence the fact that so far, men have received 69% of the loans.

How, then, can success be assured? The procedures to be adopted that are delineated in the Project Paper generally incorporate the lessons learned of the worldwide micro/small enterprise literatures. Three areas that merit special attention involve (1) collections, (2) coverage by gender, and (3) proportion of trainees who receive credit.

Collections The worldwide MSE literature shows that regular one-to-one client follow-up by loan promoters/counselors is the most important single measure in keeping arrears and default rates low. Loan promoters/counselors tend not to like to function as collectors but if their job descriptions and work schedules permit them to have regular client contact, they often can head off problems before they reach the critical stage. This strengthens the already strong case for using geographically assigned loan promoters/counselors - as called for in the SBDP design.

Given the small world of urban business people in Swaziland, frequent monitoring and analyses of loan performance seems necessary. Disaggregation of loan repayment by (a) gender, (b) size of loan, (c) sector of economic activity of borrower, (d) seasonality, and other key indicators would permit management to stay on top of collection. Ongoing (preferably computerized) loan performance analysis of this sort would enable mid-stream corrections to emphasize low red tape lending to better performing groups, while moving more cautiously with clients in higher risk categories.

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Gender and credit Much has been said at various points in the project paper concerning the barriers women - especially married women - face in obtaining credit. Women's problems with acceptable collateral, as well as the husband's signature issue have limited their access to banks that have begun to give loans to small business owners. At this point, what should be emphasized is that the situation is both fluid and delicate. For the most part, the fluidity in the situation vis-a-vis women and credit involves a shift from more to less restrictive policies. But the situation is also delicate. Since loan decisions remain up to the individual bank manager, certain banks and branches could become recalcitrant if not approached with finesse via policy dialogue.

Here is a summary of the problems and solutions with respect to women and credit.

Problem 1 Lack of control of income by married business women, the threat of husband's confiscation.

Solution Deal with established entrepreneurs - they already have overcome any problem, moreover, no married woman interviewed cited husband's demanding money from her business as a problem.

Problem 2 Married women's need for husband's written consent for a loan.

Solution (a) The project can ascertain that bank managers will abide by the policy of granting a loan of E1,000-E20,000 to anyone who has passed the Credit Committee of SGBT. (b) USAID and SGBT officials can engage in policy dialogue with appropriate government officials and bank managers and national-level executives to accept (1) the letter of a reputable business organization, and/or (2) the fact that a loan guarantee exists, in lieu of the husband's permission. (c) USAID and SGBT can coordinate policy dialogue efforts with the two entities that have had success, to date, in eliminating husband's written permission for loans: the Tinkundla Community Development top management and BWAS.

Problem 3 All women's difficulty in providing acceptable collateral to banks given the rules of transmitting land in Swaziland and the gender distribution of cattle and other bankable assets.

Solution Basically the same as for Problem 2 - getting banks to automatically grant a loan of E1,000-E20,000 with no further collateral requirement, to anyone approved by the Credit Committee, coordination with other organizations working on this problem.

Proportion of trainees who receive credit The SBDF calls for fairly extensive training. It is conceivable that a disjuncture

could arise in the early phases of the project training could be proceeding full steam ahead, while the pace of loan approval and disbursement proceeds much more slowly This could lead to a problem if the training (deliberately or inadvertently) has been promoted as a prerequisite to credit and if it costs more than a nominal sum

For example, one training and credit project in the secondary cities of Ecuador came to grief over this issue Delays in loan disbursement and miniscule numbers of approved loans led to frustration on the part of those who had taken the business training in expectations of subsequently obtaining credit They vented their frustrations and word spread quickly in these smaller cities Attendance at training courses plummeted and the viability of the project was threatened

VI Training

The first issue concerns the demand for business training that is not free Fortunately, there are recent data According to several informants, the Union Bank has been filling its monthly bilingual seminar at a cost of E20 or E25 per session They provide instruction in the standard business topics such as keeping accounts, marketing, etc Several informants immediately mentioned the well-attended Union Bank seminars when asked about the demand for training

The second issue is whether people will pay for more extensive training than a one shot seminar without the carrot of fairly assured post-training credit Here, officers of all organizations contacted, with the exception of Sibakho, felt that many of their members would sign up for good, bilingual training for its own sake, provided that it was not too expensive and was payable in installments Most of the small business owners queried also indicated that they felt they would benefit from training, even without the further inducement of credit But they put more qualifiers on price, and more emphasis on their need for credit, not just training All, however, were in agreement that some training is needed to handle credit, especially for micro/small entrepreneurs who are not used to keeping accounts and who have never had loans before

The third issue involves sector-specific vs more general training Here, the president of the School Uniform Producers Association spoke of the great need for sector-specific training for her own members Her point was echoed by the woman who is beginning to organize an association for beauty/hair care entrepreneurs Both women spoke of urgent needs for technical training for not only the business owner, but also for key employees Their views were echoed

by several small business owners. In addition, several other small entrepreneurs volunteered the comment that they wanted and needed general business training (in management, bookkeeping, marketing etc), but they would prefer that content focused on their own particular type of business. The Project Paper is sensitive to this issue and training efforts will, where possible, be geared to major economic sectors.

Fourth, the above discussion also highlights the need for bilingual training, something which is not emphasized in project documents. Although everyone interviewed had sufficient education to be a fluent speaker of English, several officers of organizations and several entrepreneurs spoke of their comfort level in receiving information in bilingual situation, where ambiguities could be clarified in siSwati. This also implies that the trainer is from the same racial ethnic group. Given these finds, it would seem a good idea to use Swazi trainers wherever possible, in order to maximize rapport and learning. In case of complex training being given by an expatriate, it would seem a good idea to have a Swazi assistant - who, in the process, could be trained to provide subsequent instruction.

Fifth, close coordination between the training and linkage components of the project needs to be explicitly planned. The Project Paper stresses that training should be integrated with the other components of the project (e.g., intensive business training to selected entrepreneurs, sector-specific training for construction businesses with potential for linkage, etc). Little of this is spelled out, however. Several of those interviewed volunteered a specific suggestion in this regard that bears mentioning.

As it happens, two consultants from the International Executive Service Corps (IESC), were in the country during the period of field research and were in contact with many of the same people interviewed for this report. Therefore, a couple of informants asked about the possibility of IESC consultants doing a sector-specific consultancy, whereby they would analyze, diagnose and help several firms in a given branch of economic activity. There would be some economies of scale in this approach, as some of their time could be spent in group meetings where common problems were discussed.

If such consultancies could be combined with the sector-specific training on techniques, quality/quality control etc, entrepreneurs in particular types of businesses could receive a synergistic combination of training and guidance. It should be easier to achieve critical mass for linkage under these circumstances, especially if the large-scale firms that the smaller ones would like to link up with are invited to provide input to the training, and even participate in some of the sessions.

Sixth, some gender differences surfaced in the interviews. Women entrepreneurs were more likely to declare themselves very deficient in proper management and accounting practices, and seemed more eager for general business training. They stated that their education had not included such subjects and they would like to learn them, in order to get their business on a more firm profit footing. In contrast, men and women seemed about equally enthusiastic about training geared to their particular type of endeavor. Once again, these data must be interpreted with caution due to the small, non-random nature of the sample interviewed.

Since most of the women interviewed were members of BWAS, and BWAS's leadership is eager to strengthen the organization's services to members, promoting training under the auspices of BWAS - and other organizations, as discussed in the Project Paper - is a clearly desirable idea. In general, the location and auspices of training still remains to be worked out.

Seventh, and finally, there was considerable variations in the extent to which SEs interviewed faced marketing problems. The group meeting of SEs in the Business Management Extension Program incubator in Manzini stressed this topic above all. Most experienced extreme seasonality in their businesses and felt they did not know enough about marketing - and product diversification - to guarantee effective demand for their products throughout the year. The business people who spontaneously stressed the need for marketing training were located in either the BMEP incubator workshops or the Mbabane SEDCO estate. These people are receiving subsidized premises from these two respective programs, but mentioned that they would like more help with marketing. Whether SEs located outside these subsidized enclaves are as keen to receive training in marketing is an issue that could not be explored in the brief time of the field work. Accordingly, it remains a topic for further follow-up.

VII The Swazi Business Growth Trust

Time did not permit any major investigation of the social soundness of the SGBT. In fact, the only topic that surfaced with respect to the SGBT concerned the extent to which women would be represented on its Board and Credit Committee. The first involves the composition of the Board: will a person from a predominantly female organization (e.g., BWAS, SWFT, SUPA) be one of the two small business representatives on the Board? The second concerns staffing: will one of the SGBT executives who make up the Credit Committee be a woman who is sensitive to the special constraints women face with respect to credit?

These are quite important points, however, given the prevalence of women in the target group, as revealed by the baseline research. All the interviews with established women SEs underlined their high level of competence and dynamism. It would appear that the project could only be helped by insuring women's representation on these crucial bodies.

VIII Monitoring and Evaluation

As a final topic, it is suggested that monitoring plans should stress the importance of (1) conducting continuous (preferably computerized) analyses of the progress of project components, and (2) disaggregating all routine and special-study monitoring indicators by gender and other relevant dimensions, such as economic sector, size of business, location, etc. The information should be relayed regularly to project management so that the composition of the actual beneficiary population for each component can be matched to the actual performance of different strata. Mid-course corrections can then be made in a timely manner and the project targeting honed to insure that the best performing groups are adequately represented. After all, a successful Phase I of the SBDP can have important consequences throughout the Swazi private sector, as well as influence funding decisions of the major donors.

IX Methodology

Although a Rapid Rural Appraisal (RRA) methodology was used, the time spent in Swaziland was too brief (March 24-April 1, 1991) for a full RRA to be carried out. Nonetheless, a total of 60 people were interviewed in the country. Although this included three group meetings of about half-a-dozen each, most of these people also were interviewed individually as well.

A total of 27 men and 33 women were interviewed in Swaziland. This included 13 men small entrepreneurs and 16 women small entrepreneurs (SEs) who were interviewed about their businesses and problems, most frequently in their place of business. It also included five men and three women from USAID, and a variety of Swazis from different organizations and government ministries. Among the SEs interviewed were a number of tenants of the SEDCO estate in Mbabane and a group of fledgling entrepreneurs in the incubator program of the Business Management Extension Programme in Manzini; other informants were independent business people in Mbabane, Manzini and Pigg's Peak. Among the organizations whose officials were interviewed were Sibakho, Swaziland Commercial Amadoda, Business Women's Association of Swaziland, Swazi Women's Finance Trust, School Uniform Producers Association and Swaziland Small Scale Industries Association. Project documents and other reports obtained in Swaziland also were analyzed.

In the United States, prior to the field visit, an exhaustive literature review on Swaziland was conducted using the resources of the University of California library system. In addition, telephone interviews were conducted with five people with recent Swazi micro/small business sector experience (two men, three women - including an official from the Swazi Embassy), and with three other experts in micro/small enterprise development who were familiar with the Swazi Small Business Development Project. Because the Gulf War cancelled the originally scheduled research travel in January 1991, a paper (Blumberg 1991) was written in the United States in February outlining gender considerations.

The basis of RRA is triangulation - getting at least two sources of data (using an eclectic mix of methodologies) about each of a limited list of variables. Time pressure precluded full triangulation for the present research. Accordingly, reliability and validity must be considered more problematic than if a fully triangulated RRA had been completed. Despite this caveat, it should be noted that there proved to be a high convergence between the findings of this research and those of other studies of the Swazi micro/small business sector - including the analyses carried out for the other Annexes of the Project Paper.

Gender was the original focus of the research, but once in the field, at the request of the Mission, an attempt was made to explore empirically as much as possible of the social soundness of all the project components (credit, training, organizational strengthening, linkage), and the beneficiary group targeted.

ANNEX F

SWAZI BUSINESS DEVELOPMENT PROJECT PAPER

Credit Component Description

I THE NEED FOR A CREDIT PROGRAM FOR SMALL BUSINESSES

The credit component of the Swazi Business Development Project is designed to ensure that small businesses in Swaziland have access to credit in order to expand their operations and enhance their ability to develop within the larger Swazi economy

Interviews and studies have shown that the main barriers to credit experienced by small businesspersons in Swaziland are

- a reluctance to approach commercial banks,
- a lack of bookkeeping and managerial experience, leading to an inability to present the required financial information and business plans to banks,
- a shortage of management time at the banks and high transaction costs per loan, leading to a reluctance of commercial banks to lend relatively small amounts of money, and
- the lack of security/collateral for small business loans

Experience in other countries in Africa and elsewhere has shown that credit programs aimed at the small business sector can lead to business expansion and increases in net equity of business owners. This has been demonstrated in the Business Management and Extension Program in Manzini, Swaziland, the Asikhutulisane Savings Cooperative in Swaziland, the Get Ahead Foundation in South Africa, and USAID's Small Business Credit Program in Egypt. A particular benefit of these projects has been to help small businesspersons reach the first rung of the commercial credit ladder leading to sustainability. Examples have also shown that the provision of non-commercial credit (in the absence of commercial credit) has been essential to the establishment of linkages between small and large businesses.

Although the lack of access to commercial credit by small businesses has been demonstrated, this is not the sole barrier to small business development. Other barriers include limitations on the understanding of markets, inability to utilize modern technologies to produce products which are competitive in today's markets and lack of business management

skills. Although, typically, small businesspersons often state that additional credit is the main solution to their business problems, deeper analysis reveals that other forms of assistance are also necessary to impact on small business development. The SBD Project will not only address the shortage of credit, but other problems as well.

II DESCRIPTION OF THE CREDIT COMPONENT

The credit component will establish a credit unit within the Swazi Business Growth Trust (SBGT). It will be responsible for the administration of both a Small Loan Program dealing with loans in the E1,000 to E20,000 range, and a Loan Assistance Program dealing with loans over E20,000.

The lower range of E1,000 - E20,000 has been identified as falling below the level at which the commercial banks in Swaziland have considered lending economical. The lower limit of E1,000 has been set since loans below this amount are unlikely to be a prime requirement of the target group and would require a different approach.

For the Small Loan Program, the SBGT will enter into an agreement with a commercial bank. Under the agreement, the SBGT will assist the borrower with loan preparation, appraisal and monitoring services, and a loan guarantee. The bank will provide normal banking services and adequate accounting information to allow the SBGT to monitor loan repayments.

Under the Loan Assistance Program, technical assistance will be provided to businesses in preparing loan applications to commercial banks requesting amounts over E20,000. Borrowers whose credit requirements fall between E20,000 - E50,000 will be assisted in preparing business plans and loan applications to apply to the Central Bank's Small Business Credit Guarantee Program. Under SBGP, loan guarantees may be made on a limited, case-by-case basis, provided that the SBGT believes that a loan is justified but not otherwise available through other channels (notably the Central Bank Guarantee Program). However, wherever possible, the borrower will be expected to provide his/her own collateral.

III ORGANIZATION OF THE CREDIT UNIT

A Staffing

The Credit Unit of the SBGT will be organized as follows:

The Loan Committee will be chaired by the Business Loan Manager and include the General Manager, the Deputy General Manager, the Business Development Advisor and the Deputy Business Development Advisor/Training Coordinator. Its role will be to approve or disapprove loan applications.

The Business Loan Manager will be responsible for coordinating and managing the activities of the Credit Unit, pre-appraising loans, handling loans of over E20 000, and recruiting and training the Small Business Advisors. S/he will be responsible for ensuring that procedures are established, followed, and periodically reviewed. S/he will also liaise with the Business Development Unit when direct management assistance is indicated for loan recipients. S/he should have a Bachelor's Degree in Business Administration or Commerce or similar qualifications and have approximately 10 years of professional business experience, preferably including an advanced business degree.

The Small Business Advisors will be responsible for visiting potential loan recipients identified during the baseline survey, preparing applications, and follow-up. The effectiveness of these advisors will be key to the success of the credit program. Consequently, they must be carefully selected and be highly motivated and have a high degree of integrity. They must be prepared to reside in communities in the area that they service, to know the areas and the local businesses very well, and communicate with the target groups. Furthermore, they should have, or be able to rapidly acquire, basic financial skills. They should have either an advanced level high school diploma with five to ten years business experience, or have a Bachelor Degree in Business Administration or Commerce and up to five years business experience. Two Advisors will be recruited during the first year and a third will be recruited in the second year. One of the initial two officers should have higher qualifications in order to enable this person to handle loans of over E20,000. S/he should have a Bachelor Degree in Business Administration or Commerce and have at least five years work experience in financial analysis.

(Detailed job descriptions for the Business Loan Manager and the Small Business Advisors are included as Annex C, Institutional Analysis)

B Activities

The duties of the Credit Unit under the Small Loan Program shall be

- To identify businesses which would benefit from the provision of credit under the scheme,
- To assist applicants in loan application preparation and business plans,
- To take full responsibility for the appraisal of loans, and
- To monitor loan repayments

A more detailed description of procedures is included in Attachment 1 to this component description

There will be no general promotion or advertising of the scheme other than direct approaches to potential beneficiaries identified during the baseline survey

The duties of the Credit Unit under the Loan Assistance Program shall be to assist with the preparation of loan applications and provide in limited cases, a loan guarantee to the bank to support the application

C Training and Technical Assistance for Credit Unit Staff

1 Initial Staff Training

All staff will receive the following training prior to assuming job duties within the Credit Unit The Business Loan Manager will participate fully in all training, although this may include acting as both instructor and student

- a Two weeks initial instruction covering,
 - record keeping
 - costing and pricing
 - budgeting
 - financial projections
 - financial analysis
 - interviewing techniques
 - basic general management

- b one persons months on-the-job training seconded to the Get Ahead Foundation in South Africa

- c Four weeks subsequent instruction continuing with the topics introduced in the initial instruction sessions and also covering the unit s own procedures for loan assistance, approval and monitoring

These three modules will run consecutively The initial and subsequent instruction will be provided by a short-term trainer with experience in small business loan programs

2 Recurrent Staff Training

The staff of the credit unit shall participate in a five day seminar each half year This seminar will be used to discuss and examine cases of general interest that have been encountered by the unit s loan staff It may also include specific technical training where a need has been identified by the Business Loan Manager The seminar will

be designed and developed by the Business Loan Manager Other relevant SGBT staff, such as the Small Business Facilitators will participate in all or part of the activity The seminar will be facilitated by a regionally based consultant with relevant training experience With time for preparation and travel, his/her input will be 10 days per seminar

3 Institutional Development Consultancies

The unit will receive the following consultancies to develop its institutional capabilities

- a 15 person days assistance provided over three visits by a consultant familiar with the management of similar credit programs, to provide advice on recruitment, training, procedures, implementation and negotiation with the bank,
- b Six months technical assistance to help establish the unit and the development of the business loan program

IV THE LOAN ASSISTANCE PROGRAM

The objective of this project subcomponent is to assist small businesses which are identified through the business linkage component of the Project which require loans larger than E20,000 Business planning and loan application preparation assistance will be provided by the SGBT to help these businesses apply for credit through normal commercial bank channels, particularly banks participating in the Central Bank's small business loan guarantee program

In a limited number of cases, a direct guarantee to the bank for the loan amount will be given However, the guarantee will only be given where absolutely essential within the context of project objectives and may only be a partial guarantee, if feasible

To create a facility for the granting of guarantees for loans over E20,000, USAID will deposit E800,000 in a separate account at the same bank used for the Small Loan Program This will act as a cash cover for these loans The total amount of guarantees issued will not exceed the available cash cover

In determining the most appropriate mode of intervention for loans of this size, consideration was given to including them as special cases under the Small Loan Program However, the mode of intervention described was selected because

- it maximizes the involvement of the banks and is therefore more commercial,

- the uncertainty surrounding the size of loans in this range and the probability that the numbers of loans will be small indicates that a series of ad hoc arrangements is appropriate, and
- the inclusion of large loans, some of which may individually approach the size of the entire small loan portfolio, would probably make the leveraging arrangement with the bank unworkable

The objective of this loan facility is supplement, rather than duplicate other existing loan guarantee programs. The following criteria shall be used in determining the appropriateness of a loan guarantee under this facility

- The enterprise does not qualify for a loan under the Central Bank's Credit Guarantee Program,
- The enterprise has been receiving assistance under another Project component,
- The enterprise shows significant growth potential, and
- That growth potential can only be realized with a loan under this facility

V BANK AGREEMENT FOR THE CREDIT PROGRAM

To establish the Credit, the SGBT will enter into an agreement with one local commercial bank. The decision to involve only one local bank was based on the need to minimize the negotiation process and the need to simplify the administration of the loan portfolio. Using only one participating bank will mean that essential management information provided by the bank will be conveniently consolidated. Two banks were initially identified as suitable - Barclays and Standard Chartered. Both banks were interviewed by a USAID sponsored credit expert. The results, which are on file at USAID, were reviewed by the SGBT Trustees and Standard Chartered was selected as the participating bank. As a result, USAID entered into a Memorandum of Understanding (MOU) with Standard Chartered prior to the authorization of the Project. The MOU sets forth the parameters for the relationship between SGBT and the bank for the Credit Program. (A copy of the MOU is found in Attachment 2.) Subsequently, SGBT and the bank will enter into a detailed agreement, based upon the MOU, negotiated by the SGBT General Manager and Business Loan Manager and approved by USAID and the GOS.

VI IMPLEMENTATION OF THE CREDIT PROGRAM

This project component will need carefully timed implementation to ensure that staff are recruited and trained to be ready to start operations as closely as possible to the time that the agreement with the bank becomes operational. Relevant activities have been scheduled into the project implementation plan accordingly. It is important to note that a phased implementation of the program is contemplated, e.g., the Small Business Advisors shall be hired in years 2 and 3 of the Project. The hiring of staff can thus be tied to increased project activity. It will be the responsibility of the General Manager of the SGBT to modify the plan in the light of the pace of project activity.

VII COMPONENT INPUTS

The following inputs will be needed for the life of the project

A Staff

- 1 Business Loan Manager for 4 years
- 2 Small Business Advisors for 4 years
- 1 Small Business Advisor for 3 years

B Technical Assistance

- one month per year for 4 years to provide training in loan monitoring and appraisal
- 10 days year consultation from experts in the management similar credit programs
- 6 person months to initiate the implementation of e unit

C Local Travel

- Travel allowances
- 2 project vehicles (bakkies)

D Miscellaneous

- Legal fees incurred in contracting with the bank
- Legal fees incurred in recovering bad debts
- Payment to participating bank for systems development
- Preparation of a brochure describing the scheme

It is anticipated that the Credit Unit will require a satellite office in Manzini with office equipment (including telephone and fax) in addition to that provided centrally in the SGBT in Mbabane

IX FUNDING REQUIREMENTS

Funding of the loan program will be a total of E1,000,000 Of this E200,000 will be allocated initially to the Small Loan Program and E800,000 to the Loan Assistance Program However the agreement with the bank will contain a provision for some flexibility in the split between these amounts The uneven split is based on the demand analysis described below It is expected that the participating bank will leverage the Guarantee Fund under the Small Loan Program, but not the funds allocated to the Loan Assistance Program

Demand for loans under the Small Loan Program is based on the following assumptions

Loan Range	Average Size	Total Number	Average Term
E 000	E 000		Months
1 - 3	2	250	9
3 - 10	5	150	9
10 - 20	15	50	18

Figures are based on assumptions of total numbers of businesses in the target group and take into account the fact that it is anticipated that there will be a large number of repeat loans from developing businesses The pattern of borrowing is roughly consistent with the experience of the Get Ahead Foundation The amounts should be considered as upper limits - they are unlikely to be exceeded

It is further assumed that the project will not disburse any funds in the first half year, and that for the second half year disbursements will be made at 60% of the rate later in the project The rate of default is estimated to be 5% with 12% interest received on the Guarantee Funds

On this basis, and with the assumption that the bank will leverage 1:1 in the first year of full operation (1 e, from 6 months after the start of the project) 2:1 in the second year, 3:1 in the third year and 4:1 in the fourth, total funds available compared with the potential demand are shown in the table below Preliminary discussions with the local banks indicate that they can reasonably be expected to provide leverage along these lines

Small Loans Program Funds Available and Anticipated Demand

E 000	Balance End								
	Month	6	12	18	24	30	36	42	48

Funds Available	424	450	470	723	723	956	944	1165	
Total Demand	0	191	444	601	646	646	646	589	

These figures are derived from the detailed financial analysis attached. The funds available have been calculated using some simplifying assumptions which tend to understate the actual amounts involved.

In addition, it is estimated that the following amounts may be disbursed under the Loan Assistance Program:

Range	Average Size	Total Number	Average Term
E 000	E 000		years
20 - 50	30	30	2
> 50	75	30	3

There is little hard data on which to base these assumptions. They are derived from interviews conducted with small businesses during project design. It is possible that actual demand will be significantly different.

It is assumed that interest and default rates will be the same as for the Small Loan Program. It is also assumed that in 50% of cases, a guarantee is not needed as the borrower will be able to provide his own security, or the bank will be able to lend against predicted revenues.

It is not anticipated that leverage will be available for the Loan Assistance Program. This is because the number of loans may be too small for the bank to develop sufficient confidence to leverage. In addition, the purpose of the Loan Assistance Program is to integrate these medium-sized businesses into the normal commercial credit system. The direct guarantee for loans under this project subcomponent will only be for special cases to reinforce other Project component activities. On this basis, the amount of cash cover available compared with potential demand for guarantees is shown in the table below.

Loan Assistance Program Cash Cover and Outstanding Guarantees

E 000	Balance								
	Month	6	12	18	24	30	36	42	48

Cash Cover
Available 848 899 953 1010 1071 1133 1198 1262

Outstanding
Guarantees 0 105 315 525 735 915 1067 1350

The excess of guarantees over requirements is not significant compared with the overall uncertainty in demand

X SUSTAINABILITY

The credit facility provided by the unit is structured so that the participating commercial bank is the prime lender and a continuous point of contact with the borrower. This ensures that the borrower is brought onto the commercial banking ladder. When s/he requires additional funds for further expansion, s/he will accordingly find it considerably easier to borrow funds from the commercial bank without either the technical assistance or the guarantee provided by the project.

Experience in South Africa and Egypt with similar USAID supported schemes has shown very low default rates. Consequently the guarantee fund should be self-sustaining in that the rate of draw downs against defaulting loans will be lower than the rate of interest accrual.

Borrowers under the Small Loan Program will be asked to contribute a fee for the assistance they receive under the scheme. This will be 10% of the loan amount. This fee will be payable in advance of the loan being granted. This will contribute approximately E200,000 to project funds, calculated as follows:

Range	Average Size	Total Number	Total Value
-----			-----
E 000	E 000		E 000
1 - 3	2	250	500
3 - 10	5	150	750
10 - 20	15	50	750

Total			2,000

10% x E 2,000,000 = E 200,000

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Borrowers receiving Loan Assistance Services, will pay 2% of the loan amount plus 2% of any guarantee provided This will contribute approximately further E100,000 to project funds calculated as follows

Range	Average Size	Total Number	Total Value
-----	-----	-----	-----
E 000	E 000		E 000
20 - 50	30	30	900
> 50	75	30	2,250
		Total	3,150
			=====

Total assistance fees 2% x E 3,150,000 = E 63,000

Total guarantee fees (guarantees granted
in 50% of cases 2% x 50% x E 3,150,000 = E 31,500

Total	E 94,500
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ANNEX F
ATTACHMENT 1

LOAN APPROVAL AND MONITORING PROCEDURES

Small Loan Program

Detailed loan approval and monitoring procedures will be developed by technical assistance in collaboration with the Business Loan Manager during the implementation phase. In outline the procedures will be

- o Client Identification
- o Client Selection
- o Loan Appraisal
- o Loan Approval
- o Loan Disbursement
- o Supervision
- o Collection
- o Loan After Care

These are discussed in turn below

1) Client Identification

Client identification will be based on the results of the baseline survey, coupled with follow up survey visits by the Advisors. The scheme will not be advertised because of the probability that a large number of unviable proposals for loans would be submitted as a result.

11) Client Selection

Once clients have come into contact with the credit unit, the Advisors will carry out an initial assessment to determine if the applicant meets required criteria.

The criteria should take into account the following factors

a) Purpose of the loan

Loans granted under the will be utilized for business purposes and can be used to finance both working capital and fixed assets. No loan for personal purposes will be approved under this program.

b) Size of the loan

Only loans between E1,000 - E20,000 will be considered

c) Target group

The target group will be Swazi small scale entrepreneurs who

- are in business
- operate from a fixed location
- have a bank account
- have at least one employee
- not able to obtain loans from commercial banks
- operate businesses that are viable and will generate employment
- operate in geographic areas where the SGBT has already assigned an Advisor
- credit worthy
- have already contributed at least 10% of the capital required

iii) Client Appraisal

This is the most difficult area as many of the smaller clients will not have financial records of any kind. Advisors will therefore gather information through interviews.

Approval procedures will vary with the size of the loan. The following are indicative:

Loan Size	Proposed Procedures

E 000	
1 - 3	Character check, minimal financial analysis
4 - 10	Character check, full break even analysis
10 - 20	Character check, detailed financial analysis

At this stage the Advisors will assist the applicant to prepare a business plan.

iv) Loan Approval

Successful applicants will have to pass the following approvals:

- a) Advisor - by selecting borrowers for appraisal the Advisors will exercise the first approval.

b) Business Loan Manager - will review all applications to ensure that all set standards and procedures are met

c) Loan Committee - will review all applications and authorize the loan

v) Loan Disbursement

Loan disbursement and repayment will take place at the bank, which is the prime lender. Subject to the negotiated agreement, the bank's normal procedures and charges will apply.

vi) Supervision and Loan After Care

Continual supervision of borrowers is critical to the success of the program. Advisors will visit clients at least once and possibly twice per month. Advisors should use these visits to identify areas of weaknesses in the client's business and provide ongoing support.

Advisors should also liaise with the Training Advisor in cases where specialized training is required.

Because of this work load, Advisors will normally deal with approximately 50 outstanding loans at any one time.

Loan Assistance Program

Selection of clients, provision of technical assistance and loan appraisal presentations shall be the responsibility of the Business Loan Manager.

Approval of Loans will be made by a client selected commercial bank based on a SBTG assisted business plan and loan proposed when no SBTG guarantee is involved.

When a SBTG full or partial guarantee is approved by the Loan Committee, the loan approval will be made by the commercial bank which manages the SBTG guarantee fund based on normal commercial practice taking into account the SBTG guarantee.

ROLE AND OPERATION OF LOAN COMMITTEE

Composition	Business Loan Manager (Chair)
	General Manager
	Deputy General Manager
	Business Development Advisor
	Deputy Business Development Advisor

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Responsibility

- a) Approve and disapprove loans All approvals must be unanimous
- b) Approve and disapprove loan policies The General Manager has a casting vote in the case of any tie on vote on changes in procedure
- c) Approve the issue of loan guarantees

Operation

The Committee will meet as arranged by the Business Loan Manager This will normally be fortnightly or monthly

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MEMORANDUM OF UNDERSTANDING
BETWEEN THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AND STANDARD CHARTERED BANK SWAZILAND LIMITED
FOR THE CREDIT COMPONENT OF THE
SWAZI BUSINESS DEVELOPMENT PROJECT

The United States Agency for International Development in Swaziland (hereinafter referred to as "USAID") and Standard Chartered Bank, Swaziland Ltd (hereinafter referred to as "the Bank") hereby enter into this Memorandum of Understanding effective as of the date written below with regard to a credit program for indigenous Swazi-owned small and medium scale businesses envisioned under the Swazi Business Development Project

WHEREAS, USAID is currently finalizing the project design of a project entitled the Swazi Business Development Project (hereinafter referred to as the "Project"),

WHEREAS, the implementation of a new small business credit component is viewed as integral to the success of the Project,

WHEREAS, USAID wishes to commence negotiations with a commercial bank in Swaziland to serve as the prime lender to Swaziland small business under the Project,

WHEREAS, USAID has identified the Bank as a potential prime lender for the Project,

WHEREAS, the Bank has indicated its interest in the Project and potential willingness to serve as the prime lender for the credit component of the Project,

WHEREAS, USAID and the Bank seek to enter into negotiations culminating in a written agreement finalizing the details of this Memorandum of Understanding within the framework described below,

NOW, THEREFORE, USAID and the Bank hereby agree as follows

1 A private, non-profit Trust entitled the Swazi Business Growth Trust (hereinafter referred to as the "SBGT") shall be established which shall be legally registered in Swaziland and responsible for the overall administration and promotion of a program to assist indigenous Swazi-owned small and micro-enterprises. This program will include a credit component for small and micro-enterprises which shall utilize the Bank to serve as prime lender for the program. It is anticipated that the Project will be finalized in mid 1991 and that a technical assistance team will be fielded in Swaziland in 1992. It is further expected that this team will finalize the arrangements for the credit program through a written agreement between the SBGT and the Bank in regard to this Memorandum of Understanding.

2 The initial life of the Project shall be for a period of four and one half years. It is planned that US\$6 million will be contributed by USAID and E1 million by the Government of Swaziland (GOS) (the portion allocated for the credit program will consist of US\$359,000 from USAID and E1 million from the GOS).

3 The objective of the credit program is to address a current need for credit by Swazi-owned small and micro-enterprises in Swaziland through the development of a long-term, self-sustaining credit program. This program would provide credit to eligible recipients at commercial rates of interest through the commercial banking system. It is anticipated that the SBGT will continue to operate beyond the life of the project and that its relationship with the Bank will continue as long as SBGT and the Bank find the relationship to be mutually beneficial.

4 USAID and the Bank agree that the credit program envisioned under this Project shall have the following framework:

a Responsibilities of the SBGT

- 1) The SBGT shall be responsible for the promotion and overall administration of the credit program.
- 2) Most of the loans under the program shall be in the range of E1,000 to E20,000 and be lent under the Small Loan Program component of the Project. Some exceptional loans above E20,000 may be guaranteed on a case-by-case basis, with the approval and participation of the Bank. These larger loans shall be lent under the Loan Assistance Program component of the Project. (Loans E20,000 or below shall be hereinafter referred to as "Class A Loans" and loans over E20,000 referred to as "Class B Loans").

- 3) The SGBT shall place \$1 Million on deposit with the Bank to act as a Guarantee Fund to the Bank for defaults under the program. \$200,000 shall be initially allocated to guarantee the Class A loans under the Small Loan Program and \$800,000 shall be initially allocated to guarantee the Class B loans under the Loan Assistance Program. These allocations are based upon the assessment of the initial demand for the loans.
- 4) The SGBT shall receive applications for Class A loans under the program and provide technical assistance to enterprises in the preparation of all documents necessary for the processing and assessment of the loan applications.
- 5) The SGBT shall charge a processing fee to the Class A loan applicants for assistance in the preparation of the loan application. This fee shall be charged in advance of the loan appraisal.
- 6) The SGBT staff shall prepare, evaluate and monitor all Class A loans. Upon the approval of all loans under this amount by the SGBT, the loan documents shall be forwarded to the Bank for automatic processing of the loan. In cases of default, (loans delinquent for more than 120 days under Class A loans,) further collection efforts shall be the responsibility of the SGBT.
- 7) In regard to the Loan Assistance Program of the Project, the SGBT shall provide technical assistance to medium-scale enterprises in the preparation of loan applications and related documents for submission to the Bank under ordinary bank loan appraisal procedures or which qualify for the Central Bank's loan guarantee program. This assistance will be provided to the enterprises on a fee basis to be determined by the SGBT. A loan guarantee under the Loan Assistance Program will be available to an enterprise for a Class B loan only when it meets all of the following conditions:
 - a) The enterprise does not qualify for a loan under the Central Bank's Credit Guarantee Program,
 - b) The enterprise has been receiving assistance under another Project component,
 - c) The enterprise shows significant growth potential according to Management of the SGBT,
 - d) The growth potential can only be realized with a Class B loan.

3 Responsibilities of the Bank

- 1) The Bank will be considered the prime lender for the credit program only, and will not have any responsibilities for the administration of the Project or credit program, other than those duties described below
- 2) The Bank will pay interest at the rate of 2% below prime rate on the monies deposited by the SBTG with the Bank for the Guarantee Fund
- 3) Subject to the availability of funds and the continuing viability of the credit program, the Bank agrees to issue loans at an increasing rate over the life of the project against the Guarantee Fund up to a level equal to four times the size of the fund at the commencement of the Project. An annual review of the credit program will be held with the Bank, SBTG and USAID to examine the viability of the credit program and set yearly targets against which Bank funds will be lent. Assuming successful implementation of the credit program, it is anticipated that the Bank will lend its funds against the guarantee on the following basis

First Year	0%
At the commencement of the Second Year	100%
At the commencement of the Third Year	200%
At the commencement of the Fourth Year	300%
At the commencement of the Fifth Year	400%

- 4) The Bank shall automatically process all Class A loans (E20,000 or less) approved by the SBTG according to the terms and conditions subsequently agreed upon by the Bank and the SBTG. Once a loan has been disbursed, the bank shall use due diligence to collect repayments on the loan and utilize its usual procedures and notices to this end. The SBTG will monitor the loan repayments and provide technical assistance to borrowers and encourage repayment as necessary. The Bank will supply to SBTG the procedures it will use to collect delinquent loans of this type
- 5) Regarding Class B loans (over E20,000), the Bank shall participate in the loan approval process and concur in the decision to approve the loan. Subsequent to loan approval, the same procedures for loan processing shall be followed as for Class A loans. The SBTG's funds should not be used as a guarantee for this program except as a last resort. The bank will advise SBTG, in writing, of the criteria it will use in processing Class B loans

- 6) The Bank shall charge a normal commercial rate of interest on all loans plus normal fees for loan administration (exclusive of the normal loan application processing costs which will be born by the SBTG for Class A loans) The rate of interest and fees to be charged for these loans is currently estimated to be 2% above prime rate
- 7) Should a Class A loan borrower default on the repayment of the loan ("default" shall be defined as being in arrears for more than 120 days), the Bank shall have the right to automatically draw down the balance due on the loan from the Guarantee Fund upon 30 days notice to the SBTG The Bank will then turn over the loan to SBTG for collection with all repayments collected by SBTG added to the Guarantee Fund
- 8) Collection of the Class B loans shall be the sole responsibility of the Bank The Bank shall be permitted to draw down the balance due on defaulted loans from the Guarantee Fund only after the Bank has made good faith efforts, for at least 120 days after default, to collect from the Class B loan recipients in default The Bank shall advise the SBTG in writing of its collection procedures for this type of loan
- 9) The Bank shall have the option to withdraw from the program, with respect to further extension of credit under the program, should more than 20% of all outstanding loans within the portfolio of this program be in default The Bank shall give the SBTG at least seven days written notice should the Bank wish to exercise this option
- 10) The Bank shall provide the SBTG with a monthly accounting of all funds disbursed and repaid, including interest and late fees collected, under the Small Loan Program The specific reporting information to be included shall be detailed in a subsequent agreement with the SBTG However, the following information shall be provided at a minimum
 - a) The name of the loan recipient, account number, the name of the loan officer recommending the loan, the original amount of the loan, the outstanding balance and the date of the last payment,
 - b) The overall loan recovery rate and amount for all loans during the previous month, and
 - c) An aged analysis (by 30, 60, 90 and 120 days) of all accounts in arrears with verification of the notification to the loan recipient of the arrearage

c Joint Responsibilities of the SBT and the Bank

The SBT and the Bank agree to meet on a periodic basis, but not less than once every two months, to

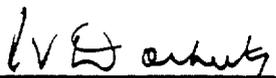
- 1) Review and discuss the operations of the credit program to determine ways to improve the operational aspects of the program
- 2) Review the sufficiency of the amount in the Guarantee Fund in comparison to loan demand, staff capabilities, and loans outstanding. The SBT and the Bank shall have the authority to make adjustments to the Guarantee Fund on the basis of their joint agreement after consideration of the above factors
- 3) Alert the other Party to any potential problems or shortfalls in the program and to jointly seek ways to avoid or alleviate those problems
- 4) Adjust fees, loan terms and conditions, and other financial aspects of the program, should both Parties hereto agree to the need to make these adjustments for the betterment of the program

d Liability

- 1) It is the understanding of the Parties hereto that the credit program agreement between the Bank and SBT will clearly exempt SBT from any liability for damages suffered by the bank, whether or not caused by SBT or its employees or agents, other than losses covered by the SBT loan guarantee in accordance with the terms of the credit program agreement

For Standard Chartered Bank
Swaziland Limited

For the Government of the
United States of America


 By Paul V. Donerty
 Title Managing Director


 By Roger D. Carlson
 Title Director, A I D Mission
 to Swaziland

Date July 19th, 1991

Date July 19, 1991

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FINANCIAL MODEL OF FUNDING REQUIREMENTS OF CREDIT COMPONENT

Introduction

The attached financial model is designed to analyze the funding of the credit component of the small business development project (SBD). These notes are intended to help understand the model. They should be read in conjunction with the description of the project component.

Purpose

The model calculates likely loan portfolio sizes given possible levels of demand for credit, funding that is available given leverage factors, default and interest rates, and compares the two. Its object is to help assess the adequacy of different funding levels in relation to different anticipated levels of demand for credit. In this context, demand is overall demand net of constraints imposed by the capacity of the credit unit to process credit applications.

This will assist in giving consideration to

whether the proposed E 1 000,000 is adequate or excessive

how it should be split between the small business loans and the loan assistance program,

what leveraging is needed from the bank to ensure project viability,

assessing whether the recruitment schedule of loan officers is sensible

the sustainability of the programs in the light of different default and interest rates

In particular, because likely default rates and demand levels are very hard to predict, it allows us to explore the adequacy of the proposed level of funding to meet project objectives in different operating circumstances.

The model represents the most detailed level of calculation possible with the base data. It will be appropriate to include only a summary of the key results in the main part of the project paper.

Base Case

The model as printed is the a base case. That is, the values included are a best guess of likely outcomes, and the most suitable split of the proposed E 1 000 000 between the two programs. The values are those included in the draft project paper.

Model Layout

The model falls into two parts. The first deals with the small loans program, the second with the loan assistance program. The layout on detail of both are similar. This description covers the small loans program and then describes the differences between the two.

The layout is as follows:

- Page 1 Sets out the basic assumptions relating to demand, funding, interest rates on cash cover and default. To facilitate calculation, the portfolio is split into three loan size ranges. Calculation is based on an average loan size for each range.
- Page 2 Sets out a calculation of the amount of funding needed to support the demand for loans in the loan size range E1,000 - E3,000. It calculates the balances outstanding at any one time for loans of this size by examining disbursement and repayment rates. As a simplifying assumption, the model assumes that loans are repaid at the end of their period rather than evenly over the life of the loan. This means that the size of the portfolio is slightly overstated, which is conservative from the point of view of assessing funding adequacy. The degree of error introduced by this assumption, which greatly simplifies the model, is less than the degree of uncertainty in the basic assumptions.
- Pages 3 & 4 Are the same as page two but cover the loan size ranges E3,000 - E10,000 and E10,000 - E20,000 respectively.
- Page 5 Consolidates pages 2, 3, 4 and calculates the total portfolio indicated by the assumed levels of demand. It then calculates the total funding available given assumed default rates, interest rates and leverage factors.

Detailed Notes

Page 1

- 1 The total number of loans is the total number made over the period of USAID funding of the project.
- 2 The assumed default rate is the proportion of loans that are not repaid.

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3 The disbursement rates for the first and second six months allow for slow rates of disbursement as the unit gets itself established. The total number of loans are disbursed over the four years of the project in the proportions indicated (this assumes that the disbursements are made evenly by period after the first year)

4 The interest on the cash cover is the rate received on the deposit account used to hold the guarantee fund. The interest rate on the loans made is not relevant to project finances because it accrues directly to the bank.

Pages 2,3,4

5 The number of loans disbursed add up to the amounts shown on page 1. Because of rounding, the amount shown in months 43 - 48 may be different.

Page 5

6 The end of period balances are those shown at the bottoms of pages 2, 3 & 4.

7 The default amounts are the amounts not repaid to the bank. They equal the repayments falling due (as shown on the previous pages) times the average default rate. Because the bank has automatic right to draw down on the cash cover on the case of default, these amounts are subtracted from the deposit account.

8 The leverage factor is the amount by which the bank has agreed to gear the portfolio with its own funds. For example, a leverage factor of 3 means that for every E1 of USAID money the bank will put in E2 of its own bringing the total funds available to E3.

The Loan Assistance Loan Guarantee Fund

The model for the loan assistance loan guarantee fund is very similar. The only differences are

There is no direct leveraging (we still have to negotiate on this point with the banks). However the fund may only provide partial guarantees - this has a leveraging effect.

Guarantees are only provided in a proportion of cases. The model however starts from the basis of the total population of applicants receiving assistance under the program. This is to allow the model to tie in to the analysis in the credit component description.

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FINANCIAL ANALYSIS OF SMALL LOANS PORTFOLIO

ASSUMPTIONS RELATING TO THE SIZE OF THE SMALL LOANS PORTFOLIO

Range	Average Size	Total Number	Total Advanced	Average Length
£ 000	£ 000		£ 000	Months
1 - 3	2	250	500	9
3 - 10	5	150	750	9
10 - 20	15	50	750	18
Assumed default rate		0.05		
Disbursement rate in first six months (as a proportion of standard)		0.00		
Disbursement rate in second six months (as proportion of standard)		0.60		
Initial cash cover (£ 000)		200		
Interest rate on cash cover %		12		

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FINANCIAL ANALYSIS OF SMALL LOANS PORTFOLIO

PORTFOLIO BALANCE FOR LOANS IN THE RANGE £ 1 000 £ 3 000

£ 000	Month of Project	1	6	7	12	13	18	19	24	25	30	31	36	37	42	43	48
	Basis of Calculation																
a Number of loans disbursed	Total number pro rated	0	23	38	38	38	38	38	38	38	38	38	38	38	38	37	
b Value of loans disbursed	(a) x Average size	0	46	76	76	76	76	76	76	76	76	76	76	76	76	74	
c Period in which loans were advanced but were repaid in current period (months)	Counting back by average repayment period	-	1 - 3	4 - 6	7 - 9	10 - 13	12 - 15	16	21	22 - 27	28 - 33	34	39				
d Amount repaid	amount disbursed in periods		0	23	61	76	76	76	76	76	76	76	76	76	76	76	
e Portfolio balance at start of period		0	0	46	99	114	114	114	114	114	114	114	114	114	114	114	
Movement in month	- (b) - (d)	0	46	53	15	0	0	0	0	0	0	0	0	0	0	-2	
g Portfolio balance at end of period		0	46	99	114	114	114	114	114	114	114	114	114	114	114	112	

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FINANCIAL ANALYSIS OF SMALL LOANS PORTFOLIO

PORTFOLIO BALANCE FOR LOANS IN THE RANGE £ 3,000 £ 10 000

	Month of Project	1	6	7	12	13	18	19	24	25	30	31	36	37	42	43	48
Basis of Calculation																	
a Number of loans disbursed	Total number pro rated	0			14		23		23		23		23		23		21
b Value of loans disbursed	(a) x Average size	0			70		115		115		115		115		115		105
c Period in which loans were advanced that were repaid in current period (months)	Counting back by average repayment period			1	3	4	6	10	12	16	21	22	27	28	33	34	39
d Amount repaid	amount disbursed in period				0		35		93		115		115		115		115
e Portfolio balance at start of period		0			0		70		150		172		172		172		172
f Movement in month	(b) (d)	0			70		80		22		0		0		0		10
g Portfolio balance at end of period		0			70		150		172		172		172		172		162

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FINANCIAL ANALYSIS OF SMALL LOANS PORTFOLIO

PORTFOLIO BALANCE FOR LOANS IN THE RANGE £ 10 000 £ 20 000

	Month of Project	1	6	7	12	13	18	19	24	25	30	31	36	37	42	43	48
	Basis of Calculation																
a Number of loans disbursed		0		5		8		8		8		8		8		8	5
b Value of loans disbursed	(a) x Average size	0		75		120		120		120		120		120		120	75
c Period in which loans were advanced that were repaid in current period (months)	Counting back by average repayment period							1	6	7	12	13	18	19	24	25	30
d Amount repaid	amount disbursed in period								0	75	120	120	120	120	120	120	120
e Portfolio balance at start of period		0		0		75		195		315		360		360		360	360
f Movement in month	(b) (d)	0		75		120		120		45		0		0		0	-45
g Portfolio balance at end of period		0		75		195		315		360		360		360		360	315

FINANCIAL ANALYSIS OF SMALL LOANS PORTFOLIO

TOTAL SMALL BUSINESS LOANS PORTFOLIO (£ 000)

Range	Month of Project	1	6	7	12	13	18	19	24	25	30	31	36	37	42	43	48
Balance of outstanding loans at period end																	
1 - 3		0	46		99		114		114		114		114		114		112
3 - 10		0	70		150		172		172		172		172		172		162
10 - 20		0	75		195		315		360		360		360		360		315
Total		0	191		444		601		646		646		646		646		589
Defaults																	
1 - 3	Defaults are amount repaid in month x the default rate	0	0		1		3		4		4		4		4		4
3 - 10		0	0		2		5		6		6		6		6		6
10 - 20		0	0		0		0		4		6		6		6		6
Total		0	0		3		8		14		16		16		16		16
Cash cover at start of period		200	212		225		235		241		241		239		236		233
Cash cover after defaults		200	212		222		227		227		225		223		220		220
Interest	Interest is calculated on average of above two balances	12	13		13		14		14		14		13		13		13
Total cash cover available		212	225		235		241		241		239		236		233		233
Leverage factor		2	2		2		3		3		4		4		5		5
Funds available	Cash cover x leverage	424	450		470		723		723		956		944		1165		1165
Funds required	As shown above	0	191		444		601		646		646		646		646		589

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FINANCIAL ANALYSIS OF LOAN ASSISTANCE GUARANTEE FUND

ASSUMPTIONS RELATING TO THE SIZE OF THE LARGER LOANS GUARANTEE FUND

Range	Average Size £ 000	Total Number	Average Length Months
20 - 50	30	30	24
50 -	75	30	36
Proportion needing guarantee		0.50	
Guarantee provided (ie whether 100% or partial)		100%	
Assumed default rate		0.05	
Disbursement rate in first six months (as a proportion of standard)		0.00	
Disbursement rate in second six months (as proportion of standard)		0.60	
Initial cash cover (£ 000)		800	
Interest rate on cash cover %		12	

FINANCIAL ANALYSIS OF LOAN ASSISTANCE GUARANTEE FUND

VALUE OF GUARANTEES OUTSTANDING FOR LOANS IN THE RANGE £ 20 000 50 000

£ 000	Month of Project	1	6	7	12	13	18	19	24	25	30	31	36	37	42	43	48	
	Basis of Calculation																	
a Number of guarantees provided	Total number pro rated x proportion with guarantee	0	1		2		2		2		2		2		2		4	
b Value of guarantees provided	(a) x Average size x proportion guaranteed	0	30		60		60		60		60		60		60		120	
c Period in which loans were advanced that were repaid in current period (months)	Counting back by average repayment period				-		-				1	6	7	12	13	18	19	24
d Guarantees released	guarantees provided in periods indicated						-				0		30		60		60	
e Guarantees outstanding at start of period		0	0		30		90		150		210		240		240		240	
f Movement in month	(b) - (d)	0	30		60		60		60		30		0		0		60	
g Guarantees outstanding at end of period		0	30		90		150		210		240		240		240		300	

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FINANCIAL ANALYSIS OF LOAN ASSISTANCE GUARANTEE FUND

VALUE OF GUARANTEES OUTSTANDING FOR LOANS IN THE RANGE > R 50,000

		Month of Project																
		1	6	7	12	13	18	19	24	25	30	31	36	37	42	43	48	

		Basis of Calculation																
a	Number of guarantees provided	Total number pro rated x proportion with guarantee	0	1	2	2	2	2	2	2	2	2	2	2	2	4		
b	Value of guarantees provided	(a) x Average size x proportion guaranteed	0	75	150	150	150	150	150	150	150	150	150	150	300			
c	Period in which loans were advanced that were repaid in current period (months)	Counting back by average repayment period							-	-				1	6	7	12	
d	Guarantees released	guarantees provided in periods indicated											-		0	75		
e	Guarantees outstanding at start of period		0	0	75	225	375	525	675	825								
f	Movement in month	(b) (d)	0	75	150	150	150	150	150	150	150	150	150	225				
g	Guarantees outstanding at end of period		0	75	225	375	525	675	825	1050								

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FINANCIAL ANALYSIS OF LOAN ASSISTANCE GUARANTEE FUND

TOTAL GUARANTEES OUTSTANDING ON LARGER LOANS (£ 000)

Range	Month of Project	1	6	7	12	13	18	19	24	25	30	31	36	37	42	43	48
Total guarantees outstanding at end of period																	
20 - 50		0	30	90	150	210	240	240	300								
> 50		0	75	225	375	525	675	825	1050								
Total		0	105	315	525	735	915	1065	1350								
Defaults																	
20 - 50	Defaults are amount repaid in month x the default rate	0	0	0	0	0	2	3	3								
> 50		0	0	0	0	0	0	0	4								
Total		0	0	0	0	0	2	3	7								
Cash cover at start of period																	
		800	848	899	953	1010	1071	1133	1198								
Cash cover after defaults																	
		800	848	899	953	1010	1069	1130	1191								
Interest																	
	Interest is calculated on average of b/f and c/f balances	48	51	54	57	61	64	68	71								
Total cash cover available																	
		848	899	953	1010	1071	1133	1198	1262								
Funds required																	
		0	105	315	525	735	915	1065	1350								

ANNEX G

SMALL BUSINESS PROJECT TRAINING

1 INTRODUCTION

Business training will be funded under the Project in order to upgrade small business management and technical skills and to encourage service delivery to small businesses by business associations. Such training will be offered, where possible, to the business community in coordination with business associations. Training may also be delivered through other sponsors using existing training facilities and trainers. Through this process, business owners and employees will gain valuable skills, and business associations will be strengthened as members perceive that they are receiving something useful from their membership in these associations.

In addition to the group training discussed in this annex, more direct training will be offered through the Business Development Advisor, Small Business Facilitators and Small Business Advisors. This intensive training is discussed in the credit and business development sections of this paper.

Business organization members have indicated that training is one of the most important services which they would like to be able to provide for their membership. While some training has been offered through business organizations in the past, the level has not met demand. The organizations have not had sufficient personnel or financing to do so. With the provision of such training by the associations through the project, as well as other association strengthening activities, these organizations can be expected to improve their management and attract additional dues paying members. They should then be able to carry out more training on their own in the future.

Under the project, with the support of the Trust, business associations will be expected to develop detailed training plans which identify training needs most relevant to their members and the small business community at large. These needs will be transmitted to the Trust who will review the requests and if approved fund and coordinate the training through the requesting organization. In some cases training needs may be identified by others, such as private business persons or Trust employees. Such training will be considered for funding by the Trust on a case-by-case basis depending on its relevance to small business growth.

An important consideration for Trust sponsored training is that, as much as possible, the costs of training should be covered by the participant businesses. While this may reduce the number who apply, the training is more likely to benefit those who value it enough to pay at least a portion of its costs. In cases where participants are not able to pay the full costs, they will be required to pay a significant portion. During the life of the project, training fees collected will be deposited in the project credit component cash cover account to earn interest to be used for Trust activities when the project has ended.

The Business Associations Training Plan will be incorporated into a comprehensive SBTG training plan which will include a rate table based on the cost of training and the ability and willingness of small business persons to pay. The Deputy Business Development Advisor/Training Coordinator (DBDA/TC) will be responsible for the production of the plan.

Training funded will be for businesses, their employees and business association members which are targeted under the project. Since the project is intended to help Swazi businesses grow, training will be in areas which support this growth concept. Both business management training as well as training in technical operational areas will be included.

Business Management Improvement Workshops

The business management improvement workshops will be organized on a sectoral basis for groups of business owners and key management employees. The workshops, of about 20 persons each, will focus on four strategic business functions as follows:

Marketing/Sales	40 hours
Production/Operations	40 hours
Finance/Accounting	120 hours
Personnel/Industrial Relations	<u>40 hours</u>
Total	240 hours (30 person days)

All four modules will be conducted once in the first year of the project and three times a year for each of the last three years of the project. If it is assumed that participating business persons take at least two of the courses, the number of participants is expected to be about 400 persons.

While the training modules may be drawn from previously prepared materials, each module will be tailored to meet the specific needs of the participating business owners. Contractors will be allowed two person months for the development of the modules. Where possible, the learning situations will be drawn from the participating businesses. Also, training will include real-life case studies, group assignments, discussions and presentations. As appropriate, the training will be provided in siSwati. Where siSwati speaking trainers are not available, trainers will be provided with a Swazi speaking training aide. There will be a minimum amount of didactic lecturing and assigned reading. The methodology of the workshops will be primarily based on experiential and participatory group learning techniques. People learn by doing and by sharing experiences.

In addition to the above, the workshops will be undertaken within the following framework

- Training will be based on a needs assessment of the participating businesses and their owners
- Learning objectives will be established based on the needs assessments
- Pre/post test of participants will be completed to determine achievement of learning objectives
- The training schedules will take into account the participants time constraints
- Follow up visits to a portion of the participants will assess application of knowledge and skills in the participant s business setting

During this process information on trainees will be recorded on the foundation s data base for use in evaluating project training

Small Business Operational Improvement

This assistance is aimed at improving the operations of small businesses. It will consist of a series of short-term technical workshops organized and designed on a sectoral basis for groups of businesses. Training will be conducted in siSwati by Swazi trainers or trainers will be provided with siSwati speaking training aides. This training will be offered to both employers and employees. It will include such subjects as plant layout, equipment usage and maintenance, and production techniques.

As in the Business Management Improvement Workshops, the training will be primarily based on experiential and participatory group learning techniques. Guidelines for design and implementation of the training will be the same as for the Improvement Workshops. About 5 courses, of approximately four days each, will be offered in the first year. Approximately 10 courses a year will be offered for each of the following years of the project. Each course is expected to have about 20 participants. Approximately 700 persons are expected to receive this training. Over the life of the project, three person months will be allowed to contractors for the development of the courses.

Training Component Coordination

The Trust Training Coordination will, in cooperation with the requesting association, draft a training scope of work and budget for clearance within the Trust. Once approved, the Coordinator, working with the requesting institution, will identify facilities, arrange for trainers and schedule the event in coordination with the requesting association. Whenever possible, the requesting association will be expected to host the training in their own or their members facilities. They will also be expected to notify trainees of the time and location of the training.

To conduct training, local training contractors, firms, and institutions will be subcontracted by the Prime Contractor until the Trust has been deemed to have contracting capability by AID. After that, these services will be contracted by SGBT. A standard contract for this purpose, which includes AID requirements, will be provided to SGBT by the Prime Contractor. AID will approve the standard contract as well as contracts to be issued for training. The Prime Contractor and the AID Project Manager will monitor the selection process.

That sufficient training resources are available in Swaziland was confirmed by the project training component design consultant in his report to the Mission. These resources include both public institutions such as SEDCO as well as private training institutions and contractors. However, to meet project training standards it will be essential to develop extensive and detailed training specifications to avoid canned training modules which are not sufficiently relevant to the target businesses. It may be necessary in some cases to provide training to trainers in order to meet project objectives.

In addition to the above resources for training, the Training Coordinator will become familiar with business training programs financed by AID and others so that duplication can be avoided. The Coordinator will, as part of his service, make available to interested persons information on these business training programs.

Care will be taken to coordinate activities in the SBDP with other efforts in the Mission to strengthen Swazi participation in the private sector. Training targeted at the private sector in the Swaziland Training and Institutional Development Project (STRIDE) is one area of potential collaboration. The STRIDE Project includes an in-country training program for managers from the private sector. Since the STRIDE in-country training program will be into its second year when the SBD project comes on line it can take account of the STRIDE experience to help provide some guidelines on issues such as fees and contributions from trainees, successful training methods, and the strengths and weaknesses of local training institutions. Once the Business Growth Trust is established its staff will meet with the STRIDE contractor and work out ways of sharing information and actively collaborating. SBDP and the STRIDE Contractor will share information on training needs in the private sector. SBDP may be able to refer trainees to STRIDE sponsored courses or to identify target groups and/or needs for the STRIDE in-country training program. Project staff will explore having a SBDP representative sit on the STRIDE Steering Committee and a representative from the STRIDE contractor included in the SBDP's Business Advisory Group.

ANNEX H

SWAZI BUSINESS DEVELOPMENT PROJECT PAPER

Construction Management Assistance (CMA) Component

1 BACKGROUND

The CMA component of the Swazi Business Development Project (645-0235) is designed to provide a) a three year program of on-the-job training in construction management skills to small and medium scale Swazi owned contracting firms, b) technical assistance to the Ministry of Work and Communications (MOWC) to revise contractor categorization and tendering procedures including adoption of a simplified small works contract, and c) encouragement of linkages between small Swazi contractors and both the Association of Building and Civil Engineering Contractors and the Association of Architects, Engineers and Surveyors. The EOPS for this component will be increased participation of Swazi owned small to medium scale contracting firms in construction work being undertaken by this category of firms in the Kingdom.

Elements of the CMA component are derived from a number of sources. In April 1989 USAID requested RHUDO/ESA to undertake a study entitled Urbanization in Swaziland. Among other conclusions, this study found that, despite generally strong economic growth in the Kingdom, the GDP contribution of and employment in the construction sector had actually declined over the period 1984-88. Subsequent analyses revealed that while the GOS capital works budget had grown significantly over the decade of the 80s, the percentage of actual accomplishment against planned expenditures had dropped steadily to a low of less than 60% of MOWC's budget in 1989.

In early 1990, USAID requested RHUDO/ESA to carry out a more detailed analysis entitled the Swaziland Construction Sector Study. This study detailed the marked lack of small and medium scale construction capacity in the country. Less than 25 firms from this category are considered to be active in MOWC's registry. The average annual turnover of these firms, almost all of which are Swazi owned, has in recent years been less than \$175,000 and permanent employment averages only 5-10 per firm.

Interviews with MOWC, financial institutions, local professionals, larger contracting firms owned by non-Swazis, and a sample of small Swazi contractors produced the virtually unanimous opinion that the main constraint upon growth of small

to medium scale firms is a lack of practical construction management skills. Several local institutions including SCOT MITC and VOCTIM, offer vocational and technical training courses which produce artisans of good quality. However, only the Small Enterprises Development Company (SEDCO) has attempted to provide management assistance to small Swazi contractors, and this effort ceased in 1988 after losses of about E2 5 m were incurred as a result of inadequate supervision and technical assistance, and financial mismanagement.

In May 1990, USAID, RHUDO/ESA, and UNDP sponsored a three day workshop at Pigg's Peak entitled "Urbanization in Swaziland: Challenges for the 90s". Attendance at the workshop was excellent including more than 85 representatives of both the public and private sectors. Five main areas of concern were addressed by the participants including constraints upon the construction sector, and detailed recommendations were prepared to alleviate these constraints. The final version of the workshop proceedings will be distributed during the last week of September. The design of the CMA component of the Business Development Project incorporates key recommendations arrived at during the urbanization workshop.

In sum, background research and policy dialogue leading to the proposed CMA component have been thorough. Successful implementation of the component will not only contribute to the Swazi Business Development Project's purpose of stimulating the growth of established indigenous Swazi-owned businesses, but it will also help to alleviate a major constraint upon the implementation of capital works in the Kingdom and, thereby, stimulate economic growth and employment generation.

2 COMPONENT DESCRIPTION

A On-the-Job Training - this constitutes the main activity of the CMA Component. Training will be provided to selected groups of 8-12 Swazi contractors over a three year period (see recommended selection procedures below). Training will take the form of weekly on-site consultations by construction management and other experts with the client contractors.

The expert advisory team will be managed by an experienced construction manager preferably with qualifications as an architect and broad experience throughout the East and Southern Africa region. The manager will provide roughly 70 working days of input in year one, 50 in year two and 35 in year three. The team manager will be supported by Swazi based professionals who will provide two person days of on-site consultations weekly to the clients throughout the 3 year life of the project. The local professionals would include one construction management

specialist (perhaps a quantity surveyor) on a continuing basis, and a roster of additional professionals who will provide specific assistance at critical points in the contract cycle. These specialized areas of assistance will include

- Pricing tender documents
- Understanding contract conditions
- Obtaining performance bonds
- Arranging bank financing
- Contract insurance
- Manpower deployment
- Cash flow planning and management
- Work planning
- Plant and equipment planning and maintenance
- Materials procurement and planning
- Supervision of construction
- Financial records
- Claims for extensions of time
- Claims for escalated costs
- Preparations for and management of site meetings
- Investment of profits
- Planning for future projects

The mix of specialized advisors will include an accountant, an insurer, a materials supplier, a banker, representatives from MOWC and the vocational schools as necessary, and specialists in various fields such as plumbing, bricklaying, and steel fabrication. Special attention will be given to assisting clients in securing required construction financing. The Swaziland Development and Savings Bank (SDSB) has expressed its commitment to expand its construction finance lending program to include clients of the CMA component, and the bank has adequate funds available for this purpose.

Assistance will be provided to all clients through at least one complete project cycle, that is, from tendering through to project completion and preparations to secure additional work. The progress, problems encountered and assistance provided to each client will be carefully noted and adjustments to the training program will be made accordingly. More successful client firms will be graduated from the program and replaced by additional firms.

B Client Selection - it is proposed that the initial group of firms will be chosen from the MOWC registry of active, promising small and medium scale Swazi owned firms. A three person selection committee composed of one representative each from the Ministry and the Associations of Building and Civil Engineering Contractors and the Architects, Engineers, and Surveyors has been suggested and agreed to by all three organizations. Advice to the selection committee would be provided by USAID and RHUDO.

Selection would be based upon criteria normally evaluated during prequalification of contractors including firms experience annual turnover, equipment assets, employees, financial position and commitment to participation in the CMA component. Following identification of the initial set of CMA clients, MOWC would be encouraged to broaden its small and medium scale contractor base through an advertised registration drive thereby providing additional candidates for training.

C Workshops - the CMA component also includes five formal workshops in the first year and 3 workshops in both succeeding years. Small contractors cannot afford to take off large amounts of time from their work, so all of the workshops would be 1 to 1 1/2 day affairs to be held on weekends at easily accessible locations. Organizational workshops would be held with each new batch of CMA clients, and the balance of the workshops would deal with specialized topics which are determined to require special attention. Selected representatives of the Ministry as well as the contractors and professional associations would be included in the workshops in order to foster linkages without forcing the issue.

D Technical Assistance to MOWC - three person months of technical assistance will be provided under the component to assist MOWC in regularizing its contractor registration and categorization procedures, and to design a simplified system of contracting small works. The Ministry is well aware that its established tendering and contracting procedures are appropriate only for large projects involving sophisticated firms. This technical assistance will enable the Ministry to achieve a more appropriate match between projects and firms in the tendering process, and to minimize unnecessary administrative overheads, which are particularly daunting for small firms, in awarding contracts. This TA activity should commence as early as possible following approval of the Swazi Business Development Project.

E Component Management - the PID and PP design teams have recommended that management of the CMA component should be undertaken through RHUDO/ESA under USAID's supervision. The Swaziland CMA component will be a key element of RHUDO's regional construction management assistance program, which includes similar activities planned or currently being designed with several other Missions in the region. The contracting mechanism for these related activities will be administered by RHUDO in Nairobi and will be akin in structure to a regional IQC allowing buy ins over time. RHUDO technical staff will manage all aspects of the contracting process in close consultation with USAID and will provide continuing supervision of the Swazi CMA component through frequent TDYs (i.e. 6-10 annually) as has been the case since early 1989.

F Level of Effort and Estimated Budget - a detailed estimated budget for the CMA component was prepared during the PID design, a summary of which follows

1) Project Manager - about 155 working days over 3 years including airfares and perdiems	\$98,000
2) Local TA - about 312 working days over 3 years including local travel	116,000
3) Workshops - about 11 over 3 years	<u>30,000</u>
Subtotal	244,000
4) 20% contingencies	49,000
5) TA to MOWC - 3 person months including airfares from Nairobi and perdiems	<u>40,000</u>
Total estimated cost	\$333,000

These estimates assume that project management is provided by a Nairobi based expert with fees equivalent to those currently paid by RHUDO with standard escalation over the LOP Item 5) could be handled separately through an existing RHUDO IQC in order to expedite delivery of this discrete technical assistance

C SUSTAINABILITY AND LINKAGES

Beyond the direct goal of increasing the number of Swazi owned small and medium scale contracting firms and the volume of work done by these firms, the CMA component will also seek to encourage mutually beneficial linkages between small firms and large contractors. To this end, the president of the Association of Building and Civil Engineering Contractors has expressed enthusiasm for establishment of an affiliation with alumni of the CMA component. The nature of this affiliation could have several aspects

First, all CMA participants will be charged a nominal fee (i.e. E20 to E50 monthly). These fees should be deposited to a training fund which will finance continuing technical assistance following completion of the CMA component. The president of the Association has indicated that his organization will consider matching fees paid in by CMA clients so that at the end of the 3 year LOP a tidy amount will have been accumulated.

Second, one of the main constraints faced by small Swazi owned contracting firms is lack of access to an established place of business, secretarial services, and basic reference documents. The president of the Association also indicated his willingness to consider supporting provision of office space for CMA client firms.

These two small but important contributions could greatly enhance both the sustainability of the training program and the access of small contractors to additional non government work particularly through subcontracting. Given, however, the historical division between the Association, whose members are mainly expatriates, and the defunct Swazi contractors association, it is felt that encouragement of this important linkage through informal means (i.e. without creating a new association or even attempting to revive the old one) would be most beneficial. Emphasis should be placed on encouraging CMA clients to regard themselves as alumni and to continue cooperating with and supporting each other over time. It is in this rather delicate area that the linkages expert to be fielded through SBTG could help to maximize benefits resulting from the CMA component of the Swazi Business Development project.

ANNEX I

SWAZILAND BUSINESS ASSOCIATIONS
INSTITUTIONAL STRENGTHENING COMPONENT

The Swaziland situation with respect to business associations is very unique. For a country with an unabashedly private sector orientation and a high degree of industrialization, Swaziland has undeveloped and fragmented business organizations. Until about a year ago, the Chamber of Commerce, usually a central business organization in any country, was acknowledged as a moribund institution with no credible programs or activity. Within the past year, however, several new business organizations have sprung up, all in nascent stages of development, and the Chamber of Commerce has embarked on the path to revitalization.

Further complicating the business association scene is the existence of a powerful dichotomy between large and small companies. This dichotomy is further intensified because the large companies are almost exclusively foreign owned, whereas the small companies are indigenous Swazi firms. These distinctions are reflected in the membership of the business associations which seem to be split by size of member, some representing the large and some the small companies. The Federation of Swaziland Employers and the Chamber of Commerce have mostly large companies as members, while the Commercial Amadoda and Sibakho primarily represent smaller firms. However, the small enterprises, by and large, do not belong to business associations. While 90 percent of large enterprises report membership in some association, only 17 percent of micro enterprises and 30 percent of small enterprises do (MAPS, May 1989). Moreover, there is not one single business association with membership spanning both groups.

Despite these problems, there is general agreement both by large and small businesses, that effective business organizations are essential to the development of Swaziland's private sector as a whole, and that coordination among the various organizations is a priority.

Since the PID development in June 1990, numerous developments have occurred which have altered the business organization panorama in Swaziland. Perhaps the most important development has been the formation in July 1990 of the Swaziland National Business Council (SNBC), an umbrella body of eight Swazi business organizations.

I Current Status of Business Organizations

A The Swaziland National Business Council (SNBC)

At the time of the PID Swaziland business associations were under developed fragmented and unsuccessful in communicating with each other. There was a feeling of mutual distrust between small and large business mirrored by the membership profile in the various business organizations with the large companies belonging to the Chamber of Commerce and the Federation of Employers and the small companies associating with Sibakho. There was not one association with membership spanning both groups.

With the formation of the SNBC, prospects for greater cooperation and communication within the Swaziland private sector appear more promising.

The SNBC was formed in July 1990 and is comprised of the following eight business associations: Sibakho, Swaziland Commercial Amadoda Chamber of Commerce Federation of Employers, Swaziland Builders Association Swaziland Small Scale Industries Association Business Women's Association, and the Swaziland Institute of Accountants.

Membership of SNBC is open to all genuine business organizations in the country.

The officers are drawn from small and large business organizations. A representative from Sibakho is Chairman and a representative from the Chamber of Commerce and the Institute of Accountants is Vice Chairman.

The SNBC has several purposes. The major objectives are:

To facilitate internal communication and coordination between the various business organizations in the country.

To consult with the Government of Swaziland on the national economic and investment policy.

To facilitate communication with the Government of Swaziland.

The SNBC although not yet formally affiliated with the SADCC Regional Business Council may become part of that network as well. Its constitution allows for that possibility.

To date the SNBC has held three board meetings has drafted a constitution and has levied E100 from each business organization to cover initial operating costs. Secretariat functions are performed by the Commercial Amadoda.

As the organization is very new much remains to be done to develop a viable organization. As the SNBC is an umbrella body an organization of organizations without its own membership constituency, its major focus will not be delivery of services to the business community. However, its role in enhancing the policy environment for small business as well as its value as a communication link between small and large businesses will be extremely important to project success. Possible project inputs are assistance in setting up a secretariat including furnishings, equipment and salaries and technical assistance to undertake policy studies on issues affecting the overall environment for small business in Swaziland.

B Business Women's Association of Swaziland (BWAS)

BWAS has continued to make strong progress. BWAS membership has increased from 60 to over 865 of which about 80% are women business persons in urban areas. However as a result of its success BWAS faces another dilemma that is whether it has the resources to adequately serve the interests of new members. The Chairperson, is concerned that failure to serve new members may result in disenchantment and withdrawal.

BWAS continues to have a clear idea of purpose and programs. Identified needs of BWAS members are

- How to access credit
- Business management and skills development training
- Market information
- Access to material and equipment
- Opportunity for self development and recreation

Leadership still has a keen interest in mounting training courses to upgrade the management skills of women. To carry out its programs and to achieve its objectives BWAS plans to build a Women's Center which would serve as a secretariat for the association providing various services to members (such as preparing loan applications) and would provide several ancillary services as a day care center and simple living accommodation for young working women.

BWAS is an impressive organization and will receive support from the project to deliver programs to its members.

C Federation of Employers/Chamber of Commerce and Industry

Of particular interest to the project are the new work programs for the Chamber and the Federation both of which contain strong components aimed at indigenous Swazi business. The Chamber's program is as follows: 1) to merge its administrative functions with the Federation of Employers; 2) to participate in and shape the program for the newly-formed Swaziland National Business Council; and 3) to launch a long-term training program for small business. The Federation's work program has four points: 1) to become involved in environmental issues; 2) to help improve the country's investment climate; 3) to help improve and make more relevant the curriculum at UNISWA; and 4) to embark on a campaign to buy Swazi and to use Swazi entrepreneurs and sub-contractors instead of services from South Africa.

The Chamber has just hired a new expatriate general manager and shortly plans to hire a Swazi counterpart to work with him. In addition, the two organizations are in the process of merging their administrative functions to save operating costs, while maintaining their separate organizational identities. This type of cooperation between these two organizations is a positive development and will strengthen the two associations representing large business in Swaziland. The progress of the Chamber's revitalization seems assured. The commitment to programs that will address and strengthen indigenous small business seems genuine and deserving of support.

It is anticipated that at a minimum, the project will fund full time management position for the combined organizations.

D Sibakho

At the time of the PID, Sibakho, although weak financially and organizationally, appeared to have a valid purpose and commitment to the cause of assisting and advocating indigenous Swazi business interests. Furthermore, it was the only existing business association that represented the project's target group. The scheduled August 1990 general meeting and elections offered an opportunity for Sibakho to renew allegiances, launch a membership drive, and develop relevant programs for its constituents.

Unfortunately, the annual general meeting and elections were never held. Moreover, Sibakho's financial condition was further weakened by Union Bank's confiscation of E100,000, a fund given by CARE International for the establishment of a loan program. Sibakho's president is the new Chairman of the SNBC.

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He stated that over the past four months he had grown increasingly involved with the launch of the SNBC to the detriment of Sibakho activities. In fact he regarded the establishment of the SNBC as a key success of Sibakho's. Should Sibakho improve its organizational situation sufficient to receive support under the SBDP it still would need to resolve its problem of confiscated AID supplied CARE funds before receiving any other funds from an AID financed project.

E Swazi Small Scale Industries Association (SWASSIA)

The PID design team was unaware of the existence of this business organization. It was never mentioned by anyone as a business organization. However its emergence over the past few months as a business association representing indigenous Swazi business and its involvement as a founding member of the National Business Council makes it necessary to consider SWASSIA as a candidate for project interventions.

The President is a leading small businessman in Swaziland, running a brake and clutch business in the Mbabane SEDCO estate. It is estimated that SWASSIA may have as many as 40 paid members. The association has no secretariat or paid staff.

SWASSIA has a brochure which describes the aims of the association. They are:

- 1 To mobilize small scale industry in Swaziland
- 2 To bridge the gap between Government and small business
- 3 To influence Government policy on small scale industry
- 4 To promote the marketing of small business products

F Swaziland Commercial Amadoda (SCA)

SCA was created in 1947 by King Sobhuza II as a regulatory body to ensure participation in the economy by indigenous Swazis. It issues licenses for retail stores, hawkers and peddlars, taxis and buses operating on Swazi Nation Land.

The SCA has a significant backlog of licenses and has received a number of accusations of corruption and misuse of funds. A new President was appointed in May 1990. He announced his intention to clean house and revitalize SCA.

Over 50 percent of the trading section of the SCA is composed of hawkers and peddlars who are probably not a target group for the SBD project. However, the members of the transport section may be of a sufficient size to be eligible.

Although more a governmental regulatory body and not a private sector business association in the strict sense SCA is a member of the SNBC and has exhibited great interest in the SBD project may well be a target group, especially in the linkage program

G School Uniform Producers Association (SUPA)

This association was not described in the PID. Headed by a leading Swazi business woman it has 200 members all of whom produce school uniforms. Only 50 of the 200 members are companies the rest are individuals. Of the 50 companies, only 10 employ more than 10 people, which gives some idea of the dispersed nature of the uniform industry in Swaziland. All but one of SUPA's members are women.

The association's objectives are technical ones, namely to ensure the quality, price and consistency of uniforms in Swaziland. There is also a strong interest in buying fabric in bulk from South Africa thereby reducing the cost of inputs to members.

Although not a general business association, this association is composed of indigenous Swazi businesses, nearly all women, and the industry is one identified by many as one with potential for linkages with big business and for increased sales to the GOS. As such, assistance to this organization would help achieve project objectives and ensure that women entrepreneurs receive benefits from the program.

III Business Association Strengthening Elements

The project aims to strengthen several business organizations that appear to be in the best position to provide leadership and services to Swazi business people that form the target population of the project. Strengthening business associations will have a positive impact on indigenous Swazi businesses, as the associations increase their capacity to provide greater and more varied services to their members.

Given the fluid nature of business associations in Swaziland and the politically-charged nature of the large business/small business relationship, the project must retain flexibility both in the choice of specific business associations to receive assistance and in the determination of the precise assistance that is provided.

The project will provide various types of assistance including

- 1 Organizational advisory services
 - a) Strategic planning
 - b) Developing an action plan
 - c) Membership development
 - d) Improving internal management efficiency/budgeting
- 2 Administrative and managerial personnel support
 - a) Executive Director funding
 - b) Membership/Administrative Assistant funding
- 3 Commodities support
 - a) Office equipment (fax, photocopy computers typewriters, etc)
 - b) Office furnishings
 - c) Office space
- 4 Program strengthening support
 - a) Training courses for members
 - b) Reference materials including legislation trade directories and publications
 - c) Leadership Training (in country)
 - d) Newsletters/Publications/Directories
 - e) Policy studies

General organizational advisory services will be provided early on in the project, to map out a program of assistance that is relevant and appropriate to the associations and to the achievement of project goals. At the present time candidates for this assistance include the Swaziland National Business Council, BWAS Sibakho, Chamber of Commerce/Federation of Employers, the Swaziland Commercial Amadoda, SWASSIA and the School Uniform Producers Association. However, final decisions on assistance to business associations will only be made after the project is underway.

IV Budget

The following project inputs are anticipated

A Organizational Advisory Services

12 months of short-term international technical assistance

B Long Term Personnel Support

6 person years of executive directors for two business associations
7 person years of membership assistant/administrative assistants

C Commodities Support

One complete office set up

4 additional office machines to be programmed after the start of the project
two hard disk computers and printers
two photocopy machines

D Program Strengthening Support

Training Courses for Members

To be budgeted in the Small Business Workshops

Reference Materials

\$2500/yr x 4 years = \$10 000

Leadership Training

10 days/ yr of int 1 ST TA=40 days

Newsletters/Directories

\$5000/yr x 4 years = \$20 000

Policy

8 person months of short term TA

V Timing and Management

The SSGT General Manager will be responsible for this component of the project and will liaise directly with the heads of the various business associations. The Training Coordinator will also have a great deal of contact with the business associations and will develop a detailed training program with each association.

Following the completion of the organizational analysis of each association the action plans will be collated by the General Manager, budgets determined as well as priorities. The master plan will then be presented to the SSGT Board of Directors for final decision. The action plans will be reviewed annually to take into account any changes that have occurred within the organizations, as well as to monitor the success and progress of various initiatives.

The timing of the business association strengthening component is described below

Month	0	Project begins
	2-3	General Manager dialogue with business associations and scheduling of organizational advisory inputs

4-8 Organizational advisory inputs conducted and action plans prepared Training Coordinator input on Training elements of action plans

9 General Manager review of action plan and discussion with business associations preparation of submission to Board of Directors

10 Decision on action plans by SSGT Board of Directors

12 Implementation of action plans begins

30 Review of Action Plans and Revisions

Source Selection
Information See
FAR 3.104

SUMMARY OF COSTS BY FISCAL YEAR

DUNS ELEMENT DESCRIPTION	FISCAL YEAR			TOTAL		PERSON MONTHS
	1997	1998	1999	1997-98	1998-99	
1 TECHNICAL ASSISTANCE	1,383,670	1,071,177	50,344	2,454,811	9,142	1
Job Travel	704,167	19,446	774,613	1,498,226	175	
Short Term	763,969	71,140	0	835,109	745,054	0
Training	141,514	72,605	4,336	218,455	71,142	46
Other (e.g. Post)	5,000	26,250	7,500	38,750	10,000	
Overhead (Pass through)	9,220	484		9,704	16,504	
Construction (RHUDD)	140,000	100,000	93,000	333,000	333,000	
2 RESEARCH EXPENSE	451,308	774,702	766,178	1,982,188	405,700	648
Salaries - Small Business Grant I	18,500	82,700	86,431	187,631	308,799	28
Salaries - Fed. Component	75,250	58,177	775	134,102	270,128	240
Salaries - Small Business Dev. IV	34,250	44,967	47,125	126,342	175,968	180
Salaries Support	119,000	195,676	194,731	509,407	772,895	
Materials & Other	0	0	0	0	21,057	
General Operations II	84,921	91,015	95,742	271,678	371,790	
Miscellaneous Fees III	10,904	9,625	75	20,504	3,179	
Bus. Exp. Strengthening V	24,306	48,916	7,725	80,947	75,377	
Other Subtotal	332,988	188,556	171,877	693,421	873,903	
3 EVALUATION, BUILDING & PROJ. MANAGEMENT	121,180	132,800	60,120	314,100	402,151	77
Short & Long Term IA	102,995	57,787	60,120	220,902	291,061	37
Evaluations		70,413		70,413	160,224	
Budget		5,000		5,000	12,000	
Baseline Survey II	18,275			18,275	18,275	
***** PROJECT TOTAL	1,955,838	1,604,549	1,576,912	5,137,300	6,000,000	878

I includes 7 person months of home office backstopping

II amount of baseline survey supplemented with WDBs and other data as part of the work

WDBS BUDGET

SUMMARY DESCRIPTION	1997	1998	1999	TOTAL
Small Business Administration	5,000			5,000
Baseline Survey	7,000			7,000
TOTAL	12,000			12,000

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ANNEX J 2
 Source Selector
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LINE ITEM	YEAR	YEAR	YEAR	UNIT	PER MONTH
GENERAL MANAGER	70,000	74,000	79,000		
ADMINISTRATIVE ASSISTANT	10,000	10,000	10,000		
PROJECT MANAGER	160,000	168,000	176,000		
ADMINISTRATIVE ASSISTANT	10,000	10,000	10,000		
PROJECT MANAGER	41,738	43,775			
TRINCE @ 25%	49,938	52,434	54,931		
PRENEAR @ 10% of Salaries	20,750	21,978	23,205		
SA @ 4% Long term	3,100	6,200	9,300		
UNST HEALTH FACILITIES	22,800	23,940	25,080		
UTILITIES	1,900	1,900	1,900		
HOUSE MAINTENANCE	6,000	6,300	6,600		
GUARD SERVICES	4,000	4,000	4,000		
TRAVEL @ 100/month	3,000	1,180	1,180		
FURNISHINGS	1,000	1,000	1,000		
B & A @ 14% of salary & benefits	18,000	18,900	19,800		
SUBTOTAL	2,861	73,858	77,375		
TOTAL PER YEAR	93,549	791,580	410,000		
RECURRING	18,000	18,900	19,800		
ONE TIME	2,861	2,861	2,861		
SUBTOTAL	20,861	21,761	22,661		

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US ECONOMIC DEVELOPMENT PROJECT
 - Detail on Budget

LINE ITEM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	DOLLARS	PERIOD MONTHS
TECHNICAL ASSISTANCE CONT.						
TRAINING						
Managerial 30 /yr	14,595	15,400	17,765	19,872	77,632	4
Business Month 1 month / yr @ \$100/day	5,140				5,140	
/ SIC 0 set-head/ Loan off cars & 1 business Loan						
Manager (4 weeks) @ \$100/day fee + Per Diem	19,800				19,800	4
business x 11 5/10 days/year @ \$300/days	3,300	50	7,300	3,480	14,030	20
Subtotal	42,835	15,450	25,065	23,352	106,702	28
LOCAL TRAINING						
Business Month 6 M/year	9,600	11,560	13,560	15,476	50,196	24
Small bus labor/mt / 1 PM/yr 1 2 PM yr 2-4	6,600	10,860	14,520	15,560	47,540	
Management/worker workshops/ 20 M/yr @ \$150/day	7,000	7,150	7,300	7,450	28,900	40
training here	14,500	15,570	15,380	16,480	61,930	
Subtotal	27,700	35,140	45,260	49,516	157,626	64
Training Subtotal	118,919	103,105	108,325	62,868	493,217	46
Fee (5%)	5,946	5,155	5,401	3,143	19,645	
Subtotal	22,595	19,590	20,523	3,188	75,896	
Training Total	141,514	122,695	128,848	66,056	569,113	46
TECHNICAL ASSISTANCE RE-UP -						
TOTAL LONG TERM TECHNICAL ASSISTANCE	704,168	719,946	774,638		2,208,752	135
TOTAL SHORT TERM TECHNICAL ASSISTANCE	363,969	121,142	126,910	133,833	745,854	36
TOTAL TRAINING	41,514	22,695	28,527	70,478	163,214	46
Other direct costs	25,000	25,000	27,500		102,500	
TOTAL TECHNICAL ASSISTANCE	1,134,651	890,783	1,657,575	204,311	4,127,528	177

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LINE ITEM	FISCAL YEAR				TOTALS	MONTHS
	YEAR 1	YEAR 2	YEAR 3	YEAR 4		
STAFF						
Executive Director		44,525	46,525	49,525	140,575	36
Administrative Clerk Typist (Mabane)	30		3,750	7,500	11,250	180
Data Entry Clerk Typist (Manini)		4,000	8,225	7,500	19,725	36
Secretary	6,500	6,825	7,150	7,500	28,075	480
Administrative	6,500	6,825	7,150	7,500	28,075	480
Board Meetings	7,000	7,000	7,000	7,000	28,000	
Subtotal	19,500	102,150	96,475	111,168	709,293	720
OFFICE AND OTHER EQUIPMENT						
Photocopy Machines		17,000			17,000	
by Mabane & Manini		6,000			6,000	
Office and Labors		2,000			2,000	
Computer Stands		1,500			1,500	
10 x Bookshelves		7,500			7,500	
Reception Area Furniture		2,000			2,000	
Board Table and 12 Chairs		4,000			4,000	
1 bulletin board Coffee Pot		300			300	
4 x vehicles		55,000			55,000	
12 x computers		61,000			61,000	
printers & accessories		15,000			15,000	
Job Hire		14,000			14,000	
4 x Typewriters		7,000			7,000	
20 x Desks		11,000			11,000	
28 x Chairs		5,000			5,000	
6 desktop Calculators		1,000			1,000	
Other		6,000			6,000	
Subtotal		222,857	0	0	222,857	
GENERAL OPERATIONS						
General Mabane & Manini	2,000	4,000	7,000	7,000	20,000	36
Utilities	2,000	2,000	2,000	2,000	8,000	36
Vehicle Maintenance	7,000	7,100	7,200	7,300	28,600	36
Telephone	3,000	465	3,500	7,829	14,894	36
Vehicle Insurance	12,000	12,000	12,000	12,000	48,000	36
Rent & Maintenance						
Subtotal	14,000	31,165	35,700	100,529	181,494	36

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Source Selection
Information See
FAR 3.104

FUNCTION	ESTIMATED COSTS				TOTALS	DISH MONTHS
	YR 1	YR 2	YR 3	YR 4		
TRAVEL & TRANSPORTATION						
Travel						
Travel and per diem @ \$500/18	10		11	10	31	
Home leave @ \$4,000		4	4	4	12	
Home leave @ \$4,000	1	1	1	1	4	
Home of the Project Manager 1 trip per year	5	5	5	5	20	
Financial Manager 1 trip per year	5	5	5	5	20	
Per diem						
Financial Manager per diem	1	1	1	1	4	
90 days/yr @ 14 days/yr @ 3	1	1	1	1	4	
Project of per 2 weeks year	1	1	1	1	4	
14 @ 14%	2	2	2	2	8	
Subtotal	20	20	20	20	80	
ADDITIONAL	20	20	20	20	80	
Long Term Technical Assistance Subtotal	704	719	774	0	2,198	135

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US NEWS ELEMENT PROJECTIONS
Detailed Budget

LINE ITEM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	TOTALS	PERSON MONTHS
TECHNICAL ASSISTANCE						
PHOTOGRAPHIC TECHNICAL ASSISTANCE						
rent + program adv serv (5PM)						
Salary (\$60 x 30 days x 3 months)	54 000				54 000	
Per-Diem (\$115 x 30 days x 3 months)	10 200				10 200	
Travel (PT)	5 000				5 000	
Subtotal	69 200				69 200	
Business Dev. Consultancy (16 PM)						
Salaries (\$200 x 20 days x 4 months/year)	16 000	16 000	16 000	16 000	64 000	
Per-Diem (\$115 x 30 days x 4 months/year)	13 800	13 800	13 800	13 800	55 200	
Travel (\$500 per year)	5 000	5 000	5 000	5 000	20 000	
Subtotal	34 800	34 800	34 800	34 800	139 200	1
International Development (6 PM)						
Salaries (\$200 x 20 days x 2 persons x 3 months)	24 000				24 000	
Per-Diem (\$115 x 30 days x 2 persons x 3 months)	20 700				20 700	
Tickets (\$500 x 2 persons x 3 trips)	30 000				30 000	
Subtotal	74 700				74 700	6 0
Policy Studies (9 PM)						
Salaries (\$200 x 20 days x 2 months per year (1-4))	12 000	12 000	12 000	12 000	48 000	
Per-Diem (\$115 x 30 days x 2 months per year (1-4))	6 900	6 900	6 900	6 900	27 600	
Tickets (\$500 per year)	5 000	5 000	5 000	5 000	20 000	
Subtotal	23 900	23 900	23 900	23 900	95 400	8 0
Overall subtotal	151 100	151 100	151 100	151 100	605 600	14 0
Overhead (100% of salaries)	108 000	108 000	108 000	108 000	432 000	
G & A (14% of total)	21 154	21 154	21 154	21 154	84 616	
Contingency (5% of total)	7 555	7 555	7 555	7 555	30 220	
Subtotal	186 709	186 709	186 709	186 709	747 846	
Total	337 809	337 809	337 809	337 809	1381 696	14 0

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Source Selection
Information See
FAR 3.104

	CHR	YEMR	YEMR	R 4	MON 4	MON 4
Business Manager	70	588	21 25			
Business Advisor	10 000	50	11 000	1 500		1
Business Advisor	10 000	500	11 000	1 500	47 000	49
Business Advisor	10 000	10 500	11 000	11 000		
Secretary		75	7 50	84		
Subtotal	75 250	10 617	30 75	24 000	278 000	24
ISOLATION FEES						
Isolation Fees	4 000	100	7 000	7 000	400	
Isolation Development Fees	4 000	100	7 000	7 000	400	
Subtotal	10 904	8,625	8 750	8 900	800	
TOTAL MEDICAL	66 54	66 678	39 725	70 990	277 000	24
SMALL BUSINESS DEVELOPMENT						
FEE						
Business Development Fee	9 000	9 450	9 900	10 340	38 90	48
Business Development Fee	9 000	9 450	9 900	9 900	9 90	70 0
Secretary	500	6 625	7 5	540	28 100	48
Subtotal	74 250	44 963	47 25	49 670	77 000	90 0
Construction (RHOOD)	140 000	100 000	93 000		777 000	
Subtotal	140 000	100 000	93 000		777 000	
TOTAL SMALL BUSINESS DEVELOPMENT	174 250	144 963	140 125	49 670	778 000	90
Construction (RHOOD)	140 000	100 000	93 000		777 000	
TOTAL SMALL BUSINESS DEVELOPMENT	174 250	144 963	140 125	49 670	778 000	90

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Source Selector
 Information See
 FAR 3.104

ITEM	US NECC ELEMENTS				TOTAL	E-5 IN MONTHS
	YEAR 1	YEAR 2	YEAR 3	YEAR 4		
ADMINISTRATIVE						
TRF						
HEALTH & BENEFITS						
Dental Insurance	40,000				40,000	30
Subtotal	40,000				40,000	30
LONG-TERM INT. PFC						
Army Loan Fee	40,000	42,000	44,000	46,400	172,400	40
Subtotal	40,000	42,000	44,000	46,400	172,400	240
GENERAL						
Life Insurance	4,505	4,505	0	5,411	14,421	
JBA @ 4%	1,600	1,600	1,700	1,806	6,706	
Cost Health Activities	50	50	50	50	200	
Utilities	1,500	1,575	1,650	1,740	6,465	
House Maintenance	1,000	1,050	1,100	1,150	4,300	
Guard Services	2,400	2,520	2,640	2,760	10,320	
Storage @ 10 month	500	500	0	500	1,500	
Furnishings	4,500				4,500	
Subtotal	16,505	12,705	3,400	4,999	37,609	
Travel						
Travel to and from Post @ \$25/d	1,250			1,450	2,700	
R & R / Home Leave @ \$5000		2,625	2,750	2,900	8,275	
Shipping of personal effects	5,000			7,000	12,000	
Subtotal	6,250	2,625	2,750	10,350	21,975	
Subtotal PFC Hire	62,905	77,387	40,120	70,649	251,061	
EVALUATIONS & AUDIT						
Evaluation yr 4		7,413		7,411	14,824	
Audit yr 4		5,000		5,000	10,000	
Base Personnel Eval	18,275				18,275	
Subtotal	18,275	12,413		12,411	43,109	
Subtotal	129,385	167,212	40,120	123,809	460,526	

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Source Selection
Information See
FAR 3.104

MALL BUSINESS DEVELOPMENT PROJECT							PERSON MONTHS
Detailed Budget							
LINE	ITEM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	TOTAL	
	Initial Project Costs	1,204,551	990,000	1,057,585	400,000	3,652,136	
	Construction (RHUCO)	140,000	100,000	90,000		330,000	
	Initial AID Administration	121,160	132,800	140,120	168,160	482,240	
	Total Non-AID Project Costs (Non Add)	450,988	774,271	366,498	405,710	1,997,467	
	Per head * 1	121	7485			764	
	TOTAL PROJECT COSTS	1,905,578	1,614,548	1,576,913	962,710	6,060,749	994
	PD&S Budget						
	Small Business Conference					15,000	
	Baseline Survey					27,833	
	Total PD&S					42,833	
	TOTAL PROJECT & PD&S COSTS	1,999,671	1,614,548	1,576,913	962,710	6,103,582	

** Note: Baseline survey costs are supplemented by PD&S funds for a total of \$46,088 allocated to this line item.

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ANNEX K

ILLUSTRATIVE
SBGT IMPLEMENTATION SCHEDULE
(July 25 1991)

SCHEDULED	ACTIVITY	RESPONSIBLE ENTITY
May 01 1991	Advertise for AID Project Manager	PD/PE & EXO
May 30, 1991	Identify Trustees to form Trust	AID/GOS
Jun 13 1991	Select participating commercial bank	AID/SBGT proposed trustees
Jul 08, 1991	Form Swazi Business Growth Trust as legal tax free trust	AID/SBGT proposed trustees
Jul 10, 1991	Sign Memorandum of Understanding with GOS to secure Section 416 funds for credit component and tax free status for Trust	AID/GOS
Jul 19, 1991	Sign Memorandum of Understanding between AID and participating bank	AID/participating commercial bank
Aug 5, 1991	AID Project Manager Arrives	AID/EXO
Aug 15, 1991	AID authorizes project	AID
Aug 15 1991	PIO/T for Cooperative Agreement submitted to RCO	PD/PE
Aug 30, 1991	Sign Cooperative Agreement between AID Swazi Business Growth Trust (SBGT)	AID/SBGT
Aug 30 1991	GOS grants E1,000 000 Section 416 funds to SBGT for Credit Guarantee Program	GOS/SBGT
Aug 30, 1991	PIO/T for RHUDO TA for Construction component	PD/PE
Aug 30, 1991	PIO/T for long term TA submitted to RCO	PD/PE
Aug 30, 1991	PIO/C for computers vehicles and other SBGT equipment completed	PD/PE
Sept 30 1991	BFP issued for long term TA	AID/RCO

SBGT IMPLEMENTATION SCHEDULE
(July 25, 1991)

SCHEDULED	ACTIVITY	RESPONSIBLE ENTITY
Sept 30 1991	Space leased for Mbabane SBGT office for occupation in March 1992	AID/EXO
Sept 30 1991	Procurement initiated for computer packages, typewriters, fax, photocopy and telex machines	AID/MS/OP/COMS/P
Sept 30 1991	Furniture/office equipment procurement initiated (for Mbabane office only)	AID/EXO
Sept 30 1991	Buy in initiated for RHODO TA to implement Construction Component	AID/RHODO
Nov 30 1991	TA initiated to simplify GOS procedures for contracting small works	RHODO
Nov 30 1991	Proposals for long term TA received	AID/RCO
Dec 1, 1991	Vehicle procurement initiated	AID/RCO
Dec 1, 1991	Selection Committee completes review of long term TA proposals	RCO PD/PK, SBGT
Jan 30 1992	Small Swazi construction firms selected for participation in construction component	RHODO
Jan 30, 1992	Small construction company workshops initiated	RHODO
Jan 30 1992	Best and finals received for long term	AID/RCO
Feb 20, 1991	Contract award for long term TA	AID/RCO
Mar 30 1992	Computer packages typewriters fax photocopy, telex machines furniture/office equipment procurement received	
Apr 15 1992	Vehicle delivery	AID/RCO
Apr 30 1992	Long term TA arrives (General Manager and Business Development Advisor)	Contractor
May 15 1992	BDA initiates large business product/services needs survey	Contractor

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SBGT IMPLEMENTATION SCHEDULE
(July 25 1991)

SCHEDULED	ACTIVITY	RESPONSIBLE ENTITY
May 30, 1992	Long term Executive Officer hired	Contractor
Jun 30 1992	Short term business organization strategic planning advisors arrive	Contractor
Jun 30 1992	Business Advisory Council established	Contractor/SBGT
Jul 30 1992	LOP and 1st year workplans completed	Contractor
Jul 30 1992	SBGT operational accounting, and personnel management procedures established and recorded (except for credit program)	Contractor
Jul 30, 1992	BDA initiates Small Business Product/Service Directory	Contractor
Jul 30, 1992	All first year SBGT staff hired except for small Business Advisors	Contractor
Jul 30, 1992	Short term credit advisor arrives	Contractor
Aug 30, 1992	Business organizations selected for SBGT assistance	SBGT Board
Aug 30 1992	Agreement negotiated with commercial bank as to its role in managing the credit guarantee funds	SBGT/AID
Sept 30, 1992	Small business directory published which identifies small business products and services	Contractor
Sept 30, 1992	Direct Management Assistance Program launched	Contractor
Sept 30, 1992	Computerized project monitoring and evaluation system established	Contractor
Sept 30 1992	Credit program procedures/manuals completed	Contractor
Sept 30 1992	2 Small Business Advisors hired	Contractor

SBGT IMPLEMENTATION SCHEDULE
(July 25 1991)

SCHEDULED	ACTIVITY	RESPONSIBLE ENTITY
Sept 30 1992	Business Association SBGT assistance initiated	Contractor
Sept 30, 1992	Progress Report	Contractor/SBGT
Sept 30, 1992	LOP and yearly workplan revised	Contractor/SBGT
Oct 30, 1992	PIO for office equipment for Manzini Office completed	AID/PD/PE
Nov 15 1992	Procurement of office equipment for Manzini Office initiated	AID/EXO
Nov 30 1992	Training plan developed with business organizations complete	Contractor/DBDA/TC
Nov 30, 1992	Small Business Advisors training completed	Contractor
Nov 30, 1992	Credit program launched	Contractor
Dec 15 1992	Business management improvement workshops launched	Contractor
Jan 3, 1993	Deputy General Manager hired	Contractor
Jan 15, 1993	Board and key SBGT staff trained in fund raising	Contractor
Jan 30, 1993	Small business operational training initiated	Contractor
Jan 30, 1993	SBGT produces fund raising plan	SBGT/Contractor
Mar 31 1993	Progress Report	Contractor/SBGT
May 1 1993	Manzini SBGT office space leased and furnished	AID EXO
May 15 1993	Manzini bound Data Entry Clerk hired and training initiated by Mbabane Data Entry Clerk	Contractor

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SBGT IMPLEMENTATION SCHEDULE
(July 25, 1991)

SCHEDULED	ACTIVITY	RESPONSIBLE ENTITY
May 15 1993	Manzini bound secretary hired and trained	Contractor
May 29 1993	1 Small Business Advisor hired and trained 1 Small Business Facilitator hired and trained	Contractor
May 29, 1993	Manzini SBGT Office opens for business	Contractor
Jul 31 1993	AID GOS SBGT review of sufficiency of funds available for credit guarantee	AID/GOS/SBGT
Sept 30, 1993	Progress Report	Contractor/SBGT
Sept 30 1993	LOP and yearly workplans updated	Contractor/SBGT
Jan 01 1994	Mid term project evaluation	IQC
Mar 01 1994	1 Small Business Facilitator hired and trained	Contractor
Mar 31, 1994	Progress Report	Contractor/SBGT
Sept 30, 1994	Progress Report	Contractor/SBGT
Sept 30 1994	LOP and annual workplan update (Annual plan for Sept 30, 1994 through Dec 31, 1995)	Contractor/SBGT
Jan 2 1995	Long term TA contract ends	
Mar 31, 1995	Progress Report	SBGT
Sep 30, 1995	Progress Report	SBGT
sep 30, 1995	Final Project evaluation completed	IQC
Dec 31 1995	Project Assistance Completion Date	
Jan 30 1996	Final Project Report	USAID/PD/PE

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ANNEX L

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TA3S

SUBJECT SWAZI BUSINESS DEVELOPMENT PROJECT (S45-0235)
PID GUIDANCE CABLE

REF STATE 223334

1 SUMMARY THE ECPR MET ON 6 JULY 1993 TO REVIEW THE SUBJECT PROPOSAL DEPUTY ASSISTANT ADMINISTRATOR FOR AFRICA E L. SAIBERS CHAIRED THE ECPR, WITH ATTENDANCE BY REPRESENTATIVES FROM AFR/PD, AFR/SA, AFR/MDI, PPC/#ID, PRE/SMIE, PRE/H, RHUDO/ESA AND GC/AF^P MISSION DIRECTOR ROGER CARLSON REPRESENTED THE MISSION THE ECPR COMPLIMENTED THE MISSION ON AN OUTSTANDING PID THE PROBLEM WAS CLEARLY DEFINED, THE CONSTRAINTS HINDERING SMALL BUSINESS GROWTH WERE IDENTIFIED, AND, THE INTERVENTIONS TO ALLEVIATE THE CONSTRAINTS WERE CLEARLY DELINEATED. THE PROJECT IS CAREFULLY CRAFTED AND WELL FOCUSED. THE ECPR APPROVED THE PID AND THE MISSION SHOULD PROCEED TO DEVELOP THE PROJECT PAPER AND AUTHORIZE THE PROJECT UNDER ITS DOA 551 AUTHORITY. END SUMMARY

MSG NO	Act on	is
DIR		✓
DD		✓
PPD	✓	
PEO		✓
FM		
HPN		
HR/GDO		
RLA		
RCO		
EXO		
CHRON		✓
RF		✓
Reply Due	8/03	
Action Taken		
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File Loc.		

2 A DISCUSSION OF ISSUES AND CONCERNS RAISED AT THE ECPR AND THE RESULTING GUIDANCE FOR PREPARATION OF THE PROJECT PAPER FOLLOW:

(A) A.I.D.'S EXPERIENCE WORLD-WIDE TO ASSIST SMALL AND MEDIUM ENTERPRISE INDICATES THAT THE ABILITY OF THIS TYPE OF PROJECT TO QUOTE GRADUATE UNQUOTE SMALL ENTERPRISES (I.E., TO AFFECT THEIR GROWTH AND MOVE THEM FROM SMALL TO MEDIUM SIZE BUSINESSES) IS QUESTIONABLE THE MISSION MAY HAVE UNDERESTIMATED THE DIFFICULTY OF IMPROVING SMALL BUSINESSES IN SWAZILAND THE PROJECT TARGETS IN TERMS OF NUMBERS OF FIRMS TO BE AFFECTED MAY BE OVERLY AMBITIOUS

ACTION REQUESTED DURING THE ANALYSIS OF THE TARGET GROUP TO BE CONDUCTED DURING THE PP DESIGN, THE TARGET OF INCREASING THE NUMBER OF SMALL BUSINESSES BY 20 PERCENT SHOULD BE RE-EXAMINED THIS ANALYSIS SHOULD BE DONE ON A SUB-SECTOR BASIS, SIMILAR TO THE ANALYSIS OF

THE CONSTRUCTION INDUSTRY AS THE MISSION REPRESENTATIVE POINTED OUT DURING THE REVIEW, AN OVER TARGETTING OF RESOURCES/SERVICES WILL BE REQUIRED

(B) WORLD-WIDE, A I D LACKS SOUND DATA ON EFFECTIVE MECHANISMS FOR ASSISTING SMALL BUSINESS. THIS PROJECT WILL SERVE AS AN IMPORTANT LEARNING EXPERIENCE FOR AFRICA IN A SUB-SECTOR WHICH HAS ATTRACTED A GREAT DEAL OF INTEREST BUT IN WHICH A I D HAS NOT BEEN ABLE TO DEMONSTRATE MUCH SUCCESS. CAREFUL EVALUATION OF PROJECT ACTIVITIES, PARTICULARLY IF PRECEDED BY ESTABLISHMENT OF A GOOD DATA BASE, WILL PROVIDE VALUABLE LESSONS FOR A.I.D

ACTION REQUESTED: THE ECPR DETERMINED THAT COMPREHENSIVE AND QUANTIFIED MONITORING AND EVALUATION MUST BE AN INTEGRAL PART OF THE PROJECT. THE PP SHOULD CONTAIN, (I) AN EVALUATION PLAN WHICH INTEGRATES BASE LINE DATA COLLECTION, REGULAR, QUANTIFIED MONITORING OF PROJECT ACTIVITIES AND TARGET ACHIEVEMENTS, AS WELL AS CONDUCTING ROLLING EVALUATIONS OF IMPACT, (II) DETAILS OF HOW THE BASELINE SURVEYS WILL BE CONDUCTED, AND (III) A SEPARATE BUDGET FOR AUDIT AND A SEPARATE, ITEMIZED BUDGET FOR EVALUATION. THE EVALUATION BUDGET SHOULD BE RE-EXAMINED TO ENSURE THAT IT IS ADEQUATE. MR. SAIBERS ASKED THAT FRED O'REGAN OF MDI PARTICIPATE IN THE OVERALL PP DESIGN TO ADDRESS THE GRADUATION ISSUE AND TO DESIGN THE EVALUATION PORTION. MDI AGREED TO

PROVIDE MR. O'REGAN'S SERVICES.

(C) THE PLAN TO ESTABLISH A NEW ORGANIZATION TO IMPLEMENT THE PROJECT SHOULD BE THOROUGHLY EXAMINED DURING THE PREPARATION OF THE PROJECT PAPER. A NUMBER OF QUESTIONS NEED TO BE ANSWERED DURING PP DESIGN.

(I) LEGAL/CONTRACTUAL: GC/AFR WAS CONCERNED THAT THE LEGAL AND CONTRACTING CONSIDERATIONS OF A I.D.'S PROVIDING FUNDS TO SWABCCO BE REVIEWED BY THE RLA AND RCO AT AN EARLY POINT. CAN SWABCCO BE DEEMED GRANT-WORTHY TO ENABLE A.I.D. TO PROVIDE FUNDS DIRECTLY THROUGH A GRANT OR COOPERATIVE AGREEMENT? UNDER THE INTERPRETATION OF SECTION 537 OF THE FOREIGN ASSISTANCE APPROPRIATIONS ACT, A.I.D. FUNDS MAY BE PROVIDED TO A PRIVATE VOLUNTARY ORGANIZATION UNDER A GRANT OR COOPERATIVE AGREEMENT DIRECTLY FROM A.I.D. (AS CONTRASTED WITH ONE FROM THE GOS) ONLY IF THE PVO IS REGISTERED WITH A.I.D. THE WAY SWABCCO'S CHARTER DEFINES ITS PURPOSE AND AUTHORIZES IT TO SOLICIT AND RECEIVE FUNDS, AS WELL AS THE WAY IT ACTUALLY DOES SO, ARE THE CHARACTERISTICS MOST LIKELY TO AFFECT WHETHER IT IS DEEMED TO BE A PVO. WHETHER OR NOT SWABCCO IS A PVO

BT
#5394

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ONLY AFFECTS A DECISION TO FORMALLY REGISTER SWABCCO
 IF DEEMED GRANT WORTHY, ANY ORGANIZATION CAN RECEIVE A
 GRANT DIRECTLY FROM A I.D. ANOTHER AREA OF CONCERN IS
 THE DEGREE OF A.I.D. INVOLVEMENT IN SWABCCO. WILL
 A I.D. FUND THE COSTS OF ORGANIZING SWABCCO, AND WILL
 A I.D. SELECT THE ORGANIZERS AND/OR OFFICIALS? HOW WILL
 THIS BE DONE, I.E., THROUGH ISSUANCE OF AN RFP
 SOLICITING VARIOUS PROPOSALS TO FORM SWABCCO?

(II) TRAINING THE POSSIBILITY OF SEPARATING THE
 TRAINING FUNCTION FROM THE ASSISTANCE TO SMALL BUSINESS
 ORGANIZATIONS WAS DISCUSSED. THE TRAINING THAT SWABCCO
 WILL BE DOING APPEARS TO BE IN DIRECT COMPETITION WITH
 ACTIVITIES CARRIED OUT BY THE SAME INSTITUTIONS. SWABCCO
 PROPOSES TO ASSIST. EXPERIENCE ELSEWHERE HAS
 DEMONSTRATED THAT PROVIDING TRAINING TO SMALL BUSINESS
 AND SIMULTANEOUSLY ATTEMPTING TO STRENGTHEN THE
 ORGANIZATIONS ASSISTING SMALL BUSINESS CREATES
 DIFFICULTIES IF THE PROCESS IS NOT CAREFULLY INTEGRATED

(III) GOVERNMENT INVOLVEMENT IN THE PROJECT. THE
 MISSION REPRESENTATIVE EMPHASIZED THAT THE REASON FOR
 THE FAILURE OF SIMILAR ORGANIZATIONS ATTEMPTING TO

ASSIST SMALL ENTERPRISE IN SWAZILAND HAS BEEN HEAVY
 GOVERNMENT INVOLVEMENT. IN THE CASE OF SEDCO.
 GOVERNMENT NEPOTISM AND LOAN DECISIONS BASED ON
 POLITICAL, RATHER THAN PROFIT-MAKING CONSIDERATIONS,
 HAVE BEEN CENTRAL TO CREATING A MORIBUND ORGANIZATION.
 MISSION DIRECTOR CARLSON STATED SEVERAL TIMES DURING HIS
 PRESENTATION THAT THE SWAZI PRIVATE SECTOR IS
 DISTRUSTFUL OF ANY GOVERNMENT ENTITY. THIS DISTRUST AND
 THE TRACK RECORD OF FAILURE OF PREVIOUS GOVERNMENT
 EFFORTS TO ASSIST SMALL BUSINESS SHOULD ARGUE FOR ONLY
 PRIVATE SECTOR INVOLVEMENT IN THE FINANCING AND
 IMPLEMENTATION OF THIS PROJECT. THE PRIVATE SECTOR
 INSTITUTION MUST BE EMPOWERED AND FREE OF GOVERNMENT
 CONTROL IF IT'S TO BECOME SELF-SUSTAINING. MOREOVER,
 ONE COULD LOOK AT THIS WHOLE PROJECT AS AN ATTEMPT TO
 EMPOWER THE PRIVATE SECTOR TO DO FOR ITSELF. IN THIS
 LIGHT, ANY INVOLVEMENT OF THE GOVERNMENT IN THE PROJECT
 SHOULD BE MINIMIZED OR ELIMINATED. THE MISSION SHOULD
 ALSO BE AWARE THAT IF IT WERE TO OBLIGATE WITH THE GOS,
 THE GRANT AGREEMENT WOULD HAVE TO PROVIDE SOME ROLE FOR
 THE GOS IN THE PROJECT REGARDLESS OF THE PRIVATE SECTOR
 INSTITUTION SELECTED TO IMPLEMENT THE PROJECT. WE
 ENCOURAGE THE MISSION NOT TO INVOLVE THE GOVERNMENT IN
 EITHER THE GRANT AGREEMENT OR AS PART OF THE BOARD OF
 DIRECTORS. HOWEVER, THIS DOES NOT MEAN THAT THE MISSION
 OR THE IMPLEMENTING ENTITY SHOULD FOREGO COLLABORATION
 WITH THE GOVERNMENT ESPECIALLY AS REGARDS THE POLICY
 CHANGES NECESSARY TO ACCELERATE SMALL ENTERPRISE
 DEVELOPMENT. IN FACT, EMPOWERING THE PRIVATE SECTOR TO
 ENGAGE THE GOVERNMENT IN POLICY DIALOGUE SHOULD BE AN
 INTEGRAL PART OF THIS EFFORT.

ACTIONS REQUESTED. THE EXACT ROLE OF SWABCCO, THE

ENTITY WITH WHICH THE MISSION PLANS TO IMPLEMENT THE PROJECT, SHOULD BE CLARIFIED DURING PP DESIGN. THE DIFFICULTIES OF ESTABLISHING A NEW ORGANIZATION, THE PP SHOULD RE-EXAMINE THE ALTERNATIVES OF STRENGTHENING AN EXISTING ORGANIZATION TO PERFORM THE FUNCTIONS, AND/OR RECOGNIZING UP FRONT THAT SWABCCO WILL BE PERMANENT. THE MISSION SHOULD RECONSIDER THE PURPOSE OF SWABCCO, THE POSSIBILITY OF INTEGRATING ITS TRAINING PROGRAM WITH THE PROGRAM FOR INSTITUTIONAL STRENGTHENING, ITS LEGAL CONSTITUTION, THE LEAD TIME NEEDED TO MAKE IT EFFECTIVE, AND ITS ORGANIZATIONAL RELATIONSHIPS WITH SIMILAR ENTITIES. THE REGIONAL LEGAL AND CONTRACTING ADVISORS SHOULD BE INVOLVED EARLY IN THE

PP DESIGN TO CONSIDER ALL THE LEGAL AND CONTRACTING IMPLICATIONS OF USING SWABCCO TO IMPLEMENT THE PROJECT IF A.I.D. WILL BE REPRESENTED EX OFFICIO ON SWABCCO'S BOARD OF DIRECTORS, THE PP SHOULD EXPLAIN WHY THIS IS NECESSARY, RATHER THAN MONITORING A I.D.'S ASSISTANCE FROM THE TRADITIONAL ARMS LENGTH PERSPECTIVE. THE PP SHOULD EXAMINE WHETHER THIS CAN BE DONE SO AS TO MINIMIZE AND/OR ELIMINATE POTENTIAL A.I.D. LIABILITY. AT A MINIMUM, GC/AFR STRONGLY RECOMMENDS THAT A I.D.'S ROLE BE NONVOTING. FINALLY, THE EMPHASIS AND RESPONSIBILITY FOR THIS PROJECT SHOULD REST IN THE PRIVATE SECTOR. GOVERNMENT SHOULD NOT BE INVOLVED IN PROJECT OPERATIONS

(D) PPC/WID COMMENDS THE MISSION FOR ADDRESSING GENDER ISSUES IN THE SUBJECT PID. DURING THE PP DESIGN, GENDER-DIFFERENTIATED CONSTRAINTS AND OPPORTUNITIES FOR ENTREPRENEURSHIP AND SMALL BUSINESS DEVELOPMENT NEED TO BE EXPLORED IN MORE DEPTH AND CAREFULLY MONITORED DURING PROJECT IMPLEMENTATION.

ACTION REQUESTED ENSURE THAT THE SCOPE OF WORK OF THE PRELIMINARY SURVEY, BASELINE WORK, AND SUBSEQUENT MONITORING INCLUDE RELEVANT GENDER ISSUES TO CLEARLY IDENTIFY THE CHARACTERISTICS AND CONSTRAINTS OF THE

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URGENT POPULATION IN ADDRESSING THE STATUS OF MICRO AND SMALL BUSINESSES IN SOUTHWEST A BUY-IN TO THE AID/1 BASED GEMINI PROJECT SHOULD SPECIFICALLY THIS ASSISTANCE ALTHOUGH THE PID STATES THAT THE NEEDS OF WOMEN ENTREPRENEURS WILL BE ADDRESSED BY THIS PROJECT, THIS SUBJECT ALSO NEEDS TO BE BUILT INTO THE EOPS INDICATORS

3 THE BUREAU AGREES THAT THE PROPOSED ACTIVITY MEETS THE CRITERIA FOR A CATEGORICAL EXCLUSION FROM FURTHER ENVIRONMENTAL REVIEW ANNEX 3 OF THE PID IS APPROVED AS WRITTEN.

4 SUBJECT TO THE GUIDANCE CONTAINED HEREIN, MISSION AUTHORITY TO APPROVE THE PP AND AUTHORIZE THE PROJECT PER DOA 551 IS HEREBY CONFIRMED PLEASE SEND AFP/PD A COPY OF THE PP AND THE AUTHORIZATION UPON COMPLETION AGAIN, THANKS FOR A WELL-DONE PID IT WAS A PLEASURE TO REVIEW. EAGLEBURGER

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ACTION

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 RUEHMB/AMEMBASSY MBABANE 2810

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ANNEX 11

AIDAC

E.O. 12355 N/A

TAGS

SUBJECT IEE FOR PRIVATE ENTERPRISE DEVELOPMENT PROJECT (633-2253)

REF GABORONE 26156

1. BUREAU ENVIRONMENTAL OFFICER HAS REVIEWED REVISED IEE AND APPROVES CATEGORICAL EXCLUSION BASED ON PROJECT DESCRIPTION IN REFTEL. WOULD SUGGEST THAT REGIONAL ENVIRONMENTAL ADVISOR AND BEO BE COPIED WITH ANY ENVIRONMENTAL GUIDELINES AND CRITERIA AS THEY ARE DEVELOPED, ALSO SUGGEST THAT PEO BE CALLED UPON TO HELP PROVIDE ASSISTANCE IN DEVELOPING GUIDELINES AND SCOPES OF WORK FOR VIABILITY STUDIES

2 THIS CABLE HAS BEEN CLEARED BY AFR/GC. BARTHOLOMEW

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	Action	In e
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Reply Due	01/10	
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5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to the eligibility of countries to receive the following categories of assistance (A) both Development Assistance and Economic Support Funds, (B) Development Assistance Funds only, or (C) Economic Support Funds only

A COUNTRY ELIGIBILITY CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND ASSISTANCE

1 Narcotics

a Negative certification (FY 1991 Appropriations Act Sec 559(b)) Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

No

b Positive certification (FAA Sec 481(h)) (This provision applies to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, narcotics education and awareness, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct

N/A

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source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government)

(1) does the country have in place a bilateral narcotics agreement with the United States, or a multilateral narcotics agreement? N/A

(2) has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without Congressional enactment, within 45 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals agreed to in a bilateral narcotics agreement with the United States or in a multilateral agreement, to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, to prevent and punish drug profit laundering in the country, and to prevent and punish bribery and other forms of public corruption which facilitate production or shipment of illicit drugs or discourage prosecution of such acts, or that (b) the vital national interests of the United States require the provision of such assistance? N/A

c Government Policy (1986 Anti-Drug Abuse Act of 1986 Sec 2013(b))
(This section applies to the same categories of assistance subject to the restrictions in FAA Sec 481(h), above)
If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec 481(h)), has the President submitted a report to Congress N/A

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listing such country as one (a) which, as a matter of government policy, encourages or facilitates the production or distribution of illicit drugs, (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs, (c) in which any member of a U S Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer, or (d) which fails to provide reasonable cooperation to lawful activities of U S drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U S national interests and the drug control and criminal prosecution efforts of that country?

2 **Indebtedness to U.S citizens** (FAA Sec 620(c) If assistance is to a government, is the government indebted to any U S citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity?

N/A

3 **Seizure of U.S. Property** (FAA Sec. 620(e)(1)) If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U S citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

N/A

4 **Communist countries** (FAA Secs 620(a), 620(f), 620D, FY 1991 Appropriations Act Secs 512, 545) Is recipient country a Communist country? If so, has the President (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by

No

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the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, Iran or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan?

5 **Mob Action** (FAA Sec 620(j))
Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U S property? No

6 **OPIC Investment Guaranty** (FAA Sec 620(l)) Has the country failed to enter into an investment guaranty agreement with OPIC? No

7 **Seizure of U.S. Fishing Vessels** (FAA Sec 620(o), Fishermen's Protective Act of 1967 (as amended) Sec 5) (a) Has the country seized, or imposed any penalty or sanction against, any U S fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made? No

8 **Loan Default** (FAA Sec 620(q), FY 1991 Appropriations Act Sec 518 (Brooke Amendment)). (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U S loan under a program for which the FY 1990 Appropriations Act appropriates funds? No

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9 **Military Equipment** (FAA Sec 620(s)) If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo "Yes, taken into account by the Administrator at time of approval of Agency OYB " This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur)

N/A

10 **Diplomatic Relations with U.S** (FAA Sec 620(t)) Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

No

11 **U.N Obligations** (FAA Sec 620(u)) What is the payment status of the country's U N obligations? If the country is in arrears, were such arrearages taken into account by the A I D Administrator in determining the current A I D Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo)

Swaziland's UN obligations are fully paid or funds have been appropriated and budgeted for payment of such obligations

12 **International Terrorism**

a **Sanctuary and support** (FY 1991 Appropriations Act Sec 556, FAA Sec 620A). Has the country been determined by the President to (a) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons?

No

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b **Airport Security** (ISDCA of 1985 Sec 552(b) Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures? No

13 **Discrimination** (FAA Sec 666(b)) Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U S who is present in such country to carry out economic development programs under the FAA? No

14 **Nuclear Technology** (FAA Secs 669, 670) Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? (FAA Sec 620E permits a special waiver of Sec 669 for Pakistan) No

15 **Algiers Meeting** (ISDCA of 1981, Sec 720) Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo) N/A

16 **Military Coup** (FY 1991 Appropriations Act Sec. 513) Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance? No

17 **Refugee Cooperation** (FY 1991 Appropriations Act Sec 539) Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin? Yes

18 **Exploitation of Children** (FY 1991 Appropriations Act Sec 599D, amending FAA Sec 116) Does the recipient government fail to take appropriate and adequate measures, within its means, to protect children from exploitation, abuse or forced conscription into military or paramilitary services? No

B COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO DEVELOPMENT ASSISTANCE ("DA")

1 **Human Rights Violations** (FAA Sec 116) Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy? No

2. **Abortions** (FY 1991 Appropriations Act Sec 535) Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary No

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sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

5C(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE IS COUNTRY CHECKLIST UP TO D-TI?

A CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1 Host Country Development Efforts
(FAA Sec 601(a)) Information and conclusions on whether assistance will encourage efforts of the country to (a) increase the flow of international trade, (b) foster private initiative and competition, (c) encourage development and use of cooperatives, credit unions, and savings and loan associations, (d) discourage monopolistic practices, (e) improve technical efficiency of industry, agriculture, and commerce, and (f) strengthen free labor unions

The project will support development of the Swazi-owned business sector by increasing businesspeople's access to commercial credit, improving business skills and practices, and creating opportunities for links with large businesses and government. The project will, therefore, directly address (b), (d) and (e).

2 U.S. Private Trade and Investment
(FAA Sec 601(b)) Information and conclusions on how assistance will encourage U S private trade and investment abroad and encourage private U S participation in foreign assistance programs (including use of private trade channels and the services of U S private enterprise)

Growth of Swazi businesses may present opportunities for joint ventures with U S firms. The technical assistance contract will be with a U S firm.

3 Congressional Notification

a General requirement (FY 1991 Appropriations Act Secs 523 and 591, FAA Sec 634A) If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the notification requirement has been waived because of substantial risk to human health or welfare)?

N/A

b Notice of new account obligation (FY 1991 Appropriations Act Sec 514) If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

N/A

c Cash transfers and nonproject sector assistance (FY 1991 Appropriations Act Sec 575(b)(3)) If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U S interests to be served and a description of any economic pool policy reforms to be promoted?

N/A

4 Engineering and Financial Plans (FAA Sec 611(a)) Prior to an obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance, and (b) a reasonably firm estimate of the cost to the U S of the assistance?

Yes

5 Legislative Action (FAA Sec 611(a)(2)) If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action

No legislative action required by recipient country

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will be completed in time to permit orderly accomplishment of the purpose of the assistance?

6 **Water Resources** (FAA Sec 611(b), FY 1991 Appropriations Act Sec 501) If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U S C 1962, et seq)? (See A I D Handbook 3 for guidelines)

N/A

7 **Cash Transfer and Sector Assistance** (FY 1991 Appropriations Act Sec 575(b)) Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

N/A

8 **Capital Assistance** (FAA Sec 611(e)) If project is capital assistance (e.g., construction), and total U S assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

N/A

9 **Multiple Country Objectives** (FAA Sec 601(a)) Information and conclusions on whether projects will encourage efforts of the country to (a) increase the flow of international trade, (b) foster private initiative and competition, (c) encourage development and use of cooperatives, credit unions, and savings and loan associations, (d) discourage monopolistic practices, (e) improve technical efficiency of industry, agriculture and commerce, and (f) strengthen free labor unions

Same as (1) above

10 U S. Private Trade (FAA Sec 601(b)) Information and conclusions on how project will encourage U S private trade and investment abroad and encourage private U S participation in foreign assistance programs (including use of private trade channels and the services of U S private enterprise)

Same as (2) above

11 Local Currencies

a Recipient Contributions (FAA Secs 612(b), 636(h)) Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U S are utilized in lieu of dollars

The GOS will contribute \$1 million previously generated by the sale of U S wheat under the Section 416 program

b U S -Owned Currency (FAA Sec 612(d)) Does the U S own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No

c Separate Account (FY 1991 Appropriations Act Sec 575) If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies

(1) Has A I D (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A I D and that government to monitor and account for deposits into and disbursements from the separate account?

N/A

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(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government? N/A

(3) Has A I D taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes? N/A

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government? N/A

12 Trade Restrictions

a **Surplus Commodities (FY 1991 Appropriations Act Sec 521(a))** If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U S producers of the same, similar or competing commodity? N/A

b **Textiles (Lautenberg Amendment) (FY 1991 Appropriations Act Sec 521(c))** Will the assistance (except for programs in Caribbean Basin Initiative countries under U S Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U S -made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U S exports, of No

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textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

13 **Tropical Forests** (FY 1991 Appropriations Act Sec 533(c)(3)) Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas? No

14 **PVO Assistance**

a **Auditing and registration** (FY 1991 Appropriations Act Sec. 537) If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A I D , and is the PVO registered with A I D ? N/A

b **Funding sources** (FY 1991 Appropriations Act, Title II, under heading "Private and Voluntary Organizations") If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? N/A

15 **Project Agreement Documentation** (State Authorization Sec 139 (as interpreted by conference report)) Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A I D LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision) All reporting requirements will be met upon the signing of the project Cooperative Agreement

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16 **Metric System** (Omnibus Trade and Competitiveness Act of 1988 Sec 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec 2, and as implemented through A I D policy) Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A I D specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

N/A, No quantifiable measurements needed for procurement

17 **Women in Development** (FY 1991 Appropriations Act, Title II, under heading "Women in Development") Will assistance be designed so that the percentage of women participants will be demonstrably increased?

Yes, Women are expected to benefit substantially from the credit and training components of the project

18 **Regional and Multilateral Assistance** (FAA Sec 209) Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs

No Strengthening Swazi enterprise may foster better trade relations between SADCC countries

19 **Abortions** (FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec 525)

a Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? No

b Will any funds be used to lobby for abortion? No

20 **Cooperatives** (FAA Sec 111) Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life? No

21 **U.S -Owned Foreign Currencies**

a **Use of currencies** (FAA Secs 612(b), 636(h), FY 1991 Appropriations Act Secs 507, 509) Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U S are utilized in lieu of dollars to meet the cost of contractual and other services N/A

b **Release of currencies** (FAA Sec 612(d)) Does the U S own excess foreign currency of the country and, if so, what arrangements have been made for its release? No

22 **Procurement**

a **Small business** (FAA Sec 602(a)) Are there arrangements to permit U S small business to participate equitably in the furnishing of commodities and services financed? Yes

b **U.S procurement** (FAA Sec 604(a)) Will all procurement be from the U S except as otherwise determined by the President or determined under delegation from him? Yes

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c **Marine insurance** (FAA Sec 604(d)) If the cooperating country discriminates against marine insurance companies authorized to do business in the U S , will commodities be insured in the United States against marine risk with such a company? N/A

d **Non-U.S agricultural procurement** (FAA Sec 604(e)) If non-U S procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U S) N/A

e **Construction or engineering services** (FAA Sec 604(g)) Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries) N/A

f **Cargo preference shipping** (FAA Sec 603)) Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U S flag commercial vessels to the extent such vessels are available at fair and reasonable rates? No

g **Technical assistance** (FAA Sec 621(a)) If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the Yes

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facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

h U S air carriers

(International Air Transportation Fair Competitive Practices Act, 1974) If air transportation of persons or property is financed on grant basis, will U S carriers be used to the extent such service is available?

Yes

1 Termination for convenience of U.S Government (FY 1991 Appropriations Act Sec 504) If the U S Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

Yes

] Consulting services

(FY 1991 Appropriations Act Sec 524) If assistance is for consulting service through procurement contract pursuant to 5 U S C 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

N/A

k Metric conversion

(Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec 2, and as implemented through A I D policy) Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A I D specifications use metric units of measure from the earliest programmatic stages, and from the earliest

Same as (16) above

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documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

1 **Competitive Selection Procedures** (FAA Sec 601(e)) Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes

23 **Construction**

a **Capital project** (FAA Sec 601(d)) If capital (e.g., construction) project, will U S engineering and professional services be used? N/A

b **Construction contract** (FAA Sec 611(c)) If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? N/A

c **Large projects, Congressional approval** (FAA Sec 620(k)) If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U S not exceed \$100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress? N/A

24 **U.S Audit Rights** (FAA Sec 301(d)) If fund is established solely by U S contributions and administered by an international organization, does Comptroller General have audit rights? N/A

25 **Communist Assistance** (FAA Sec 620(h)) Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Yes

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26 **Narcotics**

a **Cash reimbursements** (FAA Sec 483) Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? Yes

b **Assistance to narcotics traffickers** (FAA Sec 487) Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances), or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance? Yes

27 **Expropriation and Land Reform** (FAA Sec 620(g)) Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? Yes

28 **Police and Prisons** (FAA Sec 660) Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes

29 **CIA Activities** (FAA Sec 662) Will assistance preclude use of financing for CIA activities? Yes

30 **Motor Vehicles** (FAA Sec. 636(1)) Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U S , unless a waiver is obtained? Yes

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- 31 **Military Personnel** (FY 1991 Appropriations Act Sec 503) Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? Yes
- 32 **Payment of U N Assessments** (FY 1991 Appropriations Act Sec 505) Will assistance preclude use of financing to pay U N assessments, arrearages or dues? Yes
- 33 **Multilateral Organization Lending** (FY 1991 Appropriations Act Sec 506) Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? Yes
- 34 **Export of Nuclear Resources** (FY 1991 Appropriations Act Sec 510) Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology? Yes
- 35 **Repression of Population** (FY 1991 Appropriations Act Sec 511) Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? Yes
- 36 **Publicity or Propoganda** (FY 1991 Appropriations Act Sec 516) Will assistance be used for publicity or propoganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propoganda purposes not authorized by Congress? No

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37 **Marine Insurance** (FY 1991 Appropriations Act Sec 563) Will any A I D contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U S marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate? Yes

38 **Exchange for Prohibited Act** (FY 1991 Appropriations Act Sec 569) Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law? No

B CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY

1 **Agricultural Exports (Bumpers Amendment)** (FY 1991 Appropriations Act Sec 521(b), as interpreted by conference report for original enactment) If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U S exporters of a similar agricultural commodity, or (2) in support of research that is intended primarily to benefit U S producers? N/A

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2 **Tied Aid Credits** (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund") Will DA funds be used for tied aid credits?

N/A

3 **Appropriate Technology** (FAA Sec 107) Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

Small businesses will receive technical guidance in production technology which will emphasize cost-effective methods

4 **Indigenous Needs and Resources** (FAA Sec 281(b)) Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country, utilizes the country's intellectual resources to encourage institutional development, and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government

Project will develop local institution to provide sustainable training, technical assistance and credit to small and micro businesses

5 **Economic Development** (FAA Sec 101(a)) Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Same as (4) above

6 **Special Development Emphases** (FAA Secs 102(b), 113, 281(a)) Describe extent to which activity will (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U S institutions, (b) encourage democratic private and local governmental institutions, (c) support the self-help efforts of developing countries, (d) promote the participation of women in the national economies of developing countries

(a) Project will develop a local institution to provide services and credit to small Swazi businesses which is expected to broaden participation of Swazi citizens in business in Swaziland

(b & c) Project will strengthen business associations to enable them to provide services to their members and engage in policy dialogue with Government on issues related to small business growth

(d) Project will provide credit, technical assistance and training to women entrepreneurs

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and the improvement of women's status, and (e) utilize and encourage regional cooperation by developing countries

(e) Project will provide technical assistance and resources to National Advisor Council, an umbrella business organization which is expected to affiliate with other Southern African country business organizations

7 Recipient Country Contribution (FAA Secs 110, 124(d)) Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

N/A

8 Benefit to Poor Majority (FAA Sec 128(b)) If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

In that the project will provide assistance to small businesses, it is anticipated that benefits will be spread to the poor majority through increased employment opportunities

9 Abortions (FAA Sec 104(f), FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec 535)

a Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

No

b Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

No

c Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

No

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d Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services? No

e In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning? No

f Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? No

g Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization? No

10 Contract Awards (FAA Sec 601(e)) Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes

11 Disadvantaged Enterprises (FY 1991 Appropriations Act Sec 567) What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)? Not less than 10% of the value of the prime contractor's cost proposal will be set aside for subcontracting with a disadvantaged enterprise

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12 **Biological Diversity** (FAA Sec 119(g)) Will the assistance (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity, (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats, (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection, or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas? No

13 **Tropical Forests** (FAA Sec 118, FY 1991 Appropriations Act Sec 533(c)-(e) & (g))

a **A I D Regulation 16** Does the assistance comply with the environmental procedures set forth in A I D Regulation 16? Yes

b **Conservation** Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible (1) stress the importance of conserving and sustainably managing forest resources, (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas, (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management, (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices, (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded, (6) conserve forested watersheds and rehabilitate those which have been deforested, (7) support training, research, and other actions N/A

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which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing, (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation, (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas, (10) seek to increase the awareness of U S Government agencies and other donors of the immediate and long-term value of tropical forests, (11) utilize the resources and abilities of all relevant U S government agencies, (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

c Forest degradation Will assistance be used for (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems, (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas, (3) activities which would result in the conversion of forest lands to the rearing of livestock, (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded

N/A

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forest lands, (5) the colonization of forest lands, or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

d Sustainable forestry If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry? N/A

e Environmental impact statements Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A I D regulations requiring an environmental impact statement for activities significantly affecting the environment? N/A

14 Energy (FY 1991 Appropriations Act Sec 533(c)) If assistance relates to energy, will such assistance focus on (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases? N/A

15 Sub-Saharan Africa Assistance (FY 1991 Appropriations Act Sec 562, adding a new FAA chapter 10 (FAA Sec 496)) If assistance will come from the Sub-Saharan Africa DA account, is it (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant, (b) to be used to promote sustained economic growth, encourage a, b, c, d, e same as (6) above

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private sector development, promote individual initiatives, and help to reduce the role of central governments in areas more appropriate for the private sector, (c) to be provided in a manner that takes into account, during the planning process, the local-level perspectives of the rural and urban poor, including women, through close consultation with African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa, (d) to be implemented in a manner that requires local people, including women, to be closely consulted and involved, if the assistance has a local focus, (e) being used primarily to promote reform of critical sectoral economic policies, or to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, and (f) to be provided in a manner that, if policy reforms are to be effected, contains provisions to protect vulnerable groups and the environment from possible negative consequences of the reforms?

f Project will promote policy dialogue between the Swazi Government, large businesses and small businesses relating to resolving constraints on small business growth

16 Debt-for-Nature Exchange (FAA Sec 463) If project will finance a debt-for-nature exchange, describe how the exchange will support protection of (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves, or describe how the exchange will promote (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management

N/A

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17 **Deobligation/Reobligation**
(FY 1991 Appropriations Act Sec 515) If
deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified? N/A

18 **Loans**

a **Repayment capacity** (FAA Sec 122(b)) Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest N/A

b **Long-range plans** (FAA Sec 122(b)) Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

c **Interest rate** (FAA Sec 122(b)) If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?

d **Exports to United States** (FAA Sec 620(d)) If assistance is for any productive enterprise which will compete with U S enterprises, is there an agreement by the recipient country to prevent export to the U S of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

19 **Development Objectives** (FAA Secs 102(a), 111, 113, 281(a)) Extent to which activity will (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from Same as (6) above

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ities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U S institutions, (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions, (3) support the self-help efforts of developing countries, (4) promote the participation of women in the national economies of developing countries and the improvement of women's status, and (5) utilize and encourage regional cooperation by developing countries?

20 Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs 103 and 103A)

a Rural poor and small farmers If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor, or if assistance is being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made

N/A

b Nutrition Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value, improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs, and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people

N/A

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c Food security Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution

N/A

21 Population and Health (FAA Secs 104(b) and (c)) If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach

N/A

22 Education and Human Resources Development (FAA Sec 105) If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development, and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities

Project will institutionalize a private Trust to provide training, technical assistance and credit to small businesses

23 Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec 106) If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is

N/A

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a concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production, and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment,

b concerned with technical cooperation and development, especially with U S private and voluntary, or regional and international development, organizations,

c research into, and evaluation of, economic development processes and techniques,

d reconstruction after natural or manmade disaster and programs of disaster preparedness,

e for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U S assistance,

f for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development

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