PD-ABJ-489 91325

A.I.D. EVALUATION SUMMARY - PART I

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.
2. USE LETTER QUALITY TYPE, NOT DOT MATRIX TYPE.

IDENTIFICATION DATA

A. Reporting A.I.D. Unit:
Mission or AID/W Office AID/Swaziland
(ES#)

B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan?
Yes [X] Slipped [ ] Ad Hoc [ ]
Evaluation Plan Submission Date: FY 94 Q 3rd

C. Evaluation Timing
Interim [X] Final [ ]
Ex Post [ ] Other [ ]

D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date fo the evaluation report.)

Project No.	Project / Program	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
645-0235	Swazi Business Development (SBD) Project	FY 91	12/95	$6,000,000	$5,999,419

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director Action(s) Required	Name of Officer Responsible for Action	Date Action to be Completed
Distribute evaluation report	Jamie Raile	July 1994
Plan follow-on activity i.e., endowment grant	Jamie Raile	Dec 1994

APPROVALS

F. Date of Mission Or AID/W Office Review Of Evaluation:

(Month)	(Day)	(Year)
06	30	1994

G. Approvals of Evaluation Summary And Action Decisions:

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission of AID/W Office Director
Name (Typed)	Jamie Raile		Don Foster-Gross	Valerie Dickson-Horton
Signature	Jamie Raile		Don Foster-Gross	[signature]
Date	10/26/94		10/26/94	10/27/94

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ABSTRACT

H. Evaluation Abstract (Do not exceed the space provided)

The purpose of the Swazi Business Development Project is to stimulate the growth of established Swazi small businesses which will, in turn, create jobs and wealth. Project implementation is undertaken with the assistance of Development Alternatives, Inc. through the Swazi Business Growth Trust (SBGT). The MID-TERM evaluation was conducted by Joseph Murrie, Arie Beenhakker, and Barbara Hagaman.

The major findings and conclusions are:

1. The project was well designed, and is being implemented effectively by Swazi Business Growth Trust (SBGT). The project purpose, goals and outputs are being accomplished and in some cases exceeding requirements and expectations. Because of the success of the project, and the needed services SBGT is providing to the business community, the evaluators recommended that a source of long term funding, specifically an endowment, be established to ensure the future sustainability of the organization.

2. No major adjustments are needed in current implementation of the project. However, it is important to continue to place emphasis on: a) transition to permanent management (but continued expatriate management for up to two years, as needed, should be considered); b) more involvement of the Board of Trustees in the strategic development of SBGT; and c) monitoring of staff workloads and quality maintenance, and d) establishing long term funding to ensure sustainability.

3. The project is having its intended impact on beneficiaries; the trend of SBGT's success in reaching and assisting clients is increasing significantly over time. The Trust is unique in Swaziland in its coordinated and interdependent provision of loan capital, training and technical assistance to small enterprises.

4. SBGT taken in its entirety is not financially viable without financial assistance; but it is a developmentally sound project and should be eligible for donor aid and endowment assistance.

5. Successful SBGT clients, over time, will require equity financing for their businesses to expand; SBGT should consider providing this type of assistance as feasible; this would further the goals of the project.

Lessons learned: The evaluators inferred the following lessons learned:

1. Project design needs to be flexible enough to allow for changes in implementation methods to reach project goals; the major change in this project was SBGT moving from providing loan guarantees to banks, to the provision of loans directly by SBGT. This change was endorsed by the evaluators.

2. The synergy between SBGT's credit program and the training/technical assistance provided contributes directly to the success of the organization overall, and especially the loan program.

COSTS

I. Evaluation Costs

1. Evaluation Team Name	Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. $)	Source of Funds
Joseph Murrie	Labat-Anderson, Inc.	AID/ONI Buy-in Task Order #244 Labat-Anderson,Inc.	AID/W funded: Budget $71,241.00	AID/ONI
Arie Beenhakker	Labat-Anderson, Inc.			
Barbara Hagaman	Labat-Anderson, Inc.			

2. Mission/Office Professional Staff Person-Days (Estimate) 15

3. Borrower/Grantee Professional Staff Person-Days (Estimate) 25

b

A.I.D. EVALUATION SUMMARY - PART II

SUMMARY

J. Summary of Evaluation Findings - Conclusions and Recommendations (Try not to exceed the three (3) pages provided
Address the following Items:

- Purpose of evaluation and methodology used
- Purpose of activity(ies) evaluated
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

Mission or Office	Date This Summary Prepared:	Title And Date Of Full Evaluation Report: June 1994
USAID/Swaziland	26 October 1994	Swazi Business Development Project: Mid-term Evaluation and Recommendations for Endowment Funding

Purpose of Activities Evaluated

Implementation activities of the Swazi Business Development (SBD) project began in May 1992 with the arrival of the long term technical assistance team supplied by Development Alternatives, Inc. Swazi Business Growth Trust (SBGT),the implementing organiation, had previously been established by USAID in July 1991, with the signing of a Trust agreement with nine Swazi trustees; the actual Project Paper was approved in August 1991.

This mid-term evaluation was conducted in Swaziland, and involved reviewing all previous project documentation as well as meeting with SBGT staff and contractors, SBGT Board of Trustees, and other key players. In addition, the consultants designed and administered a written questionnaire and had site interviews with the project's beneficiaries in order to review its socioeconomic impact. In addition to reviewing the project's past accomplishments, the consultants were also directed to examine the future sustainability of the organization and make appropriate recommendations.

Evaluation Conclusions and Recommendations

1. Project Design: The review included both the original project design and the project's major design change, the direct provision of financial credit by SBGT. Regarding this change in the providing of credit, the Project's management and USAID agreed to change the method from that of providing guarantees to banks, which in turn would make loans to clients, to the direct provision of such credits by the Project.

This change was sensible and needed, providing the Project with the requisite direct client relationship, credit control and ability to take and if necessary foreclose on collateral assets. This last element required the establishment of a separate company, called the Growth Trust Corporation ("GTC"), to act as the vehicle for the extension of credit, as the Trust (SBGT) is not allowed under Swazi law to sue or otherwise act against delinquent clients or their collateral assets.

The consultants concluded that neither the original plan, nor the change, contain any design faults.

2. Purpose, Goal and Outputs: The consultants found that the project is accomplishing its purpose, goal and outputs. In fact, in most areas the project's accomplishments have exceeded requirements and expectations.

3. Strengths and Weaknesses: The consultants identified seven major areas of strength developed by the project since its inception, including establishing a unique position in the financial sector in Swaziland, the establishment of a well managed (and well monitored) operational base, and the creation and development of an excellent reputation and sound working relationships in the Swazi business, financial and government sectors. Two areas requiring attention include the issue of management succession and the question of sustainability.

4. Award Targets: Each of the contractor's 11 Award Targets was reviewed and the consultants concluded that the targets have either already been accomplished or are well on the way to successful and timely conclusion.

5. Socioeconomic Analysis: The consultants designed and implemented a detailed review of the project's impact on its clients, with particular emphasis on whether or not the stated purpose, goal and outputs were being attained from the viewpoint of the clients themselves. The consultants concluded that the project is in fact having the desired impact on its clients and, moreover, that the trend of its success in reaching and assisting clients is increasing significantly over time.

6. Sustainability and Endowment - Because of the project's excellent performance to date and its continuing development currently, and in view of the fact that the expected follow-on phase and periodic funding will not be forth-coming, it soon became apparent to the consultants that the key issue regarding the project was the assessment of its sustainability and future plans over the long run.

The consultants established a definition of sustainability consistent with the Project Paper, ie: sustainable operations to be financed by fees and interest income generated by the project and in part on outside funding provided by donors and/or a funding availability such as an endowment.

The consultants recommended an endowment of US$7.5 million, based upon calculations of the financial performance of the project and the necessary funding requirements. These calculations were based upon operating assumptions and the application of the Net Present Value analysis (the dollar size of the endowment has since been reduced based on refining operational assumptions and using a more "bare bones" approach).

7. Additional Recommendations: In addition to seeking the endowment funding, the consultants recommended that two important areas be addressed by the Project's management:

a.) Development of increased participation by Swazi nationals, especially at the Board of Directors level and at senior management levels as well.

Although management has been acutely aware of the problems faced in attracting, hiring and developing senior Swazi managers (and in fact it was USAID and the Project's management which first drew the consultants' attention to the problem), progress in this area has been disappointing. The most important impediment has been the uncertainty surrounding the Project's (i.e., SBGT's) future - that is, whether or not secure, long term funding could be obtained which would provide a basis for the Project's credibility as a long term career move for experienced, qualified Swazi managers.

Project management has been active in its efforts to recruit qualified managers, but the efforts have been stymied by the market-place perception of uncertainty. Lack of secure long term funding also made establishing appropriate, attractive salary packages difficult to construct. The consultants independently confirmed these difficulties in discussions with Swazi and expatriate banking and business managers.

The consultants recommended that USAID, Project management and the Board jointly develop a plan (which would assume the securing of acceptable long term funding) for an integrated program for the hiring and development of Swazi management and the increasing of the Board's authority over the Project's general administration and strategies. The consultants also recommended the continued management of the Project by international staff, especially during a planned period (probably about two years) for the concurrent development of senior, qualified Swazi management.

b.) Increased Management Supervision of Staff Utilization and Maintenance of a Balance Between Work Load and Staff Numbers and Abilities.

As noted in the socioeconomic section of this report, the consultants are concerned that the work load of current business products is approaching the limits of staff capacity. This concern is based upon on site observations in the SBGT/GTC offices and in interviews with customers and Project staff (in the office and in the field), as well as extensive reviews of the credit and client files. Management's projections for new business call for a shift in business work load to less labor intensive products, such as the HAIL loans, which may ease the problem. Nonetheless, the sustainability analyses do not call for significant additions to staff and the concern remains that increased attention to day to day workloads is needed to insure maintenance of quality standards. The consultants recommended that Project management specifically address this issue with the Board and USAID to insure that quality standards are being maintained.

SWAZI BUSINESS DEVELOPMENT PROJECT

MID-TERM EVALUATION

and

RECOMMENDATIONS FOR ENDOWMENT FUNDING

FINAL REPORT Completed June 1994, Task 244

Field Work: MARCH 1994

Consultants: **Joseph J. Murrie**
Arie Beenhakker
Barbara Hagaman

I. EXECUTIVE SUMMARY

A. INTRODUCTION

The Swazi Business Development Project (SBD) is a four and one-half year project designed to contribute to achieving the strategic objective of expanding the Swazi-owned business sector. The project's purpose is to stimulate the growth of established Swazi small businesses, which will, in turn, create jobs and wealth.

Project Identification began in 1990 and the Project Paper was approved in 1991, with the project's implementing agency designated as the Swazi Business Growth Trust. In March 1992, Development Alternatives Inc. was awarded the position of project contractor, and the contractors arrived in Swaziland in May 1992.

The life of project budget is $6,000,000 and funding and expenditures are presently scheduled to continue until full expenditure on December 31, 1995. Although the original project design and approval had planned a follow-on phase for the project beyond the 1995 date, subsequent events indicate that normal funding for the project will cease on that date.

Since its inception, the project has been the subject of 4 Project Implementation Reports, each covering approximately 6 month periods from October 1, 1991 through September 30, 1993. This consultancy was originally planned as a mid-term project implementation report, but because there will be no follow-on for the project beyond December 1992, the terms of reference and discussions with USAID have requested (in addition to an up-date of the project's performance) an emphasis on the status and prospects for the project's on-going sustainability, and an assessment of its future plans.

B. TERMS OF REFERENCE

In general terms, the consultancy was asked to include three evaluations in its report (sometimes referred to as the mid-term report):

1. an assessment of the current status of the project in relation to its stated goal, purpose and outputs (with recommended adjustments as needed);

2. an evaluation of the project's impact on beneficiaries, especially regarding employment and the growth and profitability of clients' businesses; and

3. an analysis of the project's sustainability plan, with emphasis on recommendations for future plans.

The Terms of Reference for the consultancy designated three consultants - an Institutional Development Specialist, a Financial Analyst, and a Socioeconomic Analyst - each with an individual scope of work designed to produce the analysis, conclusions, and recommendations needed to fulfil the general report terms of reference. The Terms of Reference and the Scopes of Work may be found at Appendix B.

C. CONCLUSIONS AND RECOMMENDATIONS

1. Project Design

The review included both the original project design and the project's major design change, the direct provision of financial credit by SBGT. Regarding this change in the providing of credit, the Project's management and USAID agreed to change the method from that of providing guarantees to banks, which in turn would make loans to clients, to the direct provision of such credits by the Project.

This change was sensible and needed, providing the Project with the requisite direct client relationship, credit control and ability to take and if necessary foreclose on collateral assets. This last element required the establishment of a separate company, called the Growth Trust Corporation ("GTC"), to act as the vehicle for the extension of credit, as the Trust (SBGT) is not allowed under Swazi law to sue or otherwise act against delinquent clients or their collateral assets.

The consultant's concluded that neither the original plan, nor the change, contain any design faults. Specific issues considered in the design stage and in later reports and discussions, such as the decision to create the Trust, the status of the local directors, and dealing with gender-related issues, are considered in detail in the report at Part III, Section 1 (herein).

2. Purpose, Goal and Outputs

The consultants' found that the project is accomplishing its purpose, goal and outputs. In fact, in most areas the project's accomplishments have exceeded requirements and expectations. Part III, Section 2 of the report (herein) details the project's progress to date in accomplishing each of its assigned tasks.

3. Strengths and Weaknesses

The consultants have identified 7 major areas of strength developed by the project since its inception, including establishing a unique position in the financial sector in Swaziland, the establishment of a well managed (and well monitored) operational base, and the creation and development of an excellent reputation and sound working relationships in the Swazi business, financial and government sectors. Two areas requiring attention include the issue of management succession and the question of sustainability. A detailed discussion can be found at Part III, Section 3.

4. Award Targets - Each of the contractor's 11 Award Targets was reviewed and the consultants have concluded that the targets have either already been accomplished or are well on the way to successful and timely conclusion. Part III, Section 4, enumerates and discusses the attainment of the awards.

5. Socioeconomic Analysis - Assessment of the Clients' Interpretation of the Project's Attainment of Purpose, Goal and Outputs

The consultants designed and implemented a detailed review of the project's impact on its clients, with particular emphasis on whether or not the stated purpose, goal and outputs were being attained from the viewpoint of the clients themselves. The consultants concluded that the project is in fact having the desired impact on its clients and, moreover, that the trend of its success in reaching and assisting clients is increasing significantly over time. Review techniques used included institutional analysis of the operations of the project, on site interviews with clients, and written questionnaires. An extended commentary covering all aspects of this study of the project's successful impact on its clients can be found in Appendix A.

6. Sustainability and Endowment - Because of the project's excellent performance to date and its continuing development currently, and in view of the fact that the expected follow-on phase and periodic funding will not be forth-coming, it soon became apparent to the consultants that the key issue regarding the project was the assessment of its sustainability and future plans over the long run.

The consultants established a definition of sustainability consistent with the Project Paper, ie: sustainable operations to be financed by fees and interest income generated by the project and in part on outside funding provided by donors and/or a funding availability such as an endowment.

The consultants recommend an endowment of US$7.5 million, based upon calculations of the financial performance of the project and the necessary funding requirements. These calculations are based upon operating assumptions and the application of the Net Present Value analysis and are detailed in the report at Part IV.

7. Action Recommendations - In addition to seeking the endowment funding, the consultants recommend that two important areas be addressed by the Project's management:

a.) Development of increased participation by Swazi nationals, especially at the Board of Directors level and at senior management levels as well.

Although management has been acutely aware of the problems faced in attracting, hiring and developing senior Swazi managers (and in fact it was USAID and the Project's management which first drew the consultants' attention to the problem), progress in this area has been disappointing. The most important impediment has been the uncertainty surrounding the Project's future - that is, whether or not secure, long term funding could be obtained which would provide a basis for the Project's credibility as a long term career move for experienced, qualified Swazi managers.

Project management has been active in its efforts to recruit qualified managers, but the efforts have been stymied by the market-place perception of uncertainty. Lack of secure long term funding also made establishing appropriate, attractive salary packages difficult to construct. The consultants' independently confirmed these difficulties in discussions with Swazi and expatriate banking and business managers.

The consultants' met with the Board as a whole and interviewed the majority of its members individually. All members interviewed agreed that they saw the problem of the lack of qualified Swazi management as the single most important problem (after long term funding). The interviewees were unanimous in their praise for the Project's progress and performance to date, and enthusiastic in their endorsement of the current expatriate Project management. In fact, they were also unanimous in their strong desire that current expatriate management remain in place beyond December 1995. While this is certainly a strong endorsement of Project management, it also highlights the continuing worry of all concerned that qualified Swazi management should be identified and hired and that a training program for their development to eventually assume overall management be established and implemented.
Involvement by members of the Board of Directors has been mixed, though overwhelmingly supportive. Members interviewed acknowledged that they were aware of the strictly limited authority of the Board and were generally desirous that additional administrative authority be devolved to the Board. (Interestingly, they were far more concerned that current expatriate management remain in active management for at least an additional two or three year period - as part of a planned program to introduce qualified, credible Swazi management). Interviewees were unanimous, however, that the Board should not be given authority to grant or refuse approvals for credits or investment decisions.

The consultants recommend that USAID, Project management and the Board jointly develop a plan (which would assume the securing of acceptable long term funding) for an integrated program for the hiring and development of Swazi management and the increasing of the Board's authority over the Project's general administration and strategies. The consultants agree with the Board members interviewed that authority to grant credits and to make investments should not be within the Board's powers, but should be subject to an agreement between the endowment trust and the Project's management. Credit and investment oversight, then, would rest with the Board of the endowment trust.

The consultants also recommend the continued management of the Project by international staff, especially during a planned period (probably about two years) for the concurrent development of senior, qualified Swazi management. In light of the success of the current expatriate management of the Project, and the strong call for their continued management and involvement by the Board, the consultants further recommend that if at all possible current management remain in place for an additional two year period. Clearly, this would require arrangements within the long term funding by an endowment trust to cover costs. This recommendation is made dependant upon the concurrent establishment of a specific plan to identify, hire and train Swazi managers to replace the current Project's management.

The consultants have constructed the sustainability analyses on the assumption that expatriate management in some form will continue for two years beyond 1995, and the resulting costs have been included in the financial calculations and projections.
The consultants have concluded that sustainability is importantly affected by the need for continued high quality management and that circumstances require that such management be provided by expatriates in the short term (concurrent with an established program to hire and develop Swazi management and to increase the authority and involvement of the Board of Directors).

b.) Increased Management Supervision of Staff Utilization and Maintenance of a Balance Between Work Load and Staff Numbers and Abilities.

As noted in the socioeconomic section of this report, the consultants are concerned that the work load of current business products is approaching the limits of staff capacity. This concern is based upon on site observations in the SBGT/GTC offices and in interviews with customers and Project staff (in the office and in the field), as well as extensive reviews of the credit and client files. Management's projections for new business call for a shift in business work load to less labor intensive products, such as the HAIL loans, and this may ease the problem. Nonetheless, the sustainability analyses do not call for significant additions to staff and the concern remains that increased attention to day to day workloads is needed to insure maintenance of quality standards. The consultants recommend that Project management specifically address this issue with the Board and USAID to insure that quality standards are being maintained.

8. <u>General Conclusions and Comments</u> - As noted in the various sections of this report, the consultants found the Project to be well designed in concept and effective in implementation. More than that, the consultants strongly recommend that the Project's success to date, its current effective business and client service flow, and its excellent prospects for future growth and continued success convincingly warrant the establishment of long term funding to insure extended sustainability.

Beyond the issues discussed in this report (which the consultants feel are all well within the knowledge and capabilities of the Project's management, the Board and USAID), the consultants see no need for major adjustments to the Project's current implementation. The significant issues discussed in this report - especially the introduction of Swazi management, increased attention to the maintenance of staff/workload balance and quality control, and (perhaps most fundamentally) the establishment of an endowment trust to insure long term sustainability - are well known and recognized by Project management, the Board and USAID.

The consultants see no significant institutional or organizational difficulties and recommend that current working arrangements - between USAID, the Board, and the Project's management - remain in place. With regard to work emphasis for each of these entities, the consultants recommend: (1) that USAID initiate and follow through on a request for long term endowment trust funding; (2) that the Project's management stress development of Swazi managers and closely monitor increasing staff workloads and potential quality maintenance problems; and (3) that the Board, with the assistance of the Project's management and in consultation with USAID, plan and implement an increase in its involvement in the administration and strategic development of the Project.

II. INTRODUCTION
SUMMARY OF PROJECT DEVELOPMENT AND IMPLEMENTATION
SWAZI BUSINESS GROWTH TRUST

6 JULY 1990

Project Identification Document - Small Business Development Project (SBD Project PID) concept approved by USAID/Washington (the Executive Committee for Project Review at a meeting on 6 July 1990) with guidance commentary for the preparation of the Project Paper:

1) Number of Companies Affected. The ECPR stated that AID's world-wide experience indicated that the project's ability to "graduate" small enterprises (eg: to affect their growth and move them from small to medium size businesses) is "questionable." The guidance states that the difficulties may have been underestimated and that the project targets in terms of numbers of firms to be affected may be overly ambitious.

Action requested: The target of increasing the number of small businesses by 20 percent should be re-examined.

Action taken: The project's End-of-Project-Status (EOPS) indicator was changed to be more focused: "25 percent of the businesses will have increased in size in one or more of the following: labor force, sales turnover and/or assets."

2) Comprehensive Monitoring. Although AID is very interested in the area of small enterprise development, it has relatively little experience or data. The ECPR requested that a "comprehensive and quantified monitoring and evaluation plan with an adequate budget be an integral part of the project."

Action taken:

a) A microenterprise baseline survey was completed to provide baseline data needed to monitor the project's impact.
The baseline survey will be updated at the end of the third year of the project to assess impact and provide data for the final evaluation (using $80,000 in Project Development and Support Funds).

b) The project established a system for gathering and recording gender specific information for day-to-day project management and continuous evaluation.

c) Mid-term and final evaluations were scheduled with a budget of $161,000, as were mid-term and final audits, with a budget of $12,000.

3. Necessity of Creating the Trust. With special concerns for grantworthiness, its training function and the question of Government of Swaziland involvement in the Trust, the ECPR asked that the Mission look into "the possibility of strengthening an existing organization or to decide up front that the entity would be permanent."

The Project Paper design team determined that:

a) a new entity was in fact required and that it should be designed and implemented so as to be "sustainable beyond the life of the project;"

b) the option of merging some or all of the Trust's functions with an existing business organization would be examined throughout the implementation of the project;

c) the Trust would not be given funds to manage until it has been deemed by the Controller to have adequate financial systems;

d) "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;" and

e) "training [would] be conducted both by the Trust and through business organizations, with assistance from the Trust."

9 JULY 1991

Deed of Trust between USAID (the Fonder) and the original 9 Swazi trustees is signed. Trust is established so that:

- The Trustees may not amend the Trust Deed for a 4 year period from the date of its execution (to 9 July 1995). During the same period the Founder may amend the deed "in its own discretion" [Deed of Trust, par. 10, page 12].

- "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." [Deed of Trust, par. 11, page 12].

7 AUGUST - 16 AUGUST 1991

USAID Business Development Project Paper (Action Memorandum for the Director, USAID/Swaziland - August 5, 1991) is approved.

Project details a specific purpose and goal, states end of project indicators, and requires particular outputs.

- 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." [Project Paper, 5 August 1991, p. 14].

- End of Project Status Indicators. There are two End of Project Status (EOPS) Indicators that will mark the achievement of the project purpose:

"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." [Project Paper, 5 August 1991, pp.15 and 16].

- Project Outputs. "The project will provide a focused mix of inputs to contribute to the achievement of the project purpose. The planned outputs of the SBD project [are] ...

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 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 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." [Project Paper. 5 August 1991, pp. 16 - 17].

29 AUGUST 1991

Cooperative Agreement signed by USAID and the Swazi Business Growth Trust. USAID grants to SBGT the sum of US$1,440,928 and states that "Subject to the availability of funds, AID intends to provide a total of $5,463,502." [Cover Letter to Cooperative Agreement].

The original approved budget for the project is included in paragraph D, "Financial Plan," of Attachment I (Schedule) to the Cooperative Agreement:

Cooperative Agreement - Approved Budget 29 August 1991

Cost Element	This Obligation	Total Agreement
1. Local Salaries and Benefits	$140,000	$1,012,165
2. Operating Expenses	80,000	661,046
3. Vehicles and Equipment+	212,857	212,857
4. Technical Assistance+	805,963	3,298,772
5. Baseline Data Survey+	46,108	46,108
6. Swazi Business Conference+	16,000	16,000
7. Construction+	140,000	333,000
Total	$1440,928	$5,579,948

+ Funds reserved for direct use by USAID/Swaziland in direct support of the project.

The Cooperative Agreement's effective date is August 29, 1991, and the expiry date is December 31, 1995. It is referred to as a "four and a half year project."

31 MARCH 1992

Award Contract with Development Alternatives Inc. (DAI - "the Contractor") signed by USAID.

Award Fees

Award fees are to be provided to the Contractor under this contract for achievement of a series of targets delineated below. "Each target is an independent source of potential fee. Failure or success at meeting any individual target shall not relate to the award of fee against any other target. The Contracting Officer shall determine if the Contractor has achieved each of the targets and so inform the Contractor upon the Contractor's written request for such determination)s). There can be no partial achievement of the target." [Award Contract, Section B, page 2, paragraph 3].

Specific Targets and Fees [see Award Contract, Section B, page 2, paragraph F].

"An Award Fee will be paid under the contract, set against the following targets. The offeror must propose an individual fee for each target. This will be in addition to a fixed fee not to exceed 2% of the total estimated cost of the contract.

1) The Contractor will provide the long-term field team within 45 days of contract signing.

2) The Contractor will provide to AID, within 2 months of the arrival of the long-term technical assistance 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.

3) The Contractor will hire the BLM, BDA and the EO for the Trust within 90 days of arrival in Swaziland.

4) 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 1 year after arrival of the long-term field assistance team.

5) The Contractor will establish a computerized data base system, approved by AID, for the quarterly reporting of the cost, source, origin, and location of items procured under the project.

6) The initial field team (COP/GM and the BDA) will remain with the project in these capacities for the initial 3 years of the project.

7) 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.

8) At the end of the contract, SBGT will have in place viable management, personnel, financial and procurement systems acceptable to AID, and will be fully staffed with 9 trained management/outreach employees and 2 trained data entry computer operators.

9) By the end of the contract, the SBGT Trustees will have an operational fund raising program and will have successfully raised funds to endow the Trust.

10) The Contractor will develop a plan with SBGT, approved by AID, which demonstrates how its credit, small business training and direct mangement 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.

11) Toward the end of the contract, the Contractor will conduct a study about the sustainability of SBGT to determine if the Trust 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.

MAY 1992

- DAI contractors arrive in Swaziland: General Manager (Chief of Party) and Business Development Adviser.

14 MAY 1993

- USAID/Swaziland Action Memo approved changes in operating the credit component of the project.

31 JULY 1993

- KPMG Aiken&Peat Audit Report on the Trust Financial Statements and the Fund Accountability Statement for the period 29 August 1991 through 30 September 1992.

17 SEPTEMBER 1993

- USAID/Swaziland memo discusses sustainability issue in light of the probability that USAID support will end December 31, 1995, thus making sustainability of "foremost importance." The contractor is asked to prepare a Sustainability Plan, citing Award Fee #10:

  "The Contractor will develop a plan with SBGT, 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."

III. PROJECT EVALUATION

A. REVIEW OF PROJECT DESIGN

The consultants reviewed both the original project design and the change in the design concerning SBGT's financial services program and concluded that neither one of these elements contains a design fault. Specifically, the consultants reviewed the project design with respect to the following aspects/assumptions:

1. The creation of a new entity, i.e., the Trust, rather than the use of an existing organization to implement the project.

Neither in the past, nor to day could another existing organization be identified to implement the project's goal and purpose.

2. The formulation of the project's goal and purpose.

The project's goal of increasing Swazi incomes and expanding the employment-generating capacity of Swazi businesses remains as appropriate today as it did at the onset of the project, or as it will for the foreseeable future. The consultants arrived at a similar conclusion with respect to the project's purpose. That is, the stimulation of growth of Swazi-owned businesses is as appropriate a project purpose to day as it was in the past and will in the future.

3. The Board of Directors of the Trust.

Nine members of the Board of Directors is a number which is large enough to obtain different inputs in the provision of direction, and yet small enough to be operational. The inclusion of one Government of Swaziland representative does not bias the private sector character of the Trust, and, yet, assures this Government's cooperation. The inclusion of a non-voting observer seat to be held by A.I.D. during the life of the project facilitates coordination of efforts.

4. Gender-related constraints and opportunities.

The project design assures that the constraints facing women entrepreneurs are properly addressed. All project data for decision-making purposes and control has been, and will continue to be collected on a gender-disaggregated basis.

5. The timing of the availability of long-term technical assistance, and the mechanism used to obtain this assistance.

The SBGT offices were rented and furnished, the loan guarantee for the credit program, and other start-up of project activities were performed prior to the arrival of the long-term technical assistants. The full-and-open competition approach used to attain the technical assistance is the optimal manner to ensure proper direct A.I.D. control.

6. Technical, social, and economic soundness.

The organizational structure of the project and its technical components are sound. The social soundness of the project is quite positive because it is directed towards the very small business sector where the simultaneous need for assistance and the capture of the potentially available entrepreneurship are the greatest in the entire Swazi society. Furthermore, socially desirable issues, such as gender related issues are addressed. From the onset of the project, economic feasibility of the project has been based upon actual and projected earnings for services delivered and interest earned, as well as on endowments to be obtained. In other words, income generated from invested endowment funds has always been, and should be the basis for reviewing the economic soundness of the Trust. It is now the time to further specify the total amount needed for the endowment. This critically important issue is addressed in detail in the section entitled "Sustainability of the Project". It is sufficient to note here that the consultants do not criticize the design of the project for not having incorporated this issue from the onset: at that time it would have been premature to arrive at an estimate of the magnitude of the endowed funds.

7. Adherence to A.I.D. Geographic Code 935.

This latter Code is the authorized code for source and origin of goods , and nationality of all services procured under the project. The design of this project, as well as its subsequent implementation have adhered to this Code except for logical considerations of practicability. For example, vehicles required for the project were procured in Southern Africa due to right-hand-drive and servicing requirements.

8. The absence of the classification as a Private Voluntary Organization (PVO).

The trust is not classified as a PVO because it does not receive contributions of money, labor, or in-kind support from the general public. The consultants do not foresee any change in this status and hence, agree with the absence of the classification as a PVO.

9. The change in the original design: i.e., the change in the financial services component.

Specifically, these changes included: (a) SBGT's sole responsibility for collection and administration of loans; (b) the commercial banks' handling of actual disbursements and repayments (through the use of bank tellers and a "smart card" system); (c) the development of Class A and Class B lending activities which include the collateral requirement; and, (d) the application for a financial institution license, resulting, inter alia, in the possibility of charging interest rates above 19.5%. The consultants have carefully assessed the rationale and the resulting ramifications of these design changes and totally agree with the significant desirability of this action.

10. The strengthening of small business enterprises through the provision of equity capital.

The original design of the project refers to a follow-up phase at the end of the first phase of four and a half years. This observation is likely the reason for not addressing the feasible provision of equity capital to small enterprises. Furthermore, it was probably premature at the onset of the project to consider this equity component. The provision of equity capital is usually considered at a developmental stage of a small enterprise that has successfully emerged through loan capital financing. It is now anticipated that such a developmental stage of the project's clients will be reached after approximately seven to eight years. Consequently, the provision of equity capital is addressed in the section of the report entitled "Sustainability of the Project".

B. REVIEW OF THE PROJECT'S PURPOSE, GOAL AND OUTPUTS

The consultants have reviewed the purpose, goal and outputs in light of the Project's experience through February 1994 and have reached the following conclusions:

Project Goal

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

Current Status: Achieved in terms of increased incomes also through the multiplier effect) and enhanced employment, at least at the family level.

Expected Future Status: Continued success with existing clients and expansion of various programs to new clients is expected to increase both individual and overall income and to lead to continued increased family employment and further to the introduction and growth of third party employment by the Project's clients.

Project Purpose

The purpose of the project is to stimulate the growth of Swazi-owned businesses.

Current Status: Achieved in that 52% of the Project-serviced businesses have increased in size. Also, new clients represent the introduction of new growth in businesses.

Expected Future Status: the growth of established customers is expected to continue in some cases. The continuing introduction of new clients and the development of some clients into the commercial banking and equity finance categories will sustain this business growth.

Project Outputs

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.

Current Status: As of February 1994, 107 small businesses have become first time borrowers, with 61% receiving repeat loans. Of the 107, 52% are women, of whom 75% are repeat borrowers.

The Project originally called for credit to be extended by the participating banks, with a guarantee from SBGT. This procedure was deemed to be too cumbersome, however, and after consideration the Contractor recommended and AID approved a change to a direct lending program. This resulted in a delay in the commencement of credit operations, which did not begin until June 1993. This delay, plus a normal start-up phase during which business quite naturally developed at a slower pace than is experienced later on as new business momentum accelerates, has resulted
in the figure of 107 borrowers at February 1994. New business is developing at a much more rapid pace now that the Project is more well-established and known in the marketplace. Management expects (and the consultants agree) that new business will continue to develop at a pace more than sufficient to achieve the 500 borrowers output.

Expected Future Status: The use of repeat loans is built into the program as existing clients develop their businesses. Current success in this development (and the concurrent repeat loans) is expected to continue as the Project grows. Achievement of the 500 first time borrowers output is expected to be achieved as the Project's client growth will accelerate as it moves out of the slower start-up phase into faster new business development.

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 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 responsible parties who have the ability to influence or implement policy changes.

Current Status: the achievement of this output has been difficult for a number of reasons. Chief amongst these is the ambivalent or negative responses received from local business associations. USAID and the Contractor have addressed this problem and are agreed that circumstances external to the Project's efforts are largely responsible for the disappointing results to date. The expectation that the Project would simply be a source of funds for the associations and their projects has been identified as a key problem area. Another difficulty external to the Project in some cases has been the lack of indigenous business education and development programs within the local associations.

Expected Future Status: Only modest improvement in the situation is thought to be possible - a point agreed by the Contractor, USAID and the consultants. Still, renewed efforts will be implemented, especially with the Women's Business Association and the Chambers of Commerce.

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.

Current Status: Although business linkage activities by the Project have proven to be time-consuming, they are also recognized as proving very valuable to the clients involved. Fifteen small businesses will be providing, for the first time, goods and services to larger businesses and/or the Government and 10 small Swazi construction firms have increased the number of contracts with the Government.

Expected Future Status: Business linkage activity is projected to continue to be a key element of the Project's business development program and is expected to grow significantly, especially in the construction and housing areas.

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.

Current Status: Through February 1994, Project records indicate attendance at training programs in excess of 1700 persons. The consultants' analysis of the figures attempted to eliminate double counting and the counting of non-Swazi and/or non-client persons. The result is still an impressive 968 participants in the training course offered by the Project. The consultants reviewed the courses content and found they cover the required business skills area in full and in most cases in detail.

Expected Future Status: as a key and integral part of the credit program, the continuation and expansion of the various training programs is planned to keep pace with overall Project growth. The end of project output of 1700 participants should easily be achieved.

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.

Current Status: the Project has succeeded in accomplishing this output, especially after establishment of the design adjustment allowing the Project to extend credit to client's directly, rather than by a guarantee mechanism. A key to this success has been the arrangement that client's cannot obtain credit without participation in the training elements of the program. In addition, the consultants noted that the Swazi community is becoming increasingly aware of the technical assistance being presented by SBGT, as evidenced by their increased willingness to attend whether or not they are credit recipients.

Expected Future Status: for reasons of practicality, management intends to increase fee charges for stand alone training sessions. It is expected that this may slow growth in this area somewhat, but that overall the program will continue to expand. Training and technical assistance remain an integral part of the credit program and so will continue to grow along with that aspect of the Project's services.

C. PROJECT'S STRENGTHS AND WEAKNESSES

1. The consultants concluded that the project's strengths are the following:

a. Unique position: the Trust is unique in Swaziland in its coordinated and interdependent provision of loan capital, training and technical assistance to small enterprises.

b. Sound working relationship with the commercial banking community: all four banks in Swaziland participate in the Trust's system of providing loan capital to small entrepreneurs, and are active in referring potential clients to SBGT.

c. Excellent liaison with the professional community: SBGT is well received by both lawyers and auditors as is reflected by the tax free status of the Trust, the clean auditors' reports, and the representation from the professional community on the board of directors.

d. Good cooperation with the business community: large corporations are supporting SBGT by linking up with small enterprises for their procurement. (Unfortunately, some of the large South African firms continue to follow policies of centralized procurement from Johannesburg, Pietermaritzburg, or Durban).

e. Appreciation by the Government of Swaziland (in particular, the important ministries of planning and finance, as well as the Central Bank): this appreciation is reflected, among others, by the Trust having received a financial institution's license from the Central Bank, the tax exempt status, and the favorable response for parliamentary approval of the Trust preparing its own legal documents.

f. Sound capability of accounting for, and expending grant funds:
the last two audits under the USAID Regional Inspector General (RIG) audit standard have clearly shown that the Trust has an acceptable system, procedures, and staff to handle grant funds.

g. Good monitoring systems: SBGT has good systems to monitor clients' credit and to report regarding requirements of the Central Bank, Southern African Development Bank (SADB), USAID/Washington, and the Board of Directors.

2. The consultants identified the following weaknesses of the project:

a. Continuation of management: the current expatriate management needs to be replaced by Swazi management ; heretofore, no satisfactory replacement has been recruited. Both the present expatriate management and USAID are very much aware of this issue and will continue to assign the highest priority to this problem.

b. Sustainability of the Trust: no definite action has been taken to sustain SBGT after the end of the current project period. This uncertain situation is likely the most important reason for SBGT not yet being able to recruit Swazi management. Furthermore, SBGT could loose some of its well trained staff if the issue of sustainability is not resolved in the foreseeable future. The importance of sustainability is the reason for the consultants' allocating a major portion of their time to arriving at a sound foundation to resolve this matter.

Though neither a strength, nor a weakness, it is important to recognize that SBGT operates in an environment that is characterized by small markets and a very few areas with concentrations for entrepreneurs. The implication is that the SBGT management and staff must be flexible (as it is at the present time), and cannot afford to hire specialists for different markets.

D. REVIEW OF PROJECT'S AWARD TARGETS

The Award Contract, Section B, page 2, paragraph F stipulates specific targets, which are encouraged to be attained. The consultants have reviewed the progress made in achieving these targets. The results of this review are summarized as follows:

1. The sp cific target states:
"The Contractor will provide thelong-term field team within 45 days of contract signing".

   The current status is: target achieved.

2. The specific target states:
"The Contractor will provide to AID, within two months of the arrival of the long-term technical assistance team, a Life-of-Project Implementation and Monitoring Plan". (Specifications for this Plan are listed as well in the Award Contract).

   The current status is: target achieved in accordance with all the specifications).

3. "The Contractor will hire the Business Loan Manager (BLM), the Business Development Advisor (BDA), and the Executive Officer (EO) for the Trust within 90 days of arrival in Swaziland".

   The current status is: target achieved.

4. "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 assistance team".

   The current status is: target achieved.

5. "The Contractor will establish a computerized data base system, approved by AID, for the quarterly reporting of the cost, source, origin, and location of items procured under the project".

   The current status is: target achieved.

6. "The initial field team (COP/GM and the BDA) will remain with the project in these capacities for the initial 3 years of the project".

   The current status is: it is fully expected that this target will be achieved.

7. "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".

The current status is: given the accomplishments to date, it is expected that this target will be achieved much earlier than the end-of-the-project date. The current default rate is less than 5%.

8. "At the end of the contract, SBGT will have in place viable management, personnel, financial and procurement systems acceptable to AID, and will be fully staffed with 9 trained management/outreach employees and 2 trained data entry computer operators".

The current status is: with the exception of viable Swazi management, this target has been substantially achieved.

9. "By the end of the contract, the SBGT trustees will have an operational fund raising program and will have successfully raised funds to endow the Trust".

The current status is: this point has been addressed by the Board of Directors and will be re-visited in the foreseeable future.

10. "The contractor will develop a plan with SBGT, 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".

The current status is: management has developed a draft plan which does not address sustainability in terms of "financial survival". The consultants have discussed this issue in detail with SBGT management and USAID/Swaziland. A financial model explicitly addressing sustainability has been suggested by the consultants, who subsequently implemented this model with the assistance of SBGT management.

11. "Toward the end of the contract, the Contractor will conduct a study about the sustainability of SBGT to determine if the Trust 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".

The current status is: this study has been nearly completed, and the conclusion will be that the Trust should be retained as an independent organization.

As can be concluded from the foregoing detailed observations, the progress made in achieving the award targets has been excellent.

IV. SOCIOECONOMIC ANALYSIS OF SBD PROJECT IMPACT

I. Overview of Qualitative Attainment of SBD Project

A. The goal of the Small Business Development Project (SBD) is to provide the services and financial assistance which will help Swazi-owned small and medium-sized businesses (S&MB) to grow, with the explicit intention of increasing employment, net equity and financial position of individual owners, and the further implicit expectation that the socioeconomic impact of this growth will improve Swazi control of the Swaziland economy and result in a more equitable internal distribution of income than existed before the SBD Project began.

B. The Projects's explicit intention can be measured as economic growth and business profitability. By these measurements, the Project has achieved its goal, in general and overwhelmingly in the case of participation by women and their success in business. Its implicit socioeconomic impact should be measured by how its achievement addresses the short and long term needs of beneficiary businesses, the actual organization of work, its remuneration, and how business income is distributed throughout the Swaziland economy. Even at this early stage, indications are that the Project is on target, with the needs of all types of business - for inventory purchases and other business investments, availability of funds to meet personal needs, a small increase in owner and employee salaries being paid and social obligations - being more strongly met.

C. The Purpose is to achieve this goal by providing input capital and technical assistance for certain activities (outputs) which can stimulate measurable increases in participating Swazi-owned small business health. By the end of the Project:

1) at least 25% will have demonstrated growth by an increased number of employees, sales turnover and/or assets, and

2) 25% would indicate better health by improved net equity position and current financial profit/loss ratios.

No minimal percentages for measuring growth were specified. In fact, data comparing the position of Project beneficiaries (before/after SBGT/GTC) have more than shown this Purpose achieved, by one or another indicator in 1), 70% and 2), 60% (for net equity alone). Profit/Loss (or profitability) will be discussed below. Fifty-four percent (20 out of 37) of interview/questionnaire respondents have shown better health in every indicator except profitability.

D. The Project further stipulated that throughout its entire program, 30% of healthier participating businesses would be woman-owned. By February, 1994, 34% of overall program participation was by women-owned businesses, while 13 of them (out of the 20 by the interview/questionnaire sample) are healthier by ALL the indicators suggested by the Project Purpose (except profitability).

E. In addition to a review of documentation provided by SBGT staff, the consultants conducted in-depth interviews with and distributed detailed questionnaires to clients in order to find out their present, in comparison with their past, economic status. The consultants used

January 1994 as interview cut-off point for new credit client approval and receipt of funds, thus allowing for at least a 3-month comparison to be made. "Economic status" could be measured by gross revenues, by assets and/or net equity, by reinvestment, by diversification of product/services, or by the demonstration of technical management skills.

F. To this end, the Project specified 5 Output Components to be measured by 9 output impacts to evaluate business performance by EOP 12/31/95. Following is a brief resume of three of these outputs and their resulting impacts by March, 1994, gleaned in part from interview/questionnaire responses. The remaining 2 outputs do not directly relate to project impact.

II. Project Output Components and Their Impacts

A. Output 1.

1. Swazi business persons have increased access to commercial credit such that:

a) 500 first time borrowers will have received business loans (30% of whom would be women); and

b) 25% of these borrowers will have received more than one loan.

2. GTC management reports an "up and running" date of March 1993, while the actual "on the street" impact of financing began June 3, 1993. By February 23, 1994, 107 small business persons have become first time borrowers, with 61% of them receiving repeat loans. Of these 107, 52% are women, of whom 75% are repeat borrowers.

3. Most businesses have borrowed under the "Class A" loan program, in which clients enter a gradually increasing loan stream, leading to the granting of E7,500 nine months from the first E2,000. Since the first loans were issued, the Class A loan rate has grown exponentially; from July through October 1993, 48 new and 13 repeat borrowers were approved for loans; from November through February 23, 1994, 46 new and 76 repeat borrowers were approved (see the Annex to this Socio-economic section). The first Class B loans began only in November of 1993, and there have been 10 of these latter issued so far.

B. Output 3.

1. Fifteen small businesses will be providing, for the first time, goods and services to larger business and/or the GOS and 10 small Swazi construction firms increased the number of contracts with GOS.

2. Construction (MATRIX) clients (all male) have been able to not only link with GOS but subcontract to SBGT clients, thus replicating this output to a second generation. In addition, there are several non-MATRIX clients who have made first time linkages with larger businesses and GOS. While they are few, women-owned businesses are included in this latter group, one partnership growing 100% since becoming an SBGT/GTC client. This vertical linking is supplemented by extemporaneous activities in the Business Profile Workshop, where linkages are happening horizontally, quite unplanned, among group members in the Class A loan

cycles. People are networking among fellow group members, finding suppliers, financial mutual aid and marketing ideas, As Class B lending increases, more card-swapping or networking training courses could be offered for Class B clients.

C. Output 4.

1. Owners or employees of small businesses will have improved planning, management, finance, marketing, financial or technical skills, with 1700 of them having received business training or technical assistance under the project.

2. Training courses have been offered since late 1992, most of them well-attended. Included below is a list of the Workshops and Courses with their overall attendance. However, the total participation must be adjusted to exclude non-Swazi residents, or otherwise ineligible attenders (such as observers), to an approximate 968. The number of clients taking several different courses is impressive, some of them benefitting from 3 or 4 (see below for course suggestions from both the Socioeconomic Analyst and the clients themselves).

3. An example of the positive impact of the SBD Project is most clearly seen from the detailed interviews conducted with, and questionnaires returned from, SBGT/GTC clients during this evaluation. Among other indicators, 4 of the 17 interviewed business persons were receiving quite sizable orders for the first time from the GOS: a building supplier, a stationery supplier and 2 knitters of school jerseys. Three out of these (early borrowers) were capable of filling these orders because they had increased their stock on hand or their supply system; they had a more organized workplace with increased employees; they had the necessary equipment and management skills; and they also had marketing skills, all of which they reported to be results of their participation in SBGT/GTC programs. In addition, another client (not interviewed) has recently received an order from a company so much larger than she had expected that she was unprepared to fill it, but SBGT service people have been hard at work to help her respond to this "success crisis".

III. Analysis of Data

A. From Documentation: SBGT's client database is capable of generating rather a large number of items within a sophisticated computerized records system. Much serious attention and creative planning has captured a great deal of data useful to a socio-economic analysis. The records printouts as of 23/2/94 requested and used in this evaluation included:

1. Overall client base:

		M	F	Total
Approved applicants:		369	194	563
By age categ:	1830	78	30	108
	31-40	110	78	188
	Over 41	108	68	176
	no data	63	18	81
By Marital status:				
single (+D/S/W)		87	69	156
married		237	110	347
no data		63	18	81

Year started in business - 121 in 1993.

Employees - 428 with 1-5 employee

Type of Business - 426 traders direct to public, with emphasis on groceries & food, cloth & clothing, crafts

Co-owners partners stated	57	20	77
No data	44	12	56

[N.B. The number of overall clients should be adjusted for the people for whom there is little data and who never pursued interest after Client Introduction Form (68) - 512]

2. Loan client base:

	M	F	Total
Applications started	271	148	419
Applications approved	47	60	107
Repeated loans	23	34	57
In 7-day default 2/94	5	0	5

3. Training course participation:

	M	F	Total
Number held - 56 Attenders (adjusted, approx.)	587	381	968

B. From Interviews and Questionnaires.

1. the Annex explains the method used to derive the interview/questionnaire population upon which much of what follows in this report is based. It uses relative proportions of the client database. Also included in the Annex is an explanation as to why the sample is not larger. The actual useful population resulting from 10 days' efforts was:

Interviews and Questionnaire	Returned	Completed	Insufficient Data	Late Entry
	47	37	8	2

	M	F	T	Ownership Partners	Couple
Interviews:	8	9	17	4	4
Questionnaires:	4	16	20	1	2
Credit Clients:	11	25			

Type of Business:	Groceries & Food	10
[some are counted twice due	Cloth & Clothing	9
to business diversification]	Cosmetics & Hair	7
	Crafts	3
	Construction	2
	Building Supply	2
	Transport	2
	Pharmacy	1
	Automotive parts	1
	Wholesaler	1
	Training Services	1

3. Since SBGT/GTC has only been fully operational, with "money on the streets", since June, 1993 and with training courses under way since early 1993, any conclusions this evaluation makes about the actual business growth of GTC credit clients, few of whom have reached the stages of loans large enough to really make a difference in their economic status, must be preliminary. However, the results of interviews/questionnaires in comparison with entry data show such a firm direction towards business growth that even if the sample were size-skewed, what it shows is extremely encouraging for the SBD Project's achievement of its Purpose and Goal:

	M	F	Total
Increased Revenues (more than 10%)			
Sample size - 37	6	19	25
No data			7
Increased Assets (more than 10%)	7	19	26
Sample size - 37			
No data			1
Increased Net Equity (more than 10%)	8	14	22
Sample size - 37			
No data			4

Increased Employment	Employers	Gained	Lost	Net
Sample size - 37	16	44		
	10*		11 1/2	
				+ 32 1/2

* Of the sample size of 37, 26 reported employment changes.

4. Nevertheless, a socioeconomic analysis of their financial status and capacity to employ others, even at this early stage, can not only give client-generated feedback on the quality of SBGT/GTC service delivery, but will also bring to light trends in business growth attributable to the application of certain skills gained in training (see below), doing business in certain market sectors and judicious use of clients' social resources as well as financial resources from GTC .

5. It should be noted that profitability rests not only upon access to market share and increased revenues, but also upon the relationship between cost of product and resale price. Pricing and enlarging margins by reducing prices paid to wholesalers are two weaknesses found in training application. In many cases, clients did not know their markups, could not ask for discounts, and were generally vague about how to derive gross profit from sales, so that the socioeconomic consultant decided to defer analysis to training course suggestions.

5. Co-Ownership and Partnerships, whether formally registered or informally created between friends, associates and/or spouses, is a good social way to expand business and maximize market opportunities, limited financial resources and business management skills. Apprenticeships, most often carried on within families, also help solve profit/loss problems. And the other side of apprenticing is mentoring, the sharing of skills and experience. Several clients (mainly women) expressed the desire both to learn and to teach others in order to help them succeed. They may do this through kinship, church membership, at salaried jobs, at SBGT workshops or through business associations where they create networks based on common interests.

6. Business Women's Association of Swaziland is one such place where mentoring is possible. Among interviewed clients, at least six women-owners belong to BWAS. While Output Component 2 was envisioned to work closely with seven Business Associations, all but BWAS has had severe difficulties or had become defunct by this evaluation period. Unfortunately, SBGT and BWAS are not working closely together in a way that will enhance their clients' and members' business growth. Nevertheless, six interviewed clients reported their interest in SBGT was gained through BWAS. The socioeconomic consultant hopes, in its own interest, that all efforts will be made by SBGT to strengthen its relationship with BWAS.

7. The contribution to clients' communities is discussed below in relation to the distribution of increased net profit and salaries through social equity investment. This distribution also includes employment.

IV. SBGT Entry Process and Class A lending

A. The loan entry stream insures appropriate business training of high quality (judged from its application demonstrated among interview/questionnaire respondents) provided to every loan applicant, approved for loan or not. At present, approximately 22 businesspersons apply at 2 offices every week with an average of more than 13 staying through all the paperwork and the Business Profile Workshop.

B. 100% of client response to the consultant's inquiry as to what helped most in their business operations was "CASH FLOW","BUSINESS MANAGEMENT", and other skills gained from the Business Profile Workshop. This response included professionally-trained accountants who admitted that their training had been inappropriate to their needs as small business owners. Overall client approval of this Workshop is positive. Thus, even if they are not approved for loans, many S&MB people have received valuable training in skills they need and can use to help themselves. Ten to fifteen people are now receiving such training every week, an increase of 70% over the last 6 months. The numbers of people in both offices during this evaluation should insure that SBGT's entry program grows even more in the future.

C. All this success, however, puts a strain on the existing staff at SBGT offices, and will soon result in the call for additional personnel, a cost of operations problem. The one-on-one personal attention which is at present given to solving problems of individual clients and maintaining the low default rate will become difficult to maintain.

D. This strain is already evident in the confused state of some of the clients' file folders, which contain in some cases, conflicting information or unchecked responses from clients. Between the 2 offices, there are at present 4 Loan Officers and 4 Loan Advisors (outside the MATRIX staff) who, because of the present small client burden, can nearly always recall the names, type of business, loan performance history and meetings attendance of most of their clients. But as the program adds participants, this personal knowledge will become impossible, unless the overall structure, with more advisory staff, is put in place and file records are kept in better order and scrutinized more carefully.

E. Once a business is approved as a potential borrower, months may pass before the client finishes the application process. This delay, while understandable to some degree, has some disadvantages, not the least is the memory lag from training sessions to business utilization which the client is bound to experience. Every effort should be made to shorten this time, even holding to a cutoff date for completed application before the client starts the process over again and is required to attend the Business Profile Workshop once more.

F. If a loan is approved and loaded into the SmartCard system, a monitoring meeting schedule is set up at six-week intervals during the 90-day repayment period. Borrowers are required to attend these sessions where problems can be aired and detailed management concerns addressed. A business in trouble can be spotted and redirected, either with one-on-one advisory services or rescheduling or reclassifying the loan. This system has been well-planned and managed so far, but strain on staff as loan volumes grow cannot help but dilute its effectiveness.

G. Interviews, questionnaires, conversations with Swazi non-clients and the socioeconomic consultant's professional and personal sense indicate that the Class A entry and follow-up program is especially effective in meeting the Project's goal and required outputs. Every effort should be made to effect adjustments which may be necessary so that this program can not only continue but grow. It is certainly possible that with the same attention to training and follow-up, Class B loans will also become central to SBGT's growing success. Used wisely, equipment, invoice and working capital loans, especially to follow-up Class A or B loans, and also to new applicants who show the need and experience to manage them, will complement the existing program in a very positive way, fulfilling the growing needs of clients, both old and new.

G. Note on API/MEMS - While the socioeconomic consultant conferred with AID/SBGT staff at an early date to look over these systems, there was no time when conferences dedicated to close monitoring was possible. Moreover, the team was advised that the API system is unworkable and does not lend itself to useful analysis in any event.

V. Analysis of Data - Business Growth

Business growth can be viewed as largely attributable to specific trends in the business operations of SBGT/GTC clients:

A. Trend: Application of skills gained in training

1. While the overall increases shown in the interview/ questionnaire sample are at the level of 10% increase, several of these businesses have made great strides forward. Why are they doing better than the others (who are also succeeding)? They are going out and finding markets, actively pursuing them by either "cold-call selling" or advertising, or they are searching for markets outside Swaziland.

2. While many businesses (about 1/2 of the sample) BUY outside Swaziland (notably Johannesburg and Durban), very few SELL there. The exceptions are tourist-related businesses, and there is an example of selling clothing in South Africa.

3. Successful clients are pricing their products after carefully buying them at discounted prices, or finding alternative suppliers.

4. The problem of profitability, which relies in the first instance on the margin between sales and cost calculated per item, plus prices based on volume, was the largest single disappointment in the sample. Revenues, assets and equity have increased, requiring more work, with no clear evidence of higher profits for all that. Business "burnout" is a possibility under these circumstances.

5. Successful clients were found to have clearer long-term as well as short term plans.

6. Several successful clients are diversifying products/services or establishing branches outside the Mbabane/Manzini area, employing more people and organizing operations for increased

volume. These more successful businesses may be encouraged to mentor others if they are not seen as competition.

B. Trend: Doing Business in Certain Market Sectors

1. Identifying a market niche and probable demand within it is an important business skill. Clients who have a new business in a saturated market sector are not going to grow and are wasting the precious time of overburdened staff unless they change focus or diversify. The most successful businesses in the sample are those which show growth potential relative to market sector realities. These sectors seem to be related to education, cloth and clothing, building supplies and horticulture or service to agriculture.

2. SBGT can advise and recommend lending and marketing guidelines based on active market research, and would by staffing such an operation increase the capacity of small businesses to use such services. Marketing contacts and more direct-result marketing courses were high on the list of client suggestions for courses and training, and it was clear during interview discussions with clients that they would be willing to pay more for such courses. Good, concrete business advisory and training with direct financial results to the client could possibly pay for itself.

C. Trend: Judicious Use of Clients' Financial resources, including those from GTC

What have clients been able to do with the credit they received from GTC?

1. Clients have increased their stock, resulting in increased revenues. Buying stock was the most often cited reason for loan requests, if the client's business was trade, and the research from this evaluation has shown that is what in fact was done with the money. It is also the most judicious use, since a small business, with certain exceptions, should increase immediate revenues before investing in more permanent assets and employment, in order to increase the base upon which these latter would be possible.

2. Another frequent use is to increase equipment or assets to support potential or actual revenue increase. Almost all of the interviews were conducted at the client's business premises so that the consultant could see not only the number of customers (where relevant) and customer service, but check on asset ownership. Clients were always proud to show the consultant their new equipment or additions to the premises. By such on site visits, the consultant could also verify the stock on hand in most cases. The on-site visits, while restricting the number of businesses in the sample because of logistical problems, increased the reliability of responses. This is especially true in the case of cold-call visits.

3. Investment are also made in assets for long term planning, especially for accruing "Social Equity". The most successful clients are those which not only have long term plans, but are pursuing them by diversifying products or acquiring branch operations in rural as well as urban areas. The support for these plans relies on the interest already accrued, or investment in, available social resources.

D. Trend: Judicious Use of Clients' Social resources, including employment and partnering

1. Examples of social resources encountered in the evaluation are:

1. Family aid
2 Education of one's own and extended family children
3. Helping (lending or other) to set up other businesses
4. Distribution of business resources in rural areas

2. From a resource allocation point of view, investment in social equity may be more important than investment in purely financial equity. In the first place, it is more reliable in terms of long term value. In the second place, it is more likely to appreciate than depreciate (the normal result of investments in fixed assets).

3. If people invest in the future potential of their social resources, they can protect themselves against the unpredictable fluctuations of an economy over which they know they have little control. They "buy" rights in various kin-based organizations, and they pay by the fulfillment of their obligations to them. Their "interest/yield" from this investment can be taken in many forms, as insurance against future possible economic exigencies and in returns such as education, health care, housing, and food, extended to others who will eventually pay them back in kind.

4. Social Equity investment is based on increasing rights over obligations. One way that this pays off is in a client's right to an employment pool, and one way that a client can discharge obligations is to increase paid employment of members of this pool.

5. Most present as well as increasing employment at SBGT businesses involve family members or relatives of friends. Interviews and questionnaire responses show overwhelmingly that social investment is taking the form of increased paid employment, education, housing and provision to basic needs of extended family members, many of whom have been sent to them from rural areas. SBGT clients are even replicating SBGT efforts by helping others to set up businesses (setting mother up in her own small enterprise as a way of both reducing personal day-to-day expenses and paying back a social equity investment made by her.)

6. Committing financial resources to hiring more people is a long term investment which requires both commitment and confidence in business growth. The social employment pool includes new workers and apprentices - those who are learning either production or management skills It takes business longevity and established success to move from employing family members and friends to employing outsiders. While many of the high-end clients have employees beyond what could be provided by their social resources, the bulk of SBGT/GTC's clients are still small scale and involved in building Social Net Equity.

7. Clients who earn salaries outside their businesses, either in co-ownership or alone, have existing, independent financial and social resources. During interview discussions, business clients stated the strong desire to stop working outside, giving this as the second reason (after additional provision for family) for establishing a business and putting the time, effort and money into its growth, thus showing a preference for building a business over receiving a salary. Of course, each client hopes that business income will far exceed present salary; yet even relatively high-salaried individuals are working toward their business goal, expecting better returns from and more control over business income.

8. One reason that salaried persons said they prefer to establish and expand a business of their own is to in effect make an investment in social equity. There is very little trust in the employment environment, even among those with high-level education and salaries. Owning one's own business not only adds to the ongoing family economic status and provides insurance against economic downturn and unemployment, but it buys social equity by providing employment opportunities and experience to one's own family and those that the extended rural family sends to one's care.

VI. Constraints to Growth and Success

A. The more successful clients become the more pressure they feel to share and distribute their money, and they often dip into gross revenues to do so. This, of course, then becomes a constraint on further growth.

B. For women, there are other, more concrete socioeconomic issues blocking their ability to grow businesses beyond the micro-enterprise level, only one of which is increased pressure on her time and money within her household, mostly related to her primary care of children. ANNEX D (WID) to the SBD Project Document discusses these special constraints, and the 1989 LAI study by Thoko Ginindza confirms them. A short discussion of marriage rights under the various structures available in Swaziland can be found in that study and during this evaluation the socioeconomic consultant's own conversations with women business-owners reinforced the fact that, aside from allowing polygyny (see below), marriage by customary law can protect a married woman's individual property rights in some respects better than the modern, monogamous Roman Dutch Law, in intent and actuality

C. Establishing and expanding a business of one's own involves considerable time as well as financial resources for everyone, regardless of gender, age or geographic location. But since in Swaziland women have limited access to land use, the range of businesses they want to pursue are more restricted than for men.

D. One way to expand a business under financial and time constraints is to take a business partner. GTC's clients include several such partnerships, each taking advantage of the financial and training resources which the SBD Project has provided.

E. Interviews revealed that men rarely go into business with other men. No examples are evident of co-ownership or partnerships among ethnic Swazi men in SBGT's client base. However, many male clients have built businesses with their wives, formally by registration or informally by designating her as "manageress", where the business is intended for her benefit.

F. Traditional multi-women homesteads promote(d) the working relationships among related women which often result in trust between certain of them and which are reflected in the commercial partnerships which have continued in the modern urban setting, and are also a significant part of the interview/questionnaire population. Women frequently (having worked together domestically and commercially) see business partnering as a means to each others' individual success, and look to other women as mentors from whom to learn.

VII. Analysis of Data for Suggestions for EOP planning

A. A socioeconomic review of the strengths and weaknesses of overall program.

1. Until now, the SBD Project and SBGT/GTC program has been required by specifications to include women (30% minimum). However, documented experience of SBGT/GTC (reports disaggregated for gender), as well as the feedback from client interviews/questionnaires shows clearly that women-owned businesses present in themselves the potential to be a very large market for an SBGT/GTC, one that could well be specifically targeted.

2. There has been a steady increase in both numbers and percentages of women taking the first steps for credit approval. While the whole of 1993 yielded 114 (out of 344), January and February of 1994 saw 34 (out of 75) who became SBGT clients and began the loan application process. The staff who process these new clients report that the dropout rate is about 3 out of 10 overall. By contrast, the dropout rate of last year was close to 3 out of 4, and for the first 2 months of 1994 had reduced to 2 out of 3. However, men dropped out at the rate of nearly 5 out of 6 in 1993 and also by 2/94.

3. The value of women-owned businesses as a potential market is confirmed by the number of women with serious business horizons who stick with the process to have their loans approved: in 1993, while one third of all loan requests were women (114 women:230 men), loan approval was granted at the ratio of 45:40 and by February 1994 had risen to 15:7. Moreover, desire for success is also shown by the 75% repeat loan rate of women borrowers coupled with a zero (0)% default rate as of February 23, 1994. (The low rate of 5% default overall is entirely attributable so far to men borrowers.)

4. It may be that the requirements of Class A lending (the only product offered until November 1993), which start a borrower at a very modest level, is too limited a horizon for some men-owned Swazi businesses. Class B lending, which can offer larger amounts from the beginning, may be the loan choice of more men than women, if they have more and larger established businesses and sufficient collateral. Class B lending is now increasing and the experience of the application process and repayment history will better inform this discussion.

5. Nevertheless, there are problems special to women (reviewed in Annexes D, E and F of the Project Document), which they may or may not have learned to overcome, and SBGT could increase both the rate of business clientship and successful application of services by planning training and financial programs to also fit women's special needs. Concentrating on offering women products and services which result in assets they can easily control, i. e., any liquid assets (movables), would greatly increase their interest in SBGT/GTC programs and serve their short and long term interests as beneficiaries. This concentration need not and would not exclude men. In fact, it would strengthen the overall program in both its profitability and developmental sensibility This would not only serve developmental interest in SBGT/GTC programs, but capture an identifiably large market.

6. The fact that at this moment there seems to be little competition for this market should not result in the neglect of attention to it, but should show it as an almost empty market niche opportunity. In short, special planning for helping women entrepreneurs to expand their businesses would be good business for SBGT/GTC.

7. By offering increased loan and training products to clients who have moved through Class A loan process (now 2:1 women) SBGT/GTC could significantly reduce its risk exposure. Women-owned businesses in Swaziland should not then be seen only as percentages to meet in order to make a program "socioeconomically responsible", but as a low risk, potentially high-profit market to capture.

8. There is a very significant age concentration in SBGT's database on clients in their middle years. Some of them may be retired from salaried positions and wish to continue providing for their extended families. If they have invested well in both financial and social equity, they will

have a better chance to grow. Older people in Swaziland, as elsewhere in Africa, have more status and can command greater resources, especially in rural areas. That they see SBGT/GTC as a way to maximize their positions confirms the overall strengths of the program.

B. Adjustments to Project implementation

1. Greater attention should be paid to solving problems peculiar to seasonal businesses. The Class A loan process could be rescheduled to better fit the real calendar constraints of businesses serving the education (school) sector and at least those traders and wholesalers relying on tourist trade. Several clients have expressed their concerns about this need for new scheduling, especially now when they are in a slump, but the new season is just ahead and they must stock up for it. Moving these businesses into Class B lending may solve their immediate problems, but one reason they are growing is because they have received Class A training and graduated lending.

2. As it moves into a new lending phase, SBGT should now begin to assess businesses which apply for loans on the basis of marketability of products (existence of a market niche) and other growth potential indicators, even identifying several "favored" sectors as the Sustainability Plan has already evidenced. I suggest as a start, certain sectors which are already client favorites, identifying them as market niches and assessing businesses which can move into them.

3. Growth potential includes at least some of the following services:

identity of market niche and share
marketable product - quality control and capacity for on- time delivery
ability to delegate more tasks of ownership and to manage time
control of assets, cash flow and losses
availability of employment pool
organization of production for sales increase
ability to form and work within business relationships, among which are partnerships, networks (old boy/girl)

4. Responding to client feedback, explicit and implicit, the following client needs have been demonstrated:

a) As noted above, clients asked most often for newer repayment schedules, and this may be due in part by their lack of pricing skills and ability to increase net profit by enlarging their cost/sales margin. Following are the consultant's suggestions for SBGT training workshops or formal courses addressing these needs:

1) Pricing - how to be a buyer as well as a seller
Suggested title - "Know Your own Buying Power"

2) Margin Planning - "How to increase Your Gross Profit"

3) Surviving Seasonal Changes - "Money Management for Seasonal Businesses"

b) The courses requested most often by clients included:

1) Capturing New Markets or Increasing Existing Market Share

2) Marketing Services - more contact workshops, as in the CAP model.

3) Special Courses in siSwati

4) Business Planning for Women - increase work with BWAS.

VIII. Comments on Sustainability Plan Impact

A. The plan to extend SBGT/GTC services geographically will help to capture a larger market both for itself and for its clients. While much of the rural area is depressed and microenterprises abound, there is a real possibility for growth in certain sectors such as education, health, transport and horticulture. The inclusion of rural people who are already establishing themselves in these sectors would enhance the Project. However, logistical difficulties which already exist between the two SBGT offices and the importance for staff with real authority delegated to them in faraway places could present problems in implementing this plan.

B. SBGT/GTC must attract larger-sized businesses as clients to sustain itself as an independent enterprise and to compliment the growing success of the existing program. The Sustainability Plan has several loan products and business services on its agenda to go after this market sector:

1. Equipment Loans

With the exception of hawkers and peddlers, all types of SBGT/GTC client businesses will eventually need new or larger equipment, and many of them include this in their short term as well as long term business goals in interviews and questionnaires. These loans are not only socioeconomically inclusive by gender, size and type of business, but also will attract clients who are beyond the level of Class A and probably Class B lending. Thus GTC could capture a market heretofore uninterested in its products and SBGT can design more Business Advisory Courses and Workshops (such as salesmanship, Dale Carnegie courses, Advertising Workshops) which would appeal to many who had not been aware of its programs.

2. Invoice Loans

Invoice finance, like equipment financing, is a low-risk program to attract medium-sized businesses. It is at present used in some cases of getting struggling Class A and B businesses over an order hump where assurance against default is needed.

3. Working Capital Loans

Working Capital Loans, unless they would be in larger amounts, does not seem to me to be essentially different than Class A/B loans. Are they being developed to replace Class A/B?

4. Training and Business Advisory Services

5. Marketing and Marketing Services

S&MB Business Consulting and Business Profile Training could be offered to established financing institutions. This is already occurring in Manzini. In addition, Business Consulting could develop a Road Show for S&MB funding institutions and enterprise funds.

6. In addition, in an effort to cover the high costs of offering continuing low and mid-level services to more clients, GTC proposes to offer Housing Acquisition and Improvement Loans (HAIL). Just as the SBD Project targets established small businesses -the struggling low and middle strata of the Swazi business community - so the HAIL loan program targets those people who are employed at mid-salary level, who lack the collateral necessary for bank mortgaging. In this, it is a program which not only addresses the needs of a socioeconomically neglected market but also meets developmental imperatives. And it can provide the all-important financial underpinnings for an expanded SBGT program for which there is no (by client feedback) real alternative - small business growth.

7. The program can also support SBGT activities and other GTC products by creating the environment for expanded building supply companies, many of whom are already clients.

8. Caution is advised in assessing the true market for these loans. A one person-one house ratio is to be expected, with attention to the adverse possibility of speculation on the part of some investors.

9. The program should also be monitored for its possible exclusionary impact which would detract from its developmental appeal and also reduce its market - especially in the case of tracking women married with Community Property Rights (Roman Dutch) which could keep result in litigation with either a divorced husband or a deceased husband's family. It is unclear how the program would be reconciled with the inability of married women to own in their own right the nationland upon which might stand their houses.

10. With these caveats in mind, however, the HAIL program offers an opportunity for GTC to diversify its activities in a way which could have a very positive socioeconomic impact on the mid-level Swazi community at the same time as providing necessary cost-effective income to continue the SBD project goal.

11. Without the financial and training services of SBGT/GTC, small business owners who are established and desire to grow would be little in the way of viable alternatives. While there seems to be development agency interest in microenterprise support, the availability of resources for S&MBs in Swaziland is either lacking or severely restricted at present. Regarding this, the consultants note responses in interviews and questionnaires, where all but 5 owners answered the question: "If there were no SBGT, where would you go for money or training?" in the negative. One, with obvious tongue in cheek, responded "Try the Bank - which is a one in a million chance."

ATTACHMENT to
Socio-economic Impact Assessment

To assess the socioeconomic impact of the SBD project as well as to say something meaningful about the sustainability of SBGT/GTC, a relative proportions analysis was done on its entire recorded client database made available by the SBGT staff. From these proportions, an interview/questionnaire population was created which was both large enough and representative of the overall client population to assess project impact with some degree of meaningful conclusions possible. So-called "random sampling" was not appropriate in this case, since the overall client population is far too small, not homogeneous or controlled.

Time and logistical constraints prevented a sample of 10% of the overall client population. Based on what was possible in 10 working days, a pool of 40 clients was selected for interviewing which reflected the database proportions as much as possible. In addition, within those proportions, clients were selected based on a range of characteristics - age, marital status, type of business and length of time in business. This small sample was augmented with questionnaires.

The following chart shows the conceptual framework from which clients were selected to be interviewed. Some of them required translation help in siSwati, and much help was given from both A.I.D. and SBGT staff. The framework is based on 30 subjects, with a reserve of 10 for logistical and time constraints:

15 MEN	15 WOMEN
5 training, no loan taken	5 training, no loan taken
5 single-shot loans:	3 single-shot loans:
4 small businesses	2 small businesses
2 med-large businesses	1 med-large business
3 repeat loans	6 repeat loans:
2 small businesses	4 small businesses
1 med-sized business	2 med-sized businesses
1-3 repayment problems	1-3 dropouts

To this sample, another 220 questionnaires were added, (60 credit clients and 160 training clients who have not taken loans), and these were delivered in both English and siSwati.

SBGT staff helped in translating, phoning for rendezvous with clients, providing transport and searching for premises (for which they alone had directions), delivering and handing out questionnaires and providing files requested for comparative analysis. However, SBGT/GTC staff are kept fully busy with normal, ongoing business duties, many clients have no telephone, were in both Manzini and its rural areas and Mbabane, asked for postponement, and some handed back questionnaires with no business name or client number so that they were useless for comparative analysis. Two questionnaires were returned too late for this report.

V. FINANCIAL SUSTAINABILITY

A. Financial Sustainability and SBGT/GTC

1. The initial Project Paper bases the concept of sustainability for the Project on both earnings from charges for services and income from donors or endowments. The Project Paper states. inter alia, that the project design does not forecast that the Trust will reach sustainability through earnings only. Given the important developmental nature of the project (ie: the creation of a small business funding program together with the provision of small business planning, advisory, training and other technical assistance, as well as the establishment of linkages between other small and large business firms), the consultants agree with the position of the Project Paper that sustainability of the Trust must be based in part on the concept of an endowment and/or other forms of continuing financial support..

2. Prior to addressing the important aspect of financial sustainability, the consultants note that sustainability of an institution is also based upon its institutional operational foundation and the continuation of sound management. The consultants have concluded that the current SBGT and GTC legal and tax structures provide a sound and effective institutional operational foundation for sustained operations and growth. The section of this report entitled "Project's Strengths and Weaknesses" addresses the consultants' concerns regarding the continuation of sound management in terms of continued expatriate involvement, the need for on-going technical assistance for the Project, and attracting regional and Swazi management. It suffices here to say that both the Contractor and USAID share this concern and have assigned the highest priority to establishing a program to insure the development of local management and the continuation of management continuity in the Project. Given the commitment of both USAID and the Contractor, the consultants are confident that appropriate outside management and technical assistance will continue to be provided to the Project and that sound Swazi and regional management will be recruited for the Project. Accordingly, the issue of management development and continuity is not expected to jeopardize the sustainability of the Project.

3. The key to "sustainability," then, is to provide financial sustainability in the form of an endowment of sufficient size that the annual income from this endowment, plus the fee and interest income generated by the Project, will guarantee the continuation of the developmentally sound activities of the Project's operations.

4. SBGT (taken in its entirety to include the SBGT Trust and its wholly-owned subsidiary, GTC) successfully passes the two tests of the Helsinki Arrangement of February 1992, with respect to non-financial viability and aid eligibility. These two tests concern:

a. Whether the project lacks capacity, with appropriate pricing determined on market principles, to generate cash flow sufficient to cover the project's operating costs and to service the capital employed.

b. Whether it is reasonable to conclude that it is unlikely that the Project in its entirety can be financed on market terms (or on stipulated market terms).

5. Specific additional precision has been provided to these tests by the introduction of the concepts of the Net Present Value (NPV) of a project's cash flows, the weighted cost percentage of all capital employed, and/or the financial internal rate of return on a project (for further details, see Arie Beenhakker and Michael L. Unger, "The Current Helsinki Arrangement," in Multinational Business Review, Volume II, Number 1, Spring 1994).

B. Sustainability in Terms of Net Present Value

1. General "financial sustainability" of a developmentally sound project can be defined as follows: a developmentally sound project is financially sustainable if, when additional financing is secured, the net present value (NPV) of the cash flows generated by the project during its planned period equals zero.

2. The implication of this definition is that without the additional financing, the project is not financially viable. The consultants have analyzed the financial accounts of the SBGT Project as a whole and of its two component parts, as well as a variety of projections of possible future financial performances, and have concluded that the SBGT Project taken in its entirety is not financially viable without financial assistance and that the Project is eligible for donor aid and endowment assistance, because of its sound developmental nature.

3. Consequently, the remaining task to attain financial sustainability for SBGT is to secure additional financing, sufficient to result in a zero NPV of cash flows during the projected planning period of the Project. The optimal manner in which to secure additional financing for the Project to attain a zero NPV of projected cash flows is to arrive at a size of an endowment for the Project that will generate a return sufficient to render the projected NPV equal to zero, rather than a negative amount.

C. The Use of an Endowment to Provide Additional Financing

1. The use of a trust endowment to provide additional financing in order to insure financial sustainability is recommended for the following reasons:

a. The establishment of a trust endowment in the United States, with the income proceeds to be paid to and used by SBGT in Swaziland, is fully permitted under U.S.laws and is authorized under USAID procedures. As an entity established and operating off-shore from Swaziland, its only legal connection with Swaziland will be the income payments made to SBGT and thus the trust endowment's existence and operations would be separate from and free of Swazi laws or regulations.

b. An endowment does not require the extent of repetitive analysis, justification, paperwork, and other logistics associated with periodic funding.

c. The endowment provides the financial, continuing security necessary to attract directors, management and staff.

d. The additional financing can be protected against the anticipated devaluation of the lilangeni through offshore trust status and hard currency investments.

e. Foreign exchange risk will be minimized, because the required size of the endowment is based upon the net present value concept and hence requires use of the current exchange rate only.

f. The existence of the endowment can be used as a leveraging device, encouraging other donors and the indigenous private sector to make contributions as well.

2. Given this general definition of the financial sustainability of a developmentally sound project and the significant advantages of the endowment method for providing additional finance, a specific definition of financial sustainability for the Project can be stated as follows: The SBGT Project will be financially sustainable if a sufficiently large endowment can be secured to attain a zero NPV of cash flows during the projected planning period of the Project. This definition means that the return on the investment of endowed funds must be large enough to render SBGT's projected cash flows zero. Given this specific definition, the next task at hand is to arrive at a logical, interconsistent model to compute both the NPV of the Project's projected cash flows and the size of the endowment necessary to result in a zero NPV.

D. Rational of the Model to Compute the NPV of the SBGT Project's Cash Flows and the Size of the Required Endowment.

The model to compute the NPV of the Project's projected cash flows and the optimal size of the endowment required to render the Project financially sustainable is based on the following rationale:

1. Net Cash Flows are defined as all cash inflows minus all cash outflows during stipulated time periods (usually the Project's fiscal years) and can be calculated by adding back non-cash charges, such as depreciation, to net earnings (such non-cash charges are added back because, though they are considered an expense when calculating accrued net earnings, they do not constitute actual cash outflows).

2. The projected cash inflows for the entire Project, including both the SBGT Trust and its wholly-owned subsidiary, Growth Trust Corporation (GTC), are defined as revenues less all costs, plus non-cash charges. Revenues for the SBGT Trust and GTC are interest on loans made to clients and income from fees for services to independent clients or to clients who are also receiving loans. This means that ultimately the entire Project's projected cash inflows are determined largely by the projections of the different types of loans provided to clients. Hence, it is important to commence the forecasting effort with the projection of GTC's loan accounts in the GTC (alone) balance sheet. The model used to compute the NPV of the cash flows, under varying assumptions of future financial performance, thus begins with the projection of the pro forma balance sheets of SBGT and GTC alone and of the consolidated entity, throughout the planning period.

3. The entire Project's cash outflows for the costs of capital and for operational expenses are, directly or indirectly, also related to the overall volumes of the different loans made by GTC to its clients. The model varies assumptions as to the expected growth in these loan volumes in order to present varied sensitivity analyses.

4. The relationship between the cash flows and the various balance sheet items (especially the loan volumes), as well as the relationship of the cash outflows and the balance sheet items, are determined by a combination of historical experience and/or the experience of management and other professionals involved in the forecasting effort. Given the relatively short time span since SBGT was established, the relationships assumed to exist were determined primarily by senior management and the consultants.

5. Given the foregoing, the forecasting model commences with pro forma balance sheets, then proceeds with the derivation, form the balance sheet items and the revenue and expenses assumptions, of a pro forma income statement. The model then computes projected net cash flows (ie: cash inflows minus cash outflows). The consultants selected a planning period of seven years to arrive at the various projections, because this time span is generally recommended for forecasting purposes of Enterprise Funds in Eastern and Central Europe, and because a planning horizon longer than seven years tends to result in questionable forecasts for the more distant years. Furthermore, the net present value of cash flows expected in the more distant years of a lengthy planning period tend to be small.

6. Management projects, and the consultants agree, that in the most likely forecast assumptions, the operations of GTC on a stand alone basis will become cash positive, and then profitable (and thus financially viable and sustainable) within a matter of two or three years, depending on the underlying assumptions used in the forecast. Since it is determined that the projected cash flows of GTC render it financially viable without an endowment, then the analysis concentrates on computing the NPV of the cash flows of the SBGT Trust alone in order to arrive at the size of the required endowment. This approach is justified, assuming that:

a. GTC must devote all or most of its positive net cash flows during the years of the planning period to insure its own financial well-being, its ability to grow, and its continuing sustainability. Both management and the consultants make this assumption based on sound business practices and prudent financial management.

b. SBGT alone will not attain positive cash flows during the planning period (due to cost/revenue structures inherent in the labor-intensive provision of advisory services and technical assistance).

7. The NPV of the Project's net cash flows is computed by applying the average cost of capital as the discount rate. The negative NPV of SBGT alone thus obtained is expressed in emilangeni because all the interconsistent financial projections used in the model are derived in emilangeni. The advantage of working with the NPV or concept of present value is that one only needs the present exchange rate to compute the dollar equivalent of the NPV.

8. Given a forecast of the expected rate of return on the investment of the endowed funds, one can compute the size of the endowment necessary to render a zero NPV and, hence, the financial sustainability of the Project. This observation is valid because:

a. To arrive at a zero NPV, one must have a positive NPV equal to the derived negative NPV; and

b. The expected rate of return on the investment of the endowed funds applied to an endowment size "X" must render the computed positive NPV needed to attain the aforementioned zero NPV. This relationship implies one equation with one unknown, and thus the required endowment size "X" can be computed.

9. Over a period of time, the successful clients of the Project can only remain successful and expand if equity capital is provided to them as well. There will be point in time where these clients' needs and the furtherance of the Project's goal and objective will require that the Project provide equity capital to existing clients. In addition, some of these clients will have grown to the stage where they can successfully turn to the commercial banking system for debt finance. In this regard, it might be useful to introduce USAID's Loan Guarantee Program to Swaziland's commercial banks to induce them to provide loans to these developing small businesses.

10. Although the introduction of equity funding by the Project is planned on a preliminary, pilot basis under the existing structure, a longer term, full program of equity investments will require a separate legal vehicle, similar to the subsidiary status of GTC. As a subsidiary of SBGT, this would mean an additional set of negative cash flows in the early years of the equity investment program (the forecasting model does assume modest equity investment activity, but also assumes separate, independent funding - thus preventing additional negative cash flows from the equity activity from showing up in the model). Consequently, a larger endowment (and/or other source of funding) would be required to render the entire Project -the SBGT Trust, GTC and the equity subsidiary - financially sustainable.

Details of the model and its varying assumptions are found in the Sensitivity Analyses included in this report.

E. Suitability for an Enterprise Fund

The consultants recommend that the SBGT Trust itself become a separate Enterprise Fund or, depending on the forthcoming legislation, that it be considered a separate program under the umbrella of a Regional Enterprise Fund in Southern Africa. As a non-profit Trust, SBGT is the only appropriate vehicle to be either the recipient of an Enterprise Fund's support, or to be structured as an enterprise fund itself. Determination of the exact endowment trust structure must be made according to established USAID administration and the expected new legislation.

SBGT's special suitability for Enterprise Fund consideration is based on the following observations:

1. The purpose of an Enterprise Fund is to assist the private sector, including in particular small enterprises, through loans, equity investments, technical assistance, training and other measures. SBGT's business activities and advisory services serve in each of these targeted areas.

2. An Enterprise Fund is expected to invest in sustainable and developmentally sound enterprises in imperfect markets. SBGT's circumstances fit these definitions exactly.

3. Necessary pre-conditions must prevail for the successful establishment of an Enterprise Fund: an enabling environment of governmental regulations and legal system, a potential for

development of the end-user clients, the identification of specific areas for improvement in the funded client's operations, and the feasibility of a disinvestment (exit) strategy in the case of equity funding. All of these criteria are met in the case of SBGT.

4. SBGT itself has the usual characteristics of an Enterprise Fund: it has no shareholders, it does not pay dividends, the technical assistance services offered are not free of charge, the Board of Directors could be subject on;y to the conditions of the agreement establishing the Enterprise Fund.

5. SBGT has the potential to mobilize additional foreign and local investment capital (the retained earnings being created within clients' operations also constitute additional local investment capital). SBGT's successful performance to date has already attracted loan capital availability and presents the potential for additional loan and donor or equity capital.

6. As is expected from an Enterprise Fund, SBGT and the business clients it is helping to grow have created additional employment and wealth creation in Swaziland's small business sector and they continue to do so at an increasing rate.

7. Suitability for an Enterprise Fund also requires flexibility in implementing projected activities, depending on the availability of funding and in particular of endowment funding. This flexibility must include the timing and scale of planned business activities and other programs. SBGT does offer this flexibility - for example, the provision of equity capital could commence in the near future or be postponed until a few years from now. Similarly, equity funding of clients could begin on a small, pilot program in the near future or, again depending on funding and technical assistance availability, it could be launched on a larger scale.

VI. RECOMMENDED SIZES FOR ENDOWMENTS UNDER THE ENTERPRISE FUND

Once the NPV has been calculated, the size of the endowment needed can be computed. That is, the size of the endowment should be sufficient to fund the negative net cash flows during the planning period. Specifically, this means that the return on the endowment should be just enough to render the negative NPV equal to zero. This latter statement is based upon the proper assumption that the size of the endowment at the beginning of the planning period should be equal to the size of the endowment at the end of the planning period. This assumption does not mean that the size of the endowment cannot change during the planning period; in fact, this flexibility of size of the endowment during the planning period is desirable, because forecasts of cash inflows and cash outflows change from time to time during the planning period.

These observations mean mathematically that the required size of the endowment involves the following computations:

$$\sum_{t=1}^{n} \frac{C_t}{(1+k)^t} = NPV$$

$$\bar{C}_t \, (PVFA, n) = NPV$$

$$\bar{C}_t = NPV / (PVFA, n)$$

The size of the endowment is then computed as follows:

$$E = \frac{\bar{C}_t}{r}$$

WHERE:

n = the number of years in the planning period

t = index for the year of the planning period

C = size of the annual net cash flow

k = average cost of capital of the business entity, used as the discount rate to compute the NPV

NPV = Net Present Value

$\bar{C}$ = the average annual net cash flow during the planning period

PVFA = present value factor for the annuity

E = the size of the endowment

r = the average annual rate of return on the investment of the endowment

Use of the foregoing formulae to compute the size of the required endowment for SBGT's possible negative NPV's (as projected by application of the three separate sensitivity analyses, each using different revenue and cost assumptions) with a planning period of seven years in each analysis and under different assumed rates of return on the investment of the endowment (r), leads to the following sizes of endowment:

1. For Sensitivity Analysis #1 (File SBNPV6.WK3), with a negative NPV of $2,044,145 and a planning period of seven years, for:

r = 6%: the required size of the endowment is $8,435,033;

r = 7%: the required size of the endowment is $7,230,029; and

r = 8%: the required size of the endowment is $6,326,275.

2. For Sensitivity Analysis #2 (File SBNPV7.WK3), with a negative NPV of $2,117,234 and a planning period of seven years, for

r = 6%: the required size of the endowment is $8,736,633;

r = 7%: the required size of the endowment is $7,488,543; and

r = 8%: the required size of the endowment is $6,552,475.

3. For Sensitivity Analysis #3 (File SBNPV8.WK3), with a negative NPV of $2,376,518 and a planning period of seven years, for

r = 6%: the required size of the endowment is $9,806,550;

r = 7%: the required size of the endowment is $8,405,614; and

r = 8%: the required size of the endowment is $7,354,912.

Given the foregoing sensitivity analyses' results, and incorporating current forecasts of interest rates, as well as current forecasts of portfolio investment rates of return, the consultants recommend an endowment of $7,500,000.

VII. PROJECTED FINANCIAL PERFORMANCE FOR THE PROJECT

Sensitivity Analyses
with
Cash Flow, Net Present Values and Endowment Sizes Forecasts

FINANCIAL PROJECTIONS

Each Sensitivity Run includes the cash flow and NPV results and a summary of key assumptions, as well as the endowment size calculations. The revenue and cost assumptions and changes made are as follows:

	Sept 94 Growth	Sept 95 Growth	Sept 96 Growth		Sept 97 Growth		Sept 98 Growth	
	Rev + Cost	Rev + Cost	Rev	Cost	Rev	Cost	Rev	Cost
#1	10	15	25	10	20	10	20	10
#2	10	15	25	10	20	10	20	10
#3	10	15	20	5	20	15	20	15

	Sept 99 Growth		Sept 2000 Growth		Sept 2001 Growth		Indicated NPV (all negative)
	Rev	Cost	Rev	Cost	Rev	Cost	
#1	20	10	20	10	20	10	(2,044,145)
#2	10	10	10	10	10	10	(2,117,234)
#3	10	10	10	10	10	10	(2,376,518)

These assumptions are realistic as to revenue (given the low base and the credible significant increases forecast as a result of the HAIL loans) and the cost burdens have been increased to test assumptions and sensitivity, as indicated. The changes are modest for two reasons: 1) the explanations of the assumptions by management are basically reliable , and 2) the modest changes reveal the model's sensitivity to revenue/cost changes and relationships, which are the key assumptions in a service-based activity.

The Lotus model developed for these sensitivity analyses is detailed in the attached computer disc, including summaries of assumptions and all cell formulas for calculations used.

GENERAL ASSUMPTIONS

1. The January 1994 accounts are historical, as constructed in accrual accounting form by management and the consultants.

2. The Jan - Sept 94 and the Sept 94 - Sept 95 accounts are derived from special, detailed schedules prepared by management. The changes in accounts have been projected according to management's and the consultants' best estimates of business growth, interest rates, and fees earned. These changes appear in the Sensitivity Analyses as "Movements" between the Jan 94, Sept 94 and Sept 95 reporting dates.

3. As a matter of business and financial prudence, GTC will have to devote most if not all of its cash generated in the next several years to building its own equity and thus on-going financial viability (eg: "sustainability"). As a result, the NPV analysis is applied to the cash flows of SBGT alone. As the cash flows indicate, the cash flow deficits all occur in SBGT. It is the most accurate measure of the level of actual support needed.

4. According to the projections, GTC's cash flow turns positive in 1995, and it then turns profitable (as opposed to cash positive) in 1996. This is the core self-sustaining financial operation in the project. In order for it to be viable, and remain viable whil continuing to grow, the cash generated will have to be largely if not wholly reinvested in GTC's business for the foreseeable future. Certainly until such time as fundamental, on-going sustainability can be assured; then surplus cash generated might be used to partially subsidize SBGT's programs. Until then, endowment support is required.

5. Key balance sheet items (especially loan volumes) are forecast based upon recent experience and management's assessment of growth potentials. Income Statement items (especially revenue and cost growth rates) are also based upon recent experience and assessments of market demand by loan categories. Growth rates, interest rate, and fees assumptions are reflected in the projected amounts and in the Lotus formulas. Key working assumptions for all sensitivity analyses include:

- Interest rate earned of 33% on the following loan categories: HAIL 180, HAIL Plus, Class A, Working Capital, Equipment Loans and Invoice Financing.

- Interest rate earned of 24% on Franchise Loans.

- Cost of Borrowing of 10%.

- Net fees earned of 2.5% on HAIL 180, HAIL Plus, and Franchise Loans. Net fees earned of 5.0% on Class A Working Capital, Equipment Loans and Invoice Financing.

6. Key growth rate assumptions in each of the sensitivity analyses are detailed in the cover sheets to the hard copy annexes to this report and are included in the computer model printout.

SENSITIVITY ANALYSIS #1

FILE: SBNPV6.WK3

NPV CALCULATION (SBGT Alone): ($2,044,145)

DISCOUNT RATE: 16%

ENDOWMENT SIZE CALCULATIONS:

For Sensitivity Analysis #1 (File SBNPV6.WK3), with a negative NPV of $2,044,145 and a planning period of seven years, for:

r = 6%: the required size of the endowment is $8,435,033;

r = 7%: the required size of the endowment is $7,230,029; and

r = 8%: the required size of the endowment is $6,326,275.

Key Assumptions

1. GTC introduces equity investments in 1995 and 1996 at 10% of loans. These equity investments then grow at a conservative 5% per annum (see "Equity Investments" just above Total Assets). The investments are funded by a "Special Equity Funding" account (see just below Current Liabilities and just above Total Liabilities). This funding is forecast to come from the Enterprise Fund or another source. It is entered in the model now without cost. We should add some cost element in the interest expense accounts. The model includes no revenue from these investments.

2. To be conservative, and to address the strong opinion of many people, the costs of continuing expat management as it now exists is included through the end of 1998. As with the equity funding, however, this expense is funded with a separate account which assumes outside funding (see "Special Technical Assistance Funds" in the Revenue accounts of both SBGT and GTC).

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Revenue and Cost Assumptions

Sensitivity Analysis #1
SBNPV6.WK3

Percentage Annual Increases

Sept 94 Growth	Sept 95 Growth	Sept 96 Growth		Sept 97 Growth		Sept 98 Growth	
Rev + Cost	Rev + Cost	Rev	Cost	Rev	Cost	Rev	Cost
10	15	25	10	20	10	20	10

Sept 99 Growth		Sept 2000 Growth		Sept 2001 Growth		Indicated NPV (all negative)
Rev	Cost	Rev	Cost	Rev	Cost	
20	10	20	10	20	10	2,044,145

SENSITIVITY ANALYSIS #2

FILE: SBNPV7.WK3

NPV CALCULATION (SBGT Alone): ($2,117,234)

DISCOUNT RATE: 16%

ENDOWMENT SIZE CALCULATIONS:

For Sensitivity Analysis #2 (File SBNPV7.WK3), with a negative NPV of $2,117,234 and a planning period of seven years, for

r = 6%: the required size of the endowment is $8,736,633;

r = 7%: the required size of the endowment is $7,488,543; and

r = 8%: the required size of the endowment is $6,552,475.

Key Assumptions

1. GTC introduces equity investments in 1995 and 1996 at 10% of loans. These equity investments then grow at a conservative 5% per annum (see "Equity Investments" just above Total Assets). The investments are funded by a "Special Equity Funding" account (see just below Current Liabilities and just above Total Liabilities). This funding is forecast to come from the Enterprise Fund or another source. It is entered in the model now without cost. We should add some cost element in the interest expense accounts. The model includes no revenue from these investments.

2. To be conservative, and to address the strong opinion of many people, the costs of continuing expat management as it now exists is included through the end of 1998. As with the equity funding, however, this expense is funded with a separate account which assumes outside funding (see "Special Technical Assistance Funds" in the Revenue accounts of both SBGT and GTC).

Sensitivity Analysis #2
SBNPV7.WK3

Percentage Annual Increases

Sept 94 Growth	Sept 95 Growth	Sept 96 Growth		Sept 97 Growth		Sept 98 Growth	
Rev + Cost	Rev + Cost	Rev	Cost	Rev	Cost	Rev	Cost
10	15	25	10	20	10	20	10

Sept 99 Growth		Sept 2000 Growth		Sept 2001 Growth		Indicated NPV (negative)
Rev	Cost	Rev	Cost	Rev	Cost	
10	10	10	10	10	10	2,117,234

SENSITIVITY ANALYSIS #3

FILE: SBNPV8.WK3

NPV CALCULATION (SBGT Alone): ($2,376,518)

DISCOUNT RATE: 16%

ENDOWMENT SIZE CALCULATIONS:

For Sensitivity Analysis #3 (File SBNPV8.WK3), with a negative NPV of $2,376,518 and a planning period of seven years, for

r = 6%: the required size of the endowment is $9,806,550;

r = 7%: the required size of the endowment is $8,405,614; and

r = 8%: the required size of the endowment is $7,354,912.

Key Assumptions

1. GTC introduces equity investments in 1995 and 1996 at 10% of loans. These equity investments then grow at a conservative 5% per annum (see "Equity Investments" just above Total Assets). The investments are funded by a "Special Equity Funding" account (see just below Current Liabilities and just above Total Liabilities). This funding is forecast to come from the Enterprise Fund or another source. It is entered in the model now without cost. We should add some cost element in the interest expense accounts. The model includes no revenue from these investments.

2. To be conservative, and to address the strong opinion of many people, the costs of continuing expat management as it now exists is included through the end of 1998. As with the equity funding, however, this expense is funded with a separate account which assumes outside funding (see "Special Technical Assistance Funds" in the Revenue accounts of both SBGT and GTC).

Revenue and Cost Assumptions

Sensitivity Analysis #3
SBNPV8.WK3

Percentage Annual Increases

Sept 94 Growth	Sept 95 Growth	Sept 96 Growth		Sept 97 Growth		Sept 98 Growth	
Rev + Cost	Rev + Cost	Rev	Cost	Rev	Cost	Rev	Cost
10	15	20	15	20	15	20	15

Sept 99 Growth		Sept 2000 Growth		Sept 2001 Growth		Indicated NPV (negative)
Rev	Cost	Rev	Cost	Rev	Cost	
10	10	10	10	10	10	2,376,518

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Swazi Business Development Project
SCOPE OF WORK FOR MID-TERM EVALUATION

INSTITUTIONAL DEVELOPMENT SPECIALIST

1. This specialist will review project outputs as stated in the Project Paper/Cooperative Agreement/DAI Contract, and quantify progress made in achieving targets. He/she will review goal and purpose of SBD project and assess to what extent these are being realized. He/she shall assess assumptions made in the project design.

2. He/she will recommend adjustments to targets, assumptions, and approach to implementation, especially regarding institutional development and sustainability issues(financial, managerial, technical, broad development, etc.).

3. He/she will recommend whether USAID should seek to establish an endowment for the Trust to partially assist in its sustainability and how such an endowment would best be structured.

REPORT

A. Review the project outputs and quantify progress made in achieving outputs.

B. Review goal/purpose of the project and assess to what extent these assumptions have been achieved.

C. Make recommendations to project targets, assumptions, and approach to implementation, especially as it relates institutional development and sustainability issues.

D. Make a recommendation as to whether USAID should or should not establish an endowment for the trust. If it should be established how would it be structured.

Swazi Business Development Project
SCOPE OF WORK FOR MID TERM-TERM EVALUATION

FINANCIAL/CREDIT ANALYST/TEAM LEADER

1. This specialist will review the SBGT current loan program and portfolio, credit training component (for clients and staff), financial sustainability, and future plans and how these relate to project goals, objectives, and outputs. Currently, the Development Bank of Southern Africa is assisting the possibility of making a E10 million loan to SBGT for it's loan program.

2. He/she will assess the prospects for the Growth Trust Cooperation (GTC) to expand substantially (in terms of loan products and numbers of customers) in order to generate profits for other Trust services. SBGT is currently looking at the option of selling preferred shares in order to generate capital for on-lending. Included in SBGT's draft sustainability plan is the provision of loans for low cost housing and home improvement.

3. As Team Leader, he/she will direct the team and compile reports while maintaining liaison with the USAID Project Manager.

REPORT

A. Review the SBGT current loan program and portfolio; credit training component; financial sustainability; and future plans in regards project goals, objectives, and outputs.

B. Assess the prospects for the Growth Trust Corporation to expand substantially, in terms of loan products and numbers of customers, in order to generate profits for other Trust services.

The Financial/Credit Analyst/Team Leader will also be responsible for coordinating the preparation of the final report.

Swazi Business Development Project
SCOPE OF WORK FOR MID-TERM EVALUATION

SOCIO/ECONOMIC ANALYST

1. The specialist will review socio-economic, training, and gender aspects of the SBD project implementation to date and assess impact on beneficiaries, especially as relates to the growth and profitability of client businesses. He/she will also identify any impact concerns associated with SBGT's sustainability plan and any recommended changes in project activities. The specialist will recommend ways to ameliorate any potential negative impacts and identify ways to strengthen any positive impacts.

2. He/she will assess the project monitoring system designed to capture impact data and to verify the data generated, especially relating to MEMS and API, and recommend changes as needed.

REPORT

The Socio/Economic Analyst will be responsible for the section of the evaluation which pertains to the following:

A. Review socio-economic, training and gender aspects of the project in order to assess the impact on beneficiaries especially as it relates to the growth and profitability of client businesses.

B. Identify any impact concerns associated with SBGT's sustainability plan and any recommended changes in project activities. In addition the specialist will recommend ways to ameliorate any potential negative impacts and identify ways to strengthen any positive impacts.

C. Assess the project monitoring system designed to capture impact data and verify the data generated, especially relating to MEMS and API and recommend changes needed.