

LULOTE ACTION PLAN

FINAL REPORT

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EXECUTIVE SUMMARY

Following nine years of financial support from USAID, LULOTE (the acronym for Luhlelo Lolunotsisa Temabhizinisi and formerly BMEP) has established itself as a recognized provider of valued business training and advisory services to emerging Swazi entrepreneurs. With the termination of USAID funding on November 30, 1995, LULOTE faces a new series of challenges which it must overcome in order to continue delivering services.

The primary challenge is to complete the transformation from a single-donor funded project to an independent, sustainable organization. Meeting this challenge entails successfully accomplishing a number of critical tasks related to financial management in the very near future. These include:

- **Developing a proposal for the investment of funds received from the Ministry of Economic Planning.** These funds, obtained through an early fund-raising effort carried out by the Executive Director earlier this year, represent LULOTE's immediate base of financial support following termination of the USAID support. However, to date, there is no clear sense of how the funds (ostensibly an endowment) are to be invested or what the actual income streams will be for the organization. On behalf of the Board, the Finance Committee must work with Management and outside financial experts to come up with an appropriate investment plan, that balances risk against yield and conforms to any parameters that may be specified by the Ministry.
- **Clarifying the terms and conditions surrounding the grant from Ministry of Economic Planning.** These are the funds that LULOTE is counting on to sustain its operations beginning in the very near future -- they must be protected. It is crucial that LULOTE prepare and execute a Memorandum of Understanding with the Ministry, specifying proposed investment of the funds, usage of revenue, and repayment terms. In the absence of a formal agreement, registered with an outside party, LULOTE runs the risk of losing the funds due to political reshuffling, or of having unanticipated, unwanted requirements and restrictions imposed on use or repayment of funds at a later date. The Finance Committee must work with Management to draw up an MOU, submit it to the Ministry, and provided needed follow-up until a signed agreement is in hand.
- **Establishing adequate financial management and reporting systems to replace those used under the USAID agreement.** As an independent organization funded from a number of different sources, LULOTE will be responsible for prudently managing and reporting use of far larger sums of money than it controlled as a USAID project. To ensure efficient, responsible use of funds, a new set of systems and reports are urgently required. The Finance Committee must work with Management to task an outside accounting expert to design and install appropriate systems at the earliest possible date.

LULOTE also faces at least two key challenges related to its organizational structure: improving the efficiency and effectiveness of Board performance; and broadening the resources of Management, now and with a view towards the future. Specifically, as a high priority, the Board of LULOTE will need to do the following:

- **Task the Restructuring/Fund Raising Committee to reexamine and revise the Board's Constitution, composition, and internal operations a procedures.** It is critical for the Board to recognize that an intensive investment of time on its part will be indispensable for

successful establishment of LULOTE on its new, independent footing. Board direction and guidance at this juncture are not optional -- they are essential. If the Board members, individually and collectively, are unwilling and/or unable to commit the necessary time, they should seriously consider closing down the organization to avoid the embarrassments and loss of reputation likely to ensue from leaderless organizational drift.

- **Move immediately to strengthen management by approving creation of the position of Director of Technical Operations.** The individual recruited for this position can serve as an immediate asset to the Executive Director by assuming competent control of LULOTE's technical programs. At the same time, this individual should possess the requisite skills to move into the formal position of Deputy Director, with a view towards providing an eventual successor to the current Director of the organization. In terms of timing if not priority, this action should perhaps precede some of the previously mentioned steps, as prompt recruitment of an additional management resource will free up time for the Executive Director to work with the Board on the other urgent issues discussed above. The Board should approve creation of this position and task the Restructuring/Fund Raising Committee to work with the Executive Director on finalization of the position description and recruitment.

In addition to these challenges, LULOTE will need to undertake a number of additional adjustments to its internal systems, procedures, and products, with a view towards enhancing employee motivation and performance, improving operational efficiency, upgrading product quality, and extending services over a wider area. Details surrounding the completion of these activities are spelled out in the accompanying action plan.

The clear priority for LULOTE in the months ahead is to focus on establishment of sound internal management systems and procedures, rather than on additional fund raising and/or rapid expansion into new client or product markets. The implementation plan attached as Annex lays out the most important tasks that LULOTE's Board, Management, and staff should concentrate on in the six months ahead.

LULOTE SIX-MONTH IMPLEMENTATION PLAN

The first chart shows LULOTE's top priorities. These include steps which need to be taken immediately to secure required operational funds and administer them in a prudent, responsible manner. If commitment is not forthcoming to execute the required steps, the Board should seriously consider closing down the organization.

TOP PRIORITIES FOR LULOTE		
WHAT	WHO	WHEN
Develop proposal for investment of funds from Ministry of Economic planning, including clear indication of expected monthly yields	Finance Committee; Gamedze; Accounting Expert; FNB representative	by November 1, 1995
Draft MOU specifying terms and conditions for utilizing grant from Ministry of Economic Planning. Include proposed investment plan. Submit to Ministry.	Finance Committee; Gamedze	by November 15, 1995
Finalize TOR for local accounting firm to design and install financial management and reporting systems to replace those used under USAID grant.	Finance Committee; Gamedze	by November 1, 1995
Implement accountancy TOR, to include preparation of December reports and training of LULOTE Accountant	Local Accounting Firm	November, December.
Approve creation of deputy director/DTO position	Full Board	by November 1, 1995
Finalize position description for DTO	Gamedze	by October 31, 1995
Recruit and hire DTO with Board approval	Gamedze; Restructuring/ Fund Raising Committee	by January 1, 1995
Review and revise Board Constitution to facilitate effective, efficient Board contribution	Restructuring/ Fund Raising Committee	by December 1, 1995

ACTIVITIES RELATED TO INSTITUTIONAL DEVELOPMENT		
WHAT	WHO	WHEN
Finalize position description for Public Relations Officer	Sifiso; Gamedze	by November 15, 1995
Approve position of PRO	Restructuring/ Fund Raising Committee	by December 1, 1995
Begin phasing in PRO activities	Sifiso	December, 1995
Reach final decision on credit program	Full Board	by December 1, 1995
Develop TOR for accounting firm to take appropriate steps (presumably, for program phase-out)	Finance Committee; Gamedze	by December 15, 1995
Begin consultancy for phase-out of credit program	Accounting firm; Thuli	January 1, 1996
Re-deploy Credit Officer to either Training or BAS	Gamedze	February 1, 1996
Finalize position description for Program Assistant	Gamedze	by December 1, 1995
Approve position of Program Assistant	Admin/Personnel Committee	by December 15, 1995
Recruit and hire Program Assistant	Gamedze	by February 1, 1996
Review and revise all position descriptions to include responsibilities, reporting channels, performance indicators (DTO to do Training and BAS staff; Thuli to do support staff; Gamedze to do Accountant, DTO, and PRO)	DTO; Thuli; Gamedze	begin December 1, 1995, as possible; conclude by March 1, 1996
Develop and codify procedure for annual performance evaluation; submit for Board approval	Gamedze; Admin/Personnel Committee	February 1- 15, 1996
Have meeting with each staff member to review position description, establish individual performance targets	DTO; Thuli; Gamedze	Feb 15 - March 15, 1996
Review and revise LULOTE salary policy and structure	Admin/Personnel Committee; Gamedze	Feb 15 - March 1, 1996
Develop and codify LULOTE policy and procedures for incentive payments	Admin/Personnel Committee; Gamedze; DTO	March, April 1996
Draft LULOTE Personnel Manual	Gamedze	April 1 - 30, 1996

ACTIVITIES RELATED TO PRODUCT DEVELOPMENT/EXTERNAL RELATIONS		
WHAT	WHO	WHEN
Modularize remaining IBC training materials	Thandi	Nov 1, 1995 - Jan 31, 1996
Draw up list of prospective client organizations for contract training	Thandi, Sifiso	December 1995
Review and revise existing brochures	Sifiso	by December 15, 1995
Develop consistent pricing scheme for each training product	DTO, Thandi, Gamedze	Jan 15 - Feb 1, 1996
Develop consistent pricing scheme for business advisory services	DTO, Steven, Gamedze	Jan 15 Feb 1, 1996
Obtain board approval for training and BAS pricing schemes	Full Board	by Feb 15, 1996
Finalize EDA	DTO, Steven	by January 15, 1996
Introduce EDA into all existing and new advisory relationships	BDOs	Jan 15 - March 15, 1996
Review and revise client intake and data collection systems	DTO	Jan 15-Feb 1, 1996
Develop TOR for computer expert to refine CIS	DTO	by Feb 15, 1996
Refine CIS and train staff in its use	Computer expert; DTO; Program Assistant	Feb 15-March 15, 1996
Review and refine procedures for managing cash transactions	Accountant, DTO	Jan 15 - Feb 15, 1996
Compile profiles on prospective local, regional, and international donors	Sifiso	Dec 1, 1995 - March 1, 1996
Design and install Donor Information System	Sifiso, external computer expert	Feb 1- March 15, 1996

SECTION I - STRATEGIC PLAN

A. OVERVIEW OF LULOTE'S STRATEGIC PLANNING PROCESS

Over the last year, BMEP (now LULOTE) has engaged in several planning exercises intended to help the organization chart its course upon termination of the long-term support from USAID. As a result of these planning exercises, notably the final evaluation of BMEP carried out last August, and a strategic planning exercise carried out in April of this year, LULOTE has relaunched as an independent organization and has successfully obtained initial follow-on funding from the Ministry of Economic Planning. Important steps have also been taken in terms of staff restructuring and product development. However, despite these apparent steps forward, overall development of the organization has been sporadic and unfocused, impeded by the absence of a clearly defined and shared mission.

LULOTE has not been without a mission statement. In fact, several have been offered over the last few months. Based on the planning exercise carried out by the Swaziland Institute of Management and Public Administration in April, 1995, BMEP's mission was:

"to become a leading indigenous NGO that promotes small enterprise development for the benefit of all Swazi small scale business people."

A month later, in the grant proposal submitted to the Ministry of Economic Planning, BMEP's mission was:

"...to promote small enterprise development by providing trade and business skills training, individual business consultancy and financial assistance to persons who are mature, have job experience and skills, work for themselves and exhibit entrepreneurial traits and have the potential to grow."

Neither of the above mission statements has served as a guide for planning or decision making. The former does not carve out any unique niche for LULOTE, but is a generic statement that could serve as a mission statement for any number of organizations. The latter is really more of a summary of the services that LULOTE provides, rather than a statement about the organization's vision and aims. In the absence of a clear, guiding expression of its mission, LULOTE has been unable to implement a coherent plan of action, whether flowing from the final evaluation or some other rationale.

B. STRATEGIC THEMES

To arrive at a mission statement that serves as a guide for establishing policies and implementing systems and programs, the consulting team conducted a half-day strategic planning workshop attended by selected Board members, Management, and technical staff. The purpose of the planning exercise was to discuss several key strategic questions underlying LULOTE's operations and programs.

1. Who are LULOTE's main clients?

The list of possible clients, reflecting views offered by Board members, Management, and staff in

recent times, is illustrative:

- vocational school graduates
- start-ups
- people in the informal sector
- people involved in income generating activities
- unemployed individuals
- retrenched public sector workers
- small-scale entrepreneurs
- groups (rural and other)
- anyone who needs a service that LULOTE provides.

Looking at this list, it is not hard to understand why BMEP has been hampered in its efforts to chart a clear course. To begin making sense of this array of potential clients, the planning group attempted to identify which characteristics, if any, were shared by the above, that made them individuals LULOTE would want to serve. This proved to be a useful exercise, one that immediately gave rise to a high degree of consensus. From among the universe of individuals who could conceivably benefit from LULOTE's assistance, LULOTE wants to work with those who *need business skills* and who have an *entrepreneurial spirit*, evidenced by their drive to go into business and their willingness to commit their own time and resources to the endeavor.

2. How should LULOTE balance a businesslike approach against social concerns?

Overall there was little disagreement among members of the planning group that LULOTE should distance itself from its earlier image as an extension service, and demonstrate to those whom it assists the same businesslike characteristics that it recommends to aspiring entrepreneurs. There was also agreement that adopting businesslike practices, such as executing contracts with everyone receiving advisory services, and thinking of those served as clients rather than beneficiaries or participants, would also encourage greater efficiency and professionalism on the part of staff and clients alike. In accordance with LULOTE's mission, staff should be seeking to impart business skills through all services, rather than simply performing a given service for the client, with the aim of fostering independence and responsibility on the part of clients, rather than perpetuating dependency.

Fees were discussed as one of the concomitant factors of adopting a businesslike approach. The planning group noted that a well-administered fee policy can yield several benefits, namely:

- Serve as a test of clients' commitment;
- Ensure that services are valued;
- Confirm the relevance of the product or service to clients' needs, providing a valuable source of feedback to LULOTE technical staff; and
- Generate revenues that contribute to the financial sustainability of the organization.

A final point that emerged during this discussion was the importance of being able to measure accurately the actual costs of delivering particular services, in order to manage program efficiency, design an appropriate fee structure, and determine the level of additional support/subsidy to be met through donor funding.

3. What are LULOTE's core programs?

Little discussion was required to reach consensus on this point. Although a number of different products and services have been proposed over the years, ranging from advocacy to setting up bottle shops, there was no disagreement that the overriding focus of LULOTE's technical program is "business skills enhancement" -- which happens to be what "Luhlelo Lolunotsisa Temabhezini" or LULOTE means. LULOTE currently uses a number of mechanisms to enhance business skills, including several types of training courses and individualized business advisory services. While there was agreement that all of these existing products and services require further refinement, there was no sense that they should be replaced. (Note: it may be necessary to re-examine the current "Quick Fix" service in light of LULOTE's proposed mission, to see whether it is, in fact, consistent with the idea of developing business skills.)

Importantly, LULOTE's current credit program was not mentioned by a single person as being central to the organization's mission or services.

4. What are the respective roles of the Board and Management?

The discussion on this point centered more on internal development of the organization than on delivery of its products and services. There was recognition that part of LULOTE's mission must be to secure its own position and viability as a recognized provider of services, and that the Board has a critical role to play in ensuring this development. New functions arising with termination of the USAID relationship were highlighted, including the need for fund raising and for improved financial planning, management, and reporting. Although early indications are that immediate funding requirements have been met, the void to be left by the termination of USAID funding at the end of November underscores the importance of establishing new systems and reports to replace those that have been required by USAID. The Board must be very clear on its responsibilities and liabilities in this regard.

The issue of Board composition was also raised, as a way of ascertaining whether the current Board contains the right mix of individuals to build a viable organization and guide delivery of its particular services. There was recognition of the fact that, particularly at this critical stage in its organizational development, LULOTE would need a considerable investment of time on the part of its Board; and that, if Board members cannot make the necessary investment of time, then their expertise will be of limited value.

The issue of Board composition brought up the related issue of the Boards' Constitution. There was agreement that the LULOTE Board will need to reexamine its internal policies and operating procedures to ensure they have the flexibility they need to reconstitute the Board if/as necessary, and otherwise improve the efficiency of their operations and their interaction with Management.

Finally, there was recognition of the fact that, even with the Board shouldering increased responsibilities, current Management resources will not suffice to carry out all the tasks at hand.

C. **LULOTE'S MISSION STATEMENT**

By reaching consensus on issues underlying each of the above strategic questions and highlighting the implications of adopted positions, the team assisted the planning group to derive a new mission statement:

"To build a leading, independent, sustainable (businesslike, transparent, proactive) organization capable of developing the business skills of (indigenous) people with entrepreneurial spirit (throughout Swaziland)."

The mission statement rightly includes two components: one related to LULOTE's own organizational development, and one related to the need it is attempting to meet.

Clearly, the above is a 'working' mission statement, that remains to be finalized and adopted by LULOTE's assembled Board of Directors. Clauses in parentheses indicate points of deliberation that still must still reconciled, bearing in mind the implications of adding or subtracting particular words. For example, including the "throughout Swaziland" clause in the mission statement will create expectations on the part of entrepreneurs around the country, and indicates LULOTE's commitment to taking a proactive approach to expanded delivery of services. Omitting the clause does not necessarily restrict the organization from assisting emerging entrepreneurs nationwide, but suggests a more reactive, responsive approach.

Despite the need for further fine-tuning, the above mission statement serves as a definite point of departure for preparation of an institutional development plan, a marketing plan, and a financial plan, included as Sections II, III, and IV of this report.

D. OBJECTIVES

Two sets of objectives are associated with the two aspects of LULOTE's Mission Statement: objectives related to the development of LULOTE as a leading, independent, sustainable organization; and objectives related to delivery of services to LULOTE's target clientele.

1. Organizational Objectives

- A committed, dedicated Board of Directors, comprising individuals with expertise relevant to LULOTE's mission, providing the organization with ongoing policy guidance, fund raising assistance, financial oversight, and management review;
- A well-trained, well-motivated management and staff contributing their energies and ideas to the continued development and promotion of LULOTE products and services;
- Established rapport with a carefully selected mix of prospective and actual donors, providing LULOTE with a diversified source of funds and the financial base to engage in medium- and long-range planning;
- Linkages with a broad range of local, regional, and overseas organizations, including NGOs, PVOs, and private companies, for purposes of extending delivery of LULOTE services countrywide, obtaining technical assistance, information sharing, collaboration, directing and receiving referrals, co-sponsoring of events, and other mutually beneficial forms of exchange; and
- Effective systems for financial management and reporting; for monitoring client impact and staff performance; and for researching, tracking, and managing donor support.

2. Service Objectives

- High-quality training programs tailored to the needs of LULOTE clientele, delivered on a cost-efficient, for-fee basis throughout Swaziland;
- Individualized consulting services that contribute to the business skills development of LULOTE training course graduates and other emerging entrepreneurs, delivered on a cost-efficient, contractual, for-fee basis throughout Swaziland;
- Improved access to credit for LULOTE clients, through enhanced business skills and linkage through LULOTE to appropriate providers of financial services; and
- Verifiable improvements in the businesses of assisted entrepreneurs, in terms of increased sales, revenues, profits, capital assets and/or other indicators.

E. TARGETS

Under the USAID agreement, BMEP was presented with a set of operational targets that effectively guided the organization in determining where it should operate and how much it should try to accomplish. The USAID targets specified that services should be delivered within a 30 km radius around Manzini. Levels of anticipated service delivery were quite modest, and did not provide much impetus for improvements in product delivery and/or increased efficiency in operating procedures.

With the cessation of USAID funding, the USAID targets also cease to be relevant. As an independent organization with the mission (explicit or implicit) of developing the business skills of emerging entrepreneurs throughout Swaziland, LULOTE must develop its own targets that reflect existing financial and human resources, planned improvements in efficiency, and planned growth of the organization and expansion of services over time.

The present Plan uses LULOTE's current level of staff and actual funds in hand as a point of departure for operational and financial planning over the next 12 to 18 months. The consulting team recognizes that LULOTE has in process grant applications which could significantly alter the availability of resources by early- to mid-1996. However, before the organization is in a position to consider hiring additional staff, establishing new offices, and forging into new product and geographic markets, there must be a period of intensive investment in establishment of sound policies and procedures for managing finances, personnel, and program activities. The current plan takes into consideration the need for this initial inward focus, and sets correspondingly modest targets for training and advisory services during the next two years.

As an organization seeking to operate in a professional manner, LULOTE will have to shift from an organization which was cost-driven to one that is market and resource driven. In other words, the plan to spend money on capital and operational items must be driven by what the market demands and by the resources available to the organization, with a keen awareness of what the current capacities, strengths and weaknesses of LULOTE are. This approach requires a long-term forecasting mechanism, so that near-term windfalls do not lead to long-term drains on the organization (for example, purchasing new vehicles without budgeting for increased maintenance, insurance and other costs) and major changes in expenditure can be predicted far enough in advance to ensure sufficient resources are mobilized. The modified way of doing business also will mean that LULOTE itself must be able to effectively costs and price its services for internal control, marketing to clients, and proposals to potential funding sources.

F. PROGRAM STRATEGIES

1. Organizational Development

To achieve the above mission, objectives, and targets, the number one priority for LULOTE will be the development of the human resources, policies, and procedures for managing program activities. The organization is in the enviable position of starting out with an experienced Board; a talented, energetic Executive Director; a good reputation, and sufficient financial resources to enable planning over a multi-year horizon. Immediate challenges will include:

- Designing and installing financial management and reporting systems to ensure efficient use and proper oversight of funds;
- Strengthening the Board's ability to provide policy guidance and responsible financial oversight; and
- Augmenting senior management resources, to allow effective implementation of LULOTE's technical programs and lay the groundwork for a responsible succession plan.

A host of additional measures will be required to solidify LULOTE's internal operations and programs, including reclassification of certain existing positions, review and refinement of personnel policies and procedures, and redesign and implementation of an information system for monitoring client activity and staff performance. These and other measures are discussed in detail in the Institutional Development Plan.

2. Development of Services

LULOTE is fortunate in that the organization already has a well-established reputation for its primary service, namely its introductory business training courses. Although modifications and improvements in delivery of this key service will be required, LULOTE can afford to continue with its training in more or less the same form for the time being, while focusing on the more immediate organizational improvements that need to be made.

Given that training is the service that the Board, Management, and staff feel LULOTE does best, it is likely that the organization will wish to dedicate additional human and financial resources to the strengthening of this program. Further modularization of the course material will be required, along with a critical look at whether the content and language are in fact suitable for the target clientele. Course pricing will also need to be looked at again, along with strategies for promotion, to try and balance out recent fluctuations in fees in response to uneven demand.

LULOTE's individualized consulting services will require more significant refinement to bring them in line with the standards of efficiency and professionalism aspired to in the mission statement. A fundamental question is whether LULOTE's "Quick Fix" consulting services are in line with the stated mission of developing business skills. The Business Advisory Services clearly have the capacity to comprise a training element, but need to be structured around accomplishment of specific business objectives, avoiding the open-ended "hand holding" of the previous extension-style service. Improvements in management and monitoring of Business Advisory Services will also need to be introduced, both to improve efficiency of current operations and as a fundamental prerequisite for expansion of this service.

In terms of expanding beyond the Manzini area, it will be important not to raise expectations that the organization is unable to meet. LULOTE should lead into new areas with its greatest strength -- training. On the basis of the institutional contacts developed in the course of training extension, cost-effective ways can be found for introducing more costly, individualized advisory services, once these have been refined. Decisions on adding further technical staff, vehicles, and/or office sites should not be made until efficient systems for managing the present work load, monitoring impact on clients, and measuring staff performance are in place.

Finally, LULOTE will need to take an unequivocal stand concerning the status and future prospects of its credit program. At present, financial resources are being drained and human resources are being tied up by a program that shows no indication of contributing to LULOTE's good reputation. LULOTE should pursue opportunities for collaboration with established credit providers, to change its role from direct provider of credit -- with all the complexities and responsibilities that entails -- to screener, trainer, and follow-up advisor to loan candidates and recipients.

Details on product development and delivery are offered in the Marketing Plan.

3. **Fund Raising**

Additional fund raising may not be a top priority at present, given the recently secured grant from the Ministry of Economic Planning and other prospects in the pipeline. Nonetheless, LULOTE must recognize the importance of establishing an internal structure and systems conducive to a long-term fund raising program. The time to develop relationships with prospective donors is when the organization is on solid footing, with well-functioning programs and accomplishments to point to -- not when funds are almost at an end. Laying the groundwork for a long-term fund raising program will include:

- Training board members in their responsibility for this function;
- Researching prospective donors and their funding interests;
- Developing and nurturing contacts through relaying of regular reports and promotional materials;
- Developing systems for efficient preparation of grant proposals;
- Developing formats for clear Memoranda of Understanding regarding secured funds; and
- Developing financial systems for accurate tracking and reporting of funds received from multiple sources.

The human resource implications of LULOTE's administering an effective fund raising program are addressed in the Institutional Development Plan. Details on actual development of systems, procedures, and contacts are offered in the Marketing Plan and its attached annexes. Details on required financial systems and initial financial projections are presented in the Financial Plan.

SECTION II - INSTITUTIONAL DEVELOPMENT PLAN

To achieve the mission and objectives set forth in the Strategic Plan, LULOTE will need to examine carefully its available human resources, policies, and systems; to identify changes required to support program goals; and to implement required changes in a deliberate, systematic way. The following section lays out the issues and considerations related to each position in the organizational structure; identifies personnel policies and procedures that need to be developed and/or refined; and discusses the computerized information systems LULOTE will need to have in place to support its management and marketing efforts.

A. HUMAN RESOURCES

1. The Board of Directors

A well-run board of directors is one of the most critical assets an organization can draw on. A board comprising members with relevant skills and contacts, dedicated to the support of the organization's mission, can help chart a course and keep an organization pointed in the right direction, providing necessary policy guidance, fund raising support, and management review along the way. Without the guidance and perspective offered by a strong board, an organization runs the risk of being pulled in different directions by programmatic alternatives, financial imperatives, and short-sighted decision-making.

LULOTE (and formerly BMEP) has been fortunate over the years in being able to draw upon the time and talent of a highly dedicated group of individuals who have served as a committed, energetic board. A year ago LULOTE management took steps to round out the composition of the board through the addition of four new members who bring important skills and contacts in the fields of banking, law, human resource development, and institutional development, respectively. With nine members representing a diverse set of backgrounds and expertise, the Board is in a position to make a tremendously valuable contribution to the transformation and solid grounding of LULOTE an independent organization. However, to maximize the usefulness of the Board members' time and energy, a number of issues related to the Board's role and operation remain to be addressed.

a. Board Member Motivation and Commitment

Without the guidance and support of a strong, motivated Board of Directors, it is unlikely that LULOTE will survive for very long. Particularly during the present crucial period of transition, LULOTE Management needs the oversight and direction of a dedicated set of directors with expertise in law, finance, administration, and other areas relevant to LULOTE's mission. The current Board clearly comprises the necessary expertise; however, there have been some problems in obtaining the level and duration of Board member participation required during this period of intensive planning and restructuring. Clearly, LULOTE Board members have other important demands on their time. When asked about their motivation to sit on the LULOTE Board, members expressed commendable desire to aid in the development of their country. Yet intentions alone will not suffice to meet LULOTE's needs. Current members must ask themselves in all honesty whether they are able and willing to commit the necessary time to assist LULOTE in becoming a leading, independent, sustainable organization. The Board must then work with Management to restructure operations as necessary to minimize inefficiencies and maximize efficient use of members scarce

time. Members unwilling or unable to invest the necessary time should so state, allowing the Board to take the steps required for their replacement.

b. Policy vs. Operational Responsibilities

The current Constitution clearly states the Board's responsibility for directing policy in accordance with the overall aims of the program. Board member participation in the current strategic planning exercise is a critical mechanism for obtaining Board input into the shaping of LULOTE's key policies. As LULOTE develops and meets the challenges of its client- and donor markets, the Board will need to revisit policies and procedures to ensure they remain consistent with LULOTE's primary mission and objectives.

By investing time up-front in establishing a clearly defined set of policies and procedures, the Board can help reduce Management's need for unscheduled, extraordinary meetings to resolve what should be routine, operational issues. With clear policies and procedures in place and a clear understanding of the Executive Director's sphere of operational responsibility and jurisdiction, Management can take care of routine matters directly, and bring recommendations to the Board on those issues that need Board approval.

c. Financial Planning and Oversight

The current Constitution also clearly specifies the Board's responsibility for providing financial oversight for the program. With the increase in complexity likely to arise from multiple funding streams, it will be essential for LULOTE to have effective financial management systems in place, producing accurate, reliable reports. The Board must ensure that such reports are forthcoming and that the information they contain confirms the financial health of the organization. Given board members' direct contact with donors through fund raising activities, their own credibility, as well as the credibility of the organization, is at stake. In addition to reviewing LULOTE financial reports, the Board is expected to play an active role in budgeting and long-range financial planning, necessarily linked to strategic planning and ongoing monitoring of the organization's programs and accomplishments.

d. Fund Raising

Fund raising is an area in which the LULOTE Board has needed to play a relatively minor role in the past, given that essential funding requirements were met by the USAID grant. As the USAID funding comes to an end, fund raising will become an increasingly important function of the Board.

At present, the importance of this function seems to have been somewhat diminished by the recent award of a sizeable grant from the Ministry of Economic Planning. However, this latest grant only underscores another aspect of the Board's fund raising responsibility, namely ensuring that all funds support LULOTE's mission and objectives without pulling the organization into unwanted directions. Furthermore, the government grant, which to date has been unaccompanied by any terms or conditions, also highlights the necessity of establishing clear and binding Memoranda of Understanding. Once the exact magnitude and allowed uses of the funds have been determined, LULOTE will have a clearer picture of the extent to which its current financial needs are met. In the interim, the Board should lose no time in cultivating contacts and broadening the base of prospective donors, to reduce LULOTE's vulnerability to the aims and whims of a single donor and secure the organization's financial sustainability well into the future.

The Board will also need to recognize the increasing amount of time and attention that Management

will be devoting to fund raising efforts, and to take this into consideration in evaluating requests for additional management and staff resources (detailed below).

e. Board Composition and Rotation

With the recent addition of four new members, the LULOTE Board is well-equipped to meet the organizational, programmatic, and financial challenges that lie ahead. However, to remain responsive to new challenges over time, the Board will likely need to undergo some systematic process of renewal, that balances the need for members with institutional memory against the need for members with new infusions of contacts and skills. The current Constitution does not offer clear guidelines on terms of office for non-founding members, although it indicates that founding members may remain members until they choose to resign. To ensure that LULOTE can obtain the Board composition it requires to meet its changing needs, it may be necessary to review and clarify guidelines on member rotation.

The Constitution does specify guidelines for the rotation of the Chairperson and Vice Chairperson, indicating a term of two years. Thus the Constitution acknowledges the opportunity for refocusing the Board's energy and attention by circulating members with new areas of expertise into these leadership positions.

f. Standing and Ad Hoc Committees

At present LULOTE has three permanent committees: a Finance Committee, an Administration and Personnel Committee, and a Fund Raising and Restructuring Committee. The relatively recent establishment of these committees shows indications of improving the efficiency of Board operations by allowing Management to convene smaller groups of members to focus on specific concerns. At present, the committees are primarily deliberating bodies in which problems and/or opportunities are reviewed and recommendations prepared for the full board. The committees themselves do not have any powers to approve Management actions on behalf of the Board as a whole. Given the large number of issues that are likely to arise particularly in the course of the present Transition Period, the Board may wish to consider delegating selected approval powers to the committees.

g. Board Meetings

Management should make every effort to minimize requests for extraordinary meetings of the board. Prior to scheduled quarterly meetings, Management should prepare and distribute to Board members program updates and financial reports for their review and consideration, along with a clear agenda for the meeting. At the end of each year, Management should prepare and submit for the Board's review and approval an Annual Report. As a donor-supported NGO, LULOTE will be expected to prepare and publish a regular Annual Report, including its audited accounts and financial statement. The Board must accept responsibility for ensuring the quality and accuracy of this high-profile, important document. Finally, LULOTE should take steps to upgrade the quality of the Board Minutes recorded for each meeting.

Steps:

- The Board should work with Management to establish a clear set of the most urgent priorities requiring Board attention. The Board should develop its own internal work plan and task forces for addressing these priorities. Among them should be:
 - Clarifying with the Ministry of Economic Planning the exact terms and

- conditions surrounding the recent grant;
 - Working with outside experts to develop and implement an investment plan for the acquired funds;
 - Ensuring the development and implementation of adequate financial management and reporting systems to fill the gap left at termination of USAID funding on November 30, 1995; and
 - Finalizing and approving an additional senior management position.
- The Board should task the Restructuring Committee to revisit the existing Constitution and determine which modifications or clarifications, if any, are necessary to permit the LULOTE Board to carry out its functions.
 - The Board should task the Restructuring Committee to focus specifically on mechanisms for facilitating and encouraging member participation at all scheduled meetings. Among other options, the Committee should consider alternative time slots for meetings (i.e., breakfast meetings at 6:30 a.m.), alternating meeting locations between Manzini and Mbabane, as well as financial incentive schemes (i.e., honoraria, sitting fees, bonuses contingent upon performance of the organization).
 - The Board may wish to draw up an Operations Manual laying out Board member responsibilities, functions, Board procedures, etc. (see sample Table of Contents, Annex ID-1)
 - The Board may wish to explore the desirability of organizing a short training course for members, focused on the purpose, responsibilities, and operation of a strong Board of Directors.

2. Management

From interviews conducted with USAID, individual Board members, and other representatives of the development community, there is little doubt that the primary factor responsible for the accomplishments of BMEP/LULOTE to date has been the commitment of a talented, energetic, dedicated Executive Director. There is also little disagreement about the fact that beyond the Executive Director, the management capacity of LULOTE is rather thin.

Incidents over the last year have occasioned the dismissal of the Finance Manager, along with two other staff members. The accountant hired to replace the Finance Manager has entered the organization at a more junior level, and while this individual shows great promise for advancement, there remains, at present, a gap in terms of financial control, which inevitably the Executive Director is being called upon to fill. While the services of an outside accounting firm have been drawn upon to solve specific problems and help cope with the newly received funds from the Ministry of Economic Planning, this is a stop gap measure at best. As the LULOTE's financial arrangements become more complex, the Executive Director will be forced to devote an increasingly large share of her time to financial oversight and control, at least until the incumbent accountant can assume greater responsibility in this area.

In addition to responsibility for financial management, the Executive Director has been required to assume a high degree of direct involvement in the planning and operation of LULOTE's technical programs. The incumbent Program Manager has been a frequent contributor to LULOTE training programs and has provided some coordination to the activities of three Business Development

Officers. However, especially at the present time, as LULOTE refocuses its services and plans geographic expansion as well as introduction of fees, a higher level of attention and capacity is required for adequate direction of the technical programs. In assessing progress made since the final evaluation, it is evident that measures have been adopted in a somewhat piecemeal fashion, indicating a lack of systematic planning and implementation. It is likely that this ad hoc progress is a direct reflection of the fact that limited management resources have been available to be dedicated to program operations.

Finally, the Executive Director is responsible for the handling of all personnel issues, including hiring, orientation, reviews, and disciplinary actions, which has proven to be a time-consuming job. The absence of established personnel policies and procedures has further complicated and lengthened most of these personnel transactions.

With the establishment of LULOTE as an independent NGO, an important new activity has been abruptly added to the Executive Director's already full plate: namely fund raising. While responsibilities for this function will be shared among a number of members of the organization, including the Board, the Executive Director will play a pivotal role in making and following up on contacts with prospective donors, representing the organization in person at meetings and functions, preparing grant proposals, and directing the production of a whole range of materials for marketing the organization, from brochures to annual reports.

If LULOTE is to meet the challenges of the Transition Period and establish itself with clients and donors as a credible provider of small enterprise development services, the Executive Director must receive additional management support. Perhaps even more importantly, if the longevity of LULOTE as an organization is to extend beyond the tenure of the current director, who has already served in that position for years, then the organization must address its future management needs now and lay the groundwork for a rational process of succession.

While a number of short-term measures could be taken to alleviate immediate pressures on the Executive Director's time, such as shifting responsibilities among existing staff, these would not solve the longer-term problem, and in most cases would likely lead to detrimental effects on those aspects of LULOTE's operation from which the resources were diverted. Moreover, analysis of current staff capacities against organizational needs reveals that the present staff does not include an individual with the desirable mix of skills to fit into an eventual succession plan.

To give Management the right mix of support to meet its current and future challenges, two new management positions are proposed (see Organizational Chart). The first of these, Director of Technical Operations, essentially involves a refocusing and upgrading of the current position of Program Manager. The appropriate individual would have the technical and management skills to guide the refinement and implementation of all LULOTE programs, assuming full responsibility for day-to-day program operations. It is expected that the individual recruited for this position would eventually move into the role of Deputy Director. The second position, Public Relations Officer, would assume responsibility for developing strategies and materials for marketing LULOTE to prospective donors, and would also provide professional-level support to the Executive Director in proposal preparation, documentation of LULOTE accomplishments, and other outreach efforts. (Both new positions are described in further detail below.)

During interviews conducted as part of the current strategic planning exercise, Board members voiced strong support for augmenting the management resources currently at the Executive Director's disposal. A request to recruit for a Deputy Director was, in fact, recently submitted to the Board by the Executive Director. The consulting team strongly recommends that the Board approve this

request and that Management proceed with the identification and hiring of an appropriate candidate as soon as possible. This recommendation is reflected in the attached Financial Plan, which budgets for one additional professional staff member.

The team further recommends that, rather than bringing the new hire into the organization as Deputy Director, s/he be brought in as Director of Technical Operations. In this capacity, the individual will be able to demonstrate the requisite technical, financial, and management skills required to effectively assume the Deputy Director role. As part of the hiring process, Management should devise, together with the Board, clear performance criteria for promotion of the individual to the position of Deputy Director.

It is expected that the position of Public Relations Officer can be filled satisfactorily from within the organization.

Steps:

- Achieve Board consensus to recruit for the Director of Technical Operations/Deputy Director slot;
- Finalize position description for Director of Technical Operations/Deputy Director. Establish clear benchmarks for evaluating DTO performance and promoting to Deputy Director. Submit to Administration/Personnel Committee for approval;
- Executive Director to take the lead on recruitment. Conduct interviews with Management and members of Committee. Select candidate;
- Negotiate package and submit to Committee for approval;
- Extend offer. Execute employment agreement.

3. Technical Staff

a. Director of Technical Operations (redefined position)

LULOTE's mission calls for developing the business skills of people with entrepreneurial spirit throughout Swaziland. In the course of trying to achieve these objectives, LULOTE is establishing product and service targets substantially higher than those set by USAID under the former project arrangement. Additionally, the decision to contribute to revenue generation by introducing fees for service will also require LULOTE staff to achieve new levels of efficiency and professionalism in service delivery. The heightened demands on the technical program coincide with new demands on Management's time to engage in fund raising and oversight of increasingly complex financial arrangements. Current management and technical staff resources are stretched too thin to allow adequate coverage on all these necessary fronts.

To meet the challenge of further refining BMEP training and advisory services and extending them to more clients over a wider area, the team is proposing upgrading the current position of Program Manager to that of Director of Technical Operations (DTO). As indicated above, it is envisaged that the individual recruited for this position would possess the necessary background and expertise to eventually move into the role of Deputy Director of the organization.

The following is an illustrative but not complete list of the responsibilities and functions of the DTO:

- Lead the ongoing process of reviewing and refining LULOTE's training and business advisory services in accordance with the adopted mission and objectives;
- Assess, adjust, and augment, as necessary, the systems and procedures in place for managing technical staff and programs in an effective, efficient manner;
- Oversee redesign of LULOTE's current Client Information System and the technical staffs' observance of all required data collection and data entry activities;
- Oversee the design and regular preparation of informative reports on all technical program activities;
- Assess technical staffs' professional development needs and identifying local and regional opportunities for appropriate training; and
- Develop verifiable performance targets and criteria for all technical staff, to evaluate individual performance and contribution towards achievement of program objectives.

Steps:

See above.

b. Public Relations Officer (new position)

The position of Public Relations Officer is a new position being proposed by the consulting team in recognition of the increasing workload that will be associated with marketing LULOTE to prospective donors, securing new funding sources, and providing the required follow-up to maintain donor relationships. The position would be considered a management-level function.

Primary functions of this position would include the following:

- Develop and maintain a database on current and potential donors, indicating contact information and program focus, records of all correspondence, status of fund raising initiatives, and actions required, if any;
- Work with DTO to compile information from LULOTE's refined Client Information System for use in preparation of proposals, press releases, testimonials, client profiles, bulletins, and other marketing materials;
- Work with the Executive Director on preparation of grant proposals, annual and progress reports, and other key marketing documents, including compiling program information, drafting appropriate sections, proofreading and editing drafts, and producing final documents;
- Review existing marketing materials and work with technical staff to revise in accordance with LULOTE policies and product development;
- Forge linkages with local organizations including NGOs, private companies, rural and other groups, to explore opportunities for sharing information, obtaining or delivering technical assistance, co-sponsoring training and other events, and other exchanges of mutual interest

and benefit;

- Assess the desirability of LULOTE developing and disseminating a low-cost, quarterly newsletter.

Given the background and skills of the individual envisaged for this position, it is likely that he would also remain involved in delivery of training. LULOTE's contract training scheme in particular offers interesting opportunities for combining service delivery with the identification of prospective donors among both private- and public sector clients.

Steps:

- Obtain Board approval for creation of the proposed new position;
- Finalize position description, including indicators to be used in periodic evaluation of incumbent's performance and incentives for rewarding above-average performance; and
- Appoint individual to the approved position and begin phasing in new job responsibilities.

[NOTE: The individual's ability to dedicate time to this function will depend upon successful recruitment for the position of Director of Technical Operations, described above.]

c. Training Officer(s)

In interviews with board members, management and staff, strong concurrence emerged that the service for which LULOTE was most recognized and valued was training. Analysis of services during the final evaluation similarly revealed LULOTE's training program to be the most developed of its product and services. Following on the recommendations of the final evaluation, significant steps forward have already been taken in refining the training products, including shortening the IBC course from 3 weeks to two weeks, improving promotional efforts, and establishing and enforcing collection of course fees. While a number of further refinements remain to be undertaken, it is clear that, at this point in time, the training program holds the most potential for rapidly moving the organization into the expanded geographic and client markets envisioned under the terms of LULOTE's mission.

Given the importance of the training program, it is surprising to note that, at present, only one full-time position is dedicated to this function. This is explained by the fact that, in the past, the Training Officer has drawn on part-time contributions from the three Business Development Officers, the Program Manager, and the Credit Officer, each of whom has also been responsible for carrying out a substantial workload of non-training functions. While this mode of operation was possible so long as the targets being aimed for were relatively low, it is not conducive to reaching the higher targets and greater geographic coverage LULOTE now plans.

To make the necessary investments in product development and concomitant staff development, LULOTE will need to dedicate individuals to one key service (i.e., training or advisory services), and task them with the steps required to improve product design and delivery as well as their own expertise. This process of specialization and quality improvement cannot take place if staff are being pulled back and forth between tasks that impose conflicting demands on their time and geographic location.

In order not to add unnecessarily to the financial burden of the fledgling organization, rather than

adding new technical staff at this time it will probably be more desirable to look inside the organization to identify additional resources to dedicate to the training program. One option is to move the current Credit Officer over to become a full-time dedicated training resource, if in fact the credit program is phased out as discussed above. If the credit program is not phased out, another option would be to assign one of the three current Business Development Officers to training. The important thing is for LULOTE to recognize that it will be impossible to reach its training targets, or targets for revenues to be raised from training, without dedicating additional resources to this function.

In addition to increasing the level of staff resources for training, it will also be necessary to make further investments in the training staff's technical capacities. The current Training Officer has indicated that there are several course areas in which she has been more comfortable relying on the Business Development Officers. If the BDOs are no longer available to teach courses on a regular basis, the Training Officer will need to feel comfortable delivering all of the material. Moreover, the challenge facing the Training Officer(s) goes beyond simply continuing to deliver the existing products. While quite a bit of progress has been made in terms of refining BMEP training products, further refinements, as well as geographic expansion, are still envisioned. The Training Officer(s) will need to play a key role in modularizing course materials, refining pricing schemes, developing linkages and materials for contract training courses, and reporting training program results. (Details on steps required for product development are covered in the Marketing Plan.)

To the extent that LULOTE seriously intends to make training available country-wide, even two full-time dedicated training staff may not suffice. In this case it will become even more important to develop course modules. With such standardized packages available, the training staff should be able to build up a roster of trainers who could be hired by LULOTE on a short-term, as-needed basis. These trainers could be familiarized with delivery of the IBC and short-course modules, augmenting LULOTE's training resources without placing undue strain on their budget.

Steps:

- Board to reach decision on the status of LULOTE's credit program;
- Management to decide whether or not the Credit Officer should be moved over to training and/or how additional resources should be dedicated to the training program;
- Review/revise training officer position description to clarify roles and responsibilities for strategic, technical, and administrative aspects of the position;
- Develop performance criteria and incentive scheme based on established program targets;
- Identify training officer(s) needs for further professional development and enroll them in appropriate courses as soon as possible; and
- Proceed with product development (described in Marketing Plan).

d. Business Development Officers

At present, LULOTE has three Business Development Officers who split their time between delivering training courses, providing consulting services to walk-ins, and delivering advisory services to small businesses in Manzini and beyond. LULOTE has been devoting considerable attention to the idea of extending its business advisory services, along with training, beyond the 30

km radius that had been imposed under the USAID project. In fact, following on major publicity generated during the relaunch in August, LULOTE has held a number of information workshops around the country, to ascertain demand for services and announce the intention of providing training and advisory services.

In examining the current business advisory operation and reviewing plans for the proposed expansion, the consulting team has concluded that LULOTE will not be able to deliver services in the same way (i.e., individual consultations, largely conducted at the entrepreneur's business) without significant scaling up of staff and vehicles. Furthermore, closer analysis of the current program revealed a number of critical areas that need to be addressed in order to increase efficiency even within the current zone of operation, and to bring the service in line with LULOTE's objectives concerning businesslike approach and professionalism.

One of the most important steps that needs to be taken is introducing and implementing procedures for collecting and analyzing follow-up data on assisted businesses, to determine the impact LULOTE is achieving through its services. In the absence of any data on impact, it is probably not wise to sink additional resources into this program.

Constraints imposed by the current level of resources and absence of any impact monitoring system suggest pursuing a more gradual approach to expansion of advisory services, while rationalizing the process and introducing greater management oversight and efficiency within the current sphere of operations. This technical program area would come directly under the supervision of the new Director of Technical Operations, proposed above.

Some of the recommendations made in the final evaluation have already been picked up on, such as formalizing relationships with entrepreneurs through Enterprise Development Agreements, assigning BDOs to specific geographic locations for work outside of Manzini, and exploring opportunities for delivering services through linkages with contact persons or organizations in these regions.

However, several important steps remain to be taken in terms of product development, including introduction of a rational, transparent pricing scheme for business advisory services. Under the current arrangement, walk-in clients are charged fees based roughly on the amount of time estimated for delivery of a particular product (i.e., a cash flow projection); while a "participant" under the business advisory services may receive the same product, plus many more, delivered on-site, for free. Introducing a more rational fee-for-service policy will eliminate arbitrary distinctions between clients and impose the need for greater efficiency and professionalism on the part of entrepreneurs and LULOTE advisors alike. (Details on product and service delivery in Marketing Plan, below.) Another important step is refinement and implementation of a system for gathering information on clients and monitoring client impact. The same system will provide data for measuring individual BDO performance and efficiency.

If LULOTE takes steps to increase efficiency of the present advisory service operation and approaches further expansion with caution, it is likely that the current level of staff will suffice. To the extent that criteria are established for how and when to conduct site visits and more client servicing is done at LULOTE, it should be more feasible for BDOs to develop and draw on each other's technical specializations. (Technical specializations are less helpful if BDOs are scattered about the country.)

Steps:

- Review and revise position descriptions to limit BDO involvement in/responsibility for

training and clarify other responsibilities, i.e., for data collection and updating;

- (Re)introduce and implement procedures for rationalizing BDO activity through increased management oversight by DTO, weekly coordination meetings, regular BDO reports (see details on product and service development in Marketing Plan, below);
- Develop performance criteria for BDOs and incentive scheme based on individual contributions to established program targets; and
- Identify training opportunities for BDOs to continue refining their professional skills.

e. Credit Officer

The individual occupying this position is already performing a number of tasks, including loan appraisal and follow-up, delivery of training, and delivery of many of the same advisory services as the BDOs. This versatility should prove to be an asset if the credit program is phased out, allowing the former credit officer to be reassigned to whichever technical program is deemed the most critical. It is likely that reassignment to the Training Program would represent the most valuable reallocation of this resource, especially in view of LULOTE's pending proposal with SBGT. If the proposal is successful, TIBIYO funds would be on-lent through the existing SBGT loan program, with LULOTE playing the role of preparing prospective borrowers through focused training courses. The incumbent credit officer would have the ideal background and skills to oversee this redefinition of LULOTE's involvement in credit delivery from direct to indirect provider. The individual's recent participation in the MAS "Financing the Small Business" seminar should further contribute to his capacity to perform this function.

Steps:

- Board to reach decision on status of credit program;
- Develop procedure and time frame for phasing out loan program;
- Convert Credit Officer position and prepare and assign position description appropriate to new function;
- Examine staff capacities and required functions within training program and re-align responsibilities if/as appropriate.

4. Administrative Staff

a. Accountant

A relatively straightforward activity under the guidelines previously established by USAID, management of LULOTE's financial systems is becoming an increasingly complex task. LULOTE is now faced with the prospect of managing multiple funding sources, each with different terms for disbursement and reporting, including increased revenues from service fees. As a donor-supported NGO, LULOTE will be expected to maintain transparent accounts and publish its audited financial statements in an annual report. These requirements heighten the importance of financial oversight by the Executive Director and the Board, and at the same time heighten the need for a skilled, diligent financial controller.

Although BMEP previously had the position of Finance Manager within its organizational structure, it proved necessary to terminate the individual in this position. A decision was made to hire a replacement at the level of accountant, with a view towards moving this individual into the position of Finance Manager if and as she demonstrates the necessary skills and responsibility. To date, there is every indication that the incumbent is performing satisfactorily and that this transition will eventually take place.

At the same time, resolution of past discrepancies and rapid development of systems to accommodate the recently acquired government grant have made it necessary to draw on the services of a local accounting firm. LULOTE has developed a good working relationship with professionals from this organization, and may want to work out a more formal scope of work for their staff to be involved in the review, re-design, and set-up of a comprehensive financial management and reporting system suited to LULOTE's new organizational and financial structure.

Given the importance of the financial management function, it will be important to ensure that the accountant is not unduly burdened by an assortment of other responsibilities, which currently include oversight of LULOTE workshop rentals, and management of vehicles and other equipment. It is proposed that these functions be reassigned to the newly created position of Program Assistant (discussed below), with the accountant retaining responsibility for billing aspects only.

Steps:

- Develop performance criteria for the position of Finance Manager and a process for measuring the Accountant's performance and progress towards requirements of that position;
- Assess existing financial management systems, identify needed systems and reports, and develop scope(s) of work for local accounting firm and/or other external sources to finalize design, installation, and staff training for needed systems; and
- Reassign ancillary functions to newly created Program Assistant.

b. Program Assistant (new position)

In examining the array of technical and administrative activities that need to be carried out by LULOTE, and matching these against existing human resources, it became evident to the consulting team that there are several critical functions that are not receiving proper attention. These are:

- Compiling, entering into the CIS, and regularly reporting data on training and business advisory services for use in program management and marketing;
- Handling administrative aspects of vehicle utilization and maintenance, as well as use and maintenance of other office equipment and supplies; and
- Providing general administrative and clerical support to Management and technical staff.

The consulting team is proposing that a new position be created to tend to these critical functions. The position would be a shared resource for Management, Technical Programs, and Accounting, under the day-to-day supervision of the Director of Technical Operations.

Steps:

- Finalize position description and submit to Administration/ Personnel Committee for Board approval;
- Recruit for position;
- Conduct interviews, involving Accountant and Director of Technical Operations; and
- Extend offer, negotiate package, and execute employment agreement.

c. Accounts Clerk

This position reports to the accountant. As the accountant assumes increasing responsibility for full oversight of LULOTE's financial management systems, the accounts clerk will be expected to assume increasing responsibilities as well. Additional training of the incumbent may be required to ensure her ability to perform expected tasks.

Steps:

- Accountant to work with Executive Director on identification of training needs and opportunities for the accounts clerk.

d. Secretary/Receptionist

This position reports directly to the Executive Director. The Secretary handles filing, schedules meetings and appointments, records minutes at Board meetings, and answers phones. She also functions as the receptionist and represents walk-in clients' first point of contact with the organization.

LULOTE may wish to keep a log of all visitors, to capture some basic statistics about who is coming to the office (i.e., first-time clients, repeat clients, donor representative, consultant, etc.), time and purpose of visit. The log could also track telephone and mail enquiries. The secretary/ receptionist would be the logical person to maintain such a log.

e. Cleaner; Guard

No steps necessary at this time.

B. PERSONNEL POLICIES AND PROCEDURES

One of the biggest challenges facing LULOTE is to increase the number of individuals actively contributing to the organization's future growth and success. LULOTE has tended to suffer from "running on one engine", to the extent that the Executive Director has provided much of the "push" responsible for BMEP/LULOTE's progress to date. To enhance the effectiveness of contributions from a broader base of management and staff, LULOTE must put in place a coherent set of personnel policies and procedure, designed to result in a team of well-informed, well-trained, and well-motivated employees.

1. Organizational Targets

A clear, realistic set of targets must be established for the organization as a whole. It is important that all members of the organization understand these targets and the roles that they will be expected to play in helping to achieve them. Targets should reflect efficient use of existing resources, with underlying assumptions spelled out and explained.

2. Position Descriptions

All members of management and staff should have clear descriptions of their positions. Following on the relaunch and current strategic planning exercise, Management should carefully review all existing position descriptions and revise them if/as necessary to ensure they are aligned with LULOTE's redefined mission and objectives. New position descriptions should be prepared where appropriate. Each position description should lay out key roles and responsibilities, lines of reporting, and criteria for measuring individual performance.

3. Individual Performance Targets

Beginning with the current strategic planning exercise, and subsequently as part of each annual planning cycle, a specific set of performance targets should be specified for each member of management and staff, derived from the overall targets of the organization. Performance targets should include quantitative criteria where appropriate (i.e., number of IBC trainees), and/or qualitative criteria related to accuracy, timeliness, and other measures of professionalism.

4. Information Systems

Management must have in place established systems and procedures for compiling information that can be used in objective assessments of employee performance. Such information is in part generated by the Client Information System and regular financial reports, and in part comes from ongoing interaction between management and staff through coordination and debriefing meetings, required progress reports, and other forms of communication.

5. Annual Evaluation Process

At present, LULOTE does not have any formal, regular process for reviewing employee performance. The above items are all prerequisites of a meaningful evaluation exercise. The evaluation process itself should not be seen as a punitive exercise but as a constructive activity, allowing a two-way flow of information between the employee and his/her supervisor.

Employees should be reviewed by their immediate supervisors (as specified in their position descriptions). This should be the individual most familiar with the employee's performance on a day-to-day basis. A standard set of questions should be used for all evaluations, focused on the targets set for the specific position. The evaluation should contain a quantitative dimension (where appropriate), as well as a qualitative dimension, including room for explanations of why the employee did/did not achieve specified targets. The evaluation process should solicit input from the employee concerning his/her perception of Management's role and inputs over the time period in question, as well as the employee's suggestions on how the position and/or its functions could be improved. Evaluations should be in writing, signed by the supervisor and the employee. All evaluations should be ultimately reviewed and signed by the Executive Director. The Executive Director's performance should also be formally reviewed by the Board on a yearly basis.

6. Salaries

At present, LULOTE does not have a well-defined salary structure. Compensation is negotiated on a case by case basis. All employees are hired under a three-month probationary period, at the end of which they receive a 10 percent increment in their salary. Everyone receives an annual increase of 15 percent, basically to keep salaries in line with inflation. To remove the element of arbitrariness and avoid future disputes, it would be wise for LULOTE to develop a salary scale pegged to job qualifications and responsibilities. To the extent LULOTE wishes to remain competitive with the growing number of organizations offering positions to similarly qualified staff, the Board and Management may eventually wish to implement actual salary raises for selected positions, subject to performance of the organization as a whole and availability of funds. Raises could be linked to staff professional development and/or increased spheres of responsibility.

LULOTE also needs to develop and implement a policy on compensation for time worked on Saturdays and holidays. This is especially an issue for staff involved in training, which in many cases must be tailored to entrepreneurs' ability to attend. At present, if there is a policy, it is apparently not well-understood by affected staff.

7. Professional Development

A key component of LULOTE's mission is to develop the business skills of people with entrepreneurial spirit. To meet the present and future needs of this market, LULOTE must be prepared to invest in the professional development of its own technical (and administrative) staff. As new/revised position descriptions are finalized, Management should undertake a preliminary review of the match between staff functions and capacities, and ascertain immediate and longer-term training needs. A primary responsibility of the new DTO should be to identify suitable professional development opportunities, locally and elsewhere in the region, to continue building the skills of the technical staff.

Staff should be encouraged to view their own ongoing professional development as both a responsibility and a benefit of working at LULOTE. At present, technical staff are allocated ten paid days per year of professional development time. As Management develops a more accurate picture of staff training needs, the current policy should be reviewed and adjustments made as necessary to ensure appropriate support for relevant staff training.

8. Incentive Schemes

A well-thought out incentive scheme builds on all of the elements of personnel policy and procedure discussed above. With organizational and individual performance targets in place, clear position descriptions, systems for gathering and reporting information on clients and services, and procedures for performance evaluation, it is possible to come up with a policy on whether and how incentive payments should be made.

There is no one correct scheme. LULOTE will need to consider a number of alternatives and work these out with Board input and approval. One option would be to make incentive payments contingent on whether or not the organization as a whole is meeting its revenue targets. If so, a portion of any additional revenues could be allocated to a bonus pool, at the Board's discretion. Subject to positive performance evaluations, employees could be given an amount equal to some fixed percentage of their salaries. Any policy on incentives needs to take into consideration who is eligible (management? staff? technical personnel? administrative personnel? all personnel?) Schemes that reward all employees are more likely to build team spirit, whereas schemes that only

reward technical staff and/or individualized schemes based on programmatic targets could promote competitiveness and have a deleterious effect on service vis a vis the LULOTE mission.

Ultimately, LULOTE should probably codify all of its policies and procedures with regard to personnel in a Personnel Manual. Such a manual or booklet could be presented to each employee, clearly setting out LULOTE's mission, terms of employment, and benefits. Some of the policies would be specified by national labor law; others would be internal policies established by LULOTE. Codifying personnel policies in this manner is important for avoiding misunderstandings and minimizing time spent by Management and the Board on resolving personnel matters -- an activity that has proven to be extremely time consuming in the past. (See Annex ID-2 for suggested outline of Personnel Manual.)

C. SYSTEMS

1. Client Information System

For LULOTE management and staff to carry out work in an organized and efficient manner and assess whether or not the organization is, in fact, achieving its stated mission and objectives, LULOTE must have in place a reliable, user-friendly system for gathering and reporting information on its clients, products, and services. A good Client Information System (CIS) will generate data that can be used to measure staff performance, measure impact of services, make efficient use of staff and financial resources, and market the organization and its products and services to clients as well as prospective donors.

Although, in theory, LULOTE has a CIS, the present system is extremely limited in its ability to generate useful data for the either management or marketing purposes. Existing forms for collecting data do not ask certain critical questions (i.e., number and type of employees in the business), and do request a number of pieces of information of dubious relevance. Forms are often not completed, with numerous spaces left blank. Questions requesting quantitative information (i.e., monthly turnover) are frequently answered qualitatively (level of sales decreased) preventing accurate comparisons over time or between business. Data that is collected from Initial Contact Forms is not being entered into the computer database on a regular basis, due to mismatch between the forms and the program screens, limited access to work stations, and (as indicated by one member of Management) staff attitudes about the CIS. Entries that have been made to date are often incomplete (i.e., data from training course participants does not show gender disaggregation, though a field is provided for this in the CIS). Finally, there are no regularly followed procedures for collecting follow-up data on assisted clients, completely precluding any attempts to measure client impact and/or staff effectiveness.

LULOTE should take prompt action to remedy this situation. Creating and hiring for the position of Director of Technical Operations will be a key prerequisite for ensuring review and adjustment of procedures and forms used to manage training and business advisory services. The team is also recommending hiring a Program Assistant, among whose chief responsibilities would be maintenance of the CIS, including ensuring entry of all collected data, production of regular reports, and routine maintenance of LULOTE computer systems.

Steps:

- Hire Director of Technical Operations (see above);

- Hire Program Assistant (see above);
- Determine information to be gathered on each client;
- Review and clarify intake, screening, data collection, and follow-up procedures;
- Review and finalize forms so they are easy to understand and fill out, ask for the right information;
- Ensure responsibility for collecting and entering data is clearly delegated and that collection and entry are being carried out on a regular basis;
- Write Scope of Work for computer expert to revise/redesign a user friendly computer database that coincides with LULOTE's data collection needs and procedures;
- Work with computer expert to design and automate monthly and yearly reports; and
- Train staff in system use.

It is important to note that the conceptual part of designing an effective Client Information System can not be farmed out to an outside consultant. The Director of Technical Operations and technical staff must devise a system and procedures suited to delivery of LULOTE services and the organization's management and marketing needs. The technical aspects of writing the right software program should flow from system and procedures, not the other way around.

2. Donor Tracking and Portfolio Management System

Although it appears that LULOTE's immediate fund raising requirements may be met, fund raising will nonetheless continue to be a critical, ongoing activity of the organization. Once an accurate picture has been obtained of current and anticipated donor-supported revenue flows, LULOTE will be able to project its future needs for donor funds with more accuracy. Suggestions regarding a well-managed fund raising program are offered in the Marketing Plan, below. The important thing to remember is planning ahead. First contacts with prospective donors should not be made when existing funds are almost at an end.

To enable long-term planning and ensure the long-term viability of LULOTE programs, the organization must begin building a base of prospective donors now. Relationships that culminate in funding are built up over time through repeated contacts, regular supply of program information and reports, and other exchanges. Grant proposals submitted to donors who are already familiar with the program and impressed with its accomplishments are far more likely to meet with success.

Building long-term relationships requires that information on donor contacts, correspondence records, proposals, and grants be maintained in an organized way. The consulting team is recommending the design and implementation of a Donor Data Base to facilitate compilation and retrieval of such information. A computerized data base would increase the efficiency of donor marketing efforts (i.e., repeat contacts with a given organization, preparation of mailing lists and form letters, tracking leads and status of actual proposals). Even more importantly, the system would help ensure that knowledge of particular donor relationships does not depend upon the institutional memory of a single individual (i.e., the Executive Director).

A simple system could be designed using existing D-base software and would be managed by the

newly proposed Public Relations Officer.

Steps:

- Clarify roles of Board members and Management with respect to fund raising responsibilities;
- Assign Public Relations Officer primary responsibility for compiling and organizing information on prospective donors;
- Design database, enter all fund raising contacts to date; and
- Maintain database.

3. Financial Management and Reporting System

LULOTE must have its own set of income and expense budgets and monthly actual reports, regularly updated balance sheets, and capital budgeting procedures and formats. All of these are discussed in detail in, Section IV, Financial Plan.

SECTION III - MARKETING PLAN

To effectively respond to client needs and establish relationships with potential donors, LULOTE will need to develop a strategy for marketing its products and services as well as the organization as a whole. Doing so will require that LULOTE review its clients, products, delivery mechanisms, and promotional strategies, and that the organization simultaneously develop systems and procedures for cultivating donor funding sources.

Strategies for marketing services to clients must proceed from recognition of LULOTE's target clients, followed by review of the services themselves to see if they are well-matched to clients' needs. Appropriate steps for product development and promotion can then be worked out.

To develop a strategy for donor marketing, LULOTE must develop a systematic approach to promoting itself as a leader in small and microenterprise training and consulting in Swaziland, accompanied by a detailed understanding of the donor interests and resources. The Marketing Plan will address each of these in turn.

A. TRAINING

Training is LULOTE's most established and well-known service. Following on recommendations from the 1994 Final Evaluation, a number of changes were introduced to LULOTE's training products. The courses were renamed to better indicate their content; fees were instated for all courses, to be collected up-front on a non-refundable basis; and the three-week Full Time Course was converted to the two-week Introduction to Business Course. The current Marketing Plan begins with a review of the current courses in terms of content, delivery mechanisms, and promotional strategy, and then presents suggestions for increasing the impact and extending the reach of these services.

1. Introduction to Business Course

The Introductory Business Course (IBC) is well-regarded by clients and staff. A brief interview held with LULOTE clients confirmed that the course is offered at an acceptable level of difficulty and that it is perceived by clients as useful to them in starting and strengthening their businesses. Actual effectiveness of the course is hard to judge objectively, as no quantifiable data on clients' income or assets is conducted prior to the course; while post-course evaluation is difficult for clients who do not go on to receive Business Advisory Services or Consulting Services.

a. IBC Delivery

The Training Officer organizes the training programme, arranging advertising, organizing course material, and scheduling trainers for modules outside of her expertise. LULOTE's Business Development Officers (BDOs) and outside experts teach as much as two thirds of the course material, with BDOs currently dedicating as much as 25% of their time to training.

IBC training has taken place exclusively in Manzini at LULOTE's training facility. Despite the 30 km boundary stipulated for LULOTE services under the USAID agreement, clients for the training course already come from around the entire country.

As noted above, the duration of the course has been shortened from three to two weeks as recommended in the Final Evaluation. It should be noted that in reducing the training time, LULOTE has eliminated the module on cash flow analysis, which, however, was cited by the Training Officer as one of the most popular modules in the training program. Programme frequency has been increased in 1995, with the IBC presently offered eight times per year.

Six of the nine topics covered in the IBC are now in modular form, using material produced by the International Labor Office under the Improve Your Business program. (LULOTE's current Program Manager is one of three certified "Master Trainer of Trainers" for this material in Swaziland.)

b. Pricing the IBC

Although fees for the IBC were initially set at E450 following the Final Evaluation, the price was reduced to E200 in July following disappointing turnout at three course inscriptions (3, 0, and 9 people enrolled, respectively). The subsequent training program attracted 13 trainees. It is unclear whether the drop in enrollment was due to the higher price or to other factors (i.e., scheduled time of course, limited promotional efforts). There is some suggestion that LULOTE's willingness to drop the price so quickly may have been motivated in part by the organization's successful application for grant funds from the Ministry of Economic Planning.

2. Modular Courses

a. Appropriateness of Modular Courses

LULOTE's modular courses target established entrepreneurs with more specific training needs and more limited time. The material covered is the same as that presented in the IBC. Entrepreneurs attending modular courses tend to be first-time LULOTE clients, so repetition of course material does not present a problem. In interviews with LULOTE clients, record keeping, pricing, and cash flow analysis were cited as the most popular and useful courses.

b. Delivery of Modular Courses

Course material on specific business subjects is drawn from the IBC and presented in one- or two-day courses taught by technical staff confident in the subject. The Training Officer is responsible for scheduling and organizing the course and may be a facilitator for certain modules. BDOs, the Credit Officer, the Program Manager, and, occasionally, outside technical experts (i.e., representatives of pertinent government offices, bank staff, legal experts) are called upon to present material.

More recently, LULOTE experimented with delivery of sector specific business training modules. A two-day program focusing on the small-scale poultry industry was presented using experts from the Ministry of Agriculture backed up by LULOTE BDOs. The course was well-attended and well-received by those participating.

The number of courses presented increased from three in 1994 to eight in 1995. One consequence of increasing the number of courses has been the diversion of BDO's time away from their primary duties. To date, modular courses have generally been presented in Manzini. There is little doubt that with adequate training resources, alternative venues, rescheduling course timing (i.e., to evenings and Saturdays), and aggressive marketing, substantial increases in modular course participation could be achieved.

c. Pricing Modular Courses

Modular courses are presently priced at E65 each. The 1995 Final Evaluation had suggested a price of E100, based upon prevailing prices of comparable competitors' courses. This price drop also occurred following receipt of the recent grant.

3. Contract Training

a. Appropriateness of Contract Training

Contract training, delivered to pre-existing groups, has so far mainly been conducted in the rural areas. The rural group training has had an enterprise development focus for groups interested in improving their projects by converting them from community nonprofit activities to for-profit enterprises. Several of the rural groups have been women's groups, supported by other NGOs and development projects. LULOTE has also provided training in Mbabane for the Central Bank's retrenched employees. Repeat requests for group training suggest that the contract training is being well-adapted to its respective markets.

Future contract training for other groups may require development of additional modules or training materials. This will require time and money; furthermore, new materials will have to be evaluated for appropriateness, and resources will need to be identified for delivering additional courses.

b. Delivery of Contract Training

Contract training is delivered by the training officer and technical staff at locations determined by the contracting organization or institution. Several sessions have been conducted in rural townships at sites arranged by the groups to be trained. LULOTE should explore setting up linkages with such organizations as a way of extending delivery of its other training products and advisory services.

As indicated for the other training components, the use of Business Development Officers to deliver contract training will need to be reexamined. With movement of LULOTE services outside of the 30 km range, BDOs will find it increasingly difficult to be in two places at the same time.

c. Pricing Contract Training

The price of each contract is negotiated with the supporting institution. For one group, LULOTE set the price by calculating the daily rate of each training agent and then adding in the overhead, a 10% fee, per diem, and transport. The cost proposal was presented directly to the group to be trained, which then approached its donor for funding. The availability of funds from the requesting institution's donor determines whether or not the training will take place.

There is some suggestion that LULOTE has tended to set its price according to organization's perceived ability to pay, i.e., prices were higher when the STRIDE project was funding contract training participants. LULOTE will need to establish a transparent policy for pricing its services (which may well include discounts for certain groups) to avoid the appearance of arbitrariness and unprofessionalism.

4. Suggested Steps to Improve Training Products and Performance

- Given the importance of training activities in LULOTE's overall program, additional staff resources should be dedicated to this function. As noted above, BDOs will be increasingly called upon to focus their time and energy on refining and extending advisory services. If LULOTE's credit program is terminated, one option would be to move the current Credit Officer over to training. The current credit officer would be well-suited for a training role, particularly the development and presentation of courses focused on preparation for, and proper use of, credit.
- The Training Officer should work closely with the new Director of Technical Operations (DTO) on modularizing the remainder of LULOTE's IBC materials. Given the modest levels of training staff and plans for expansion, streamlining course preparation and facilitating teaching by short-term outside experts will be essential. If necessary, a special budget line item should be established to be used for module development. Outside technical expertise can be called upon to help develop course material in which the Training Officer and/or other technical staff do not feel confident.
- Management and staff need to decide coherent approach to pricing each training product. LULOTE will not be well-served by continuous fluctuation in the price of each course. Adopting a definitive pricing policy, whether subsidized or not, will make marketing more effective. LULOTE's break-even price, once this is known, can be discounted or have premiums added, depending on the individual or group.
- The Training Officer should develop a more aggressive plan for promoting training activities. Advertisement for scheduled courses should begin earlier and be repeated a few days prior to the training as a recall. Additional promotional strategies and techniques are offered below.
- Data on training participants should be collected and entered into LULOTE's CIS on a regular basis. Although it may not be possible to measure impact of training on course participants, particularly if they do not return to LULOTE for additional services, many will go on to become clients of LULOTE's Business Advisory Services. For these clients, it will be most valuable to have an initial record of the status of their business. The present form used to collect data from trainees should be reviewed to make sure that appropriate data are being collected. These data are also important for correctly analyzing who is coming to each course, and for accurately informing actual and prospective donors about LULOTE's programs.
- To accommodate demands of entrepreneurs, LULOTE should explore options for conducting some its classes, particularly modular courses, on weekends and evenings. There is evidence that these time slots are more convenient for many potential trainees. However, LULOTE will then need to come up with a satisfactory policy for compensating technical staff for time worked evenings and weekends. At present, it is the policy for these employees to receive compensatory time for their efforts. If Saturday and evening courses are highly successful, additional incentives may be appropriate for motivating staff to work at these times. The DTO should work with the training staff to develop an appropriate incentive system for presentation to Management and the Board.
- LULOTE should pursue the idea of modular courses geared to sector specific businesses as was done for the poultry industry. Other possibilities include business training for auto mechanics, welders, hair dressers, restaurateurs, and grocery owners.

- LULOTE should more actively market its courses with organizations that may need business training for their employees, such as trade unions, business associations, rural training centers, and staff of development projects. Banks or other organizations with loan schemes should also be approached, as these may have clients who require training as a prerequisite (or complement) to receiving a loan. The newly proposed Public Relations Officer, who also has a training background, may be a strong asset in this area.
- LULOTE should take a more active role in assisting other donor-funded organizations that are interested in contract training to acquire necessary funding. LULOTE can help by sharing fund raising information with these groups, preparing joint proposals, or submitting proposals directly to the donor.
- The Training Officer should work with the Public Relations Officer to develop a promotional package laying out the services LULOTE offers under contract training. This package can be used to market contract training directly to donors, as well as to prospective clients, including NGO groups, private businesses, and associations. Two specific sources of funding for contract training which LULOTE may wish to explore further are the EEC Microprojects Unit and the Overseas Development Administration from the United Kingdom.

B. BUSINESS ADVISORY SERVICES

This section reviews LULOTE's Business Advisory Services, focusing on changes introduced since the Final Evaluation, current procedures and delivery mechanisms, and the further refinements required to bring the service in line with LULOTE's stated mission. At present, two products are offered: Business Advisory Services, under which long-term assistance is offered to start-up entrepreneurs and individuals who have attended the LULOTE training programs; and Consulting Services, under which LULOTE advisors provide a specific service, generally to more established entrepreneurs.

1. Business Advisory Services

LULOTE's Business Advisory Service is essentially a full-service extension program under which advisors work with small-scale entrepreneurs, usually start-ups, on all aspects of their business, including business planning, record keeping, pricing, cash flow planning, and marketing. While the service theoretically has a training aspect to it, it is not clear to what extent BDOs are offering instruction as opposed to fixing problems. The service includes frequent visits to the entrepreneurs place of business -- even when transportation is not necessarily a problem. To date, no charge has been required of individuals receiving this service. Many of those receiving long-term advisory assistance are entrepreneurs who have approached LULOTE for a loan under its credit program.

a. Delivery

At present, Business Advisory Services are still being conducted within the 30 km radius prescribed by USAID. LULOTE has indicated intentions to extend this service beyond the 30 km radius as soon as possible, beginning with extension to the greater Manzini region in October. Information workshops to assess need and demand for this service have already been held, following on the intensive coverage of LULOTE during the relaunch.

Following from the extension model, BDO's conduct a large proportion of all visits at the client's workplace. The program calls for two visits per month. In fact, given the relatively low number of clients BDO's have been required to service, they have averaged more than two visits per month, especially with new clients. Many entrepreneurs also come in to the Manzini office to meet with BDOs there. There does not appear to be any accurate information on the issue of transportation, i.e., assessing what proportion of clients have real difficulties in making the trip to the Manzini office. Given the current mode of operation, BDOs spend a lot of time driving out to clients shops. Although appointments are supposed to be scheduled in advance, many of these visits are impromptu and/or unscheduled so that, besides leaving a message, little is accomplished. This results in a significant loss of productivity and efficiency in delivery of the service.

Furthermore, each BDO may have clients in the same geographic area. At present, each makes individual trips. Coordinating visits by geographic area is a spur of the moment occurrence arranged between BDOs, not a programmed activity. There is no supervisory system in place to manage or monitor BDO activities and use of vehicles.

To date, Business Advisory Services are delivered without contracts. There is no clear recording of objectives of the assistance, expected outputs, inputs, or responsibilities on the part of either clients or BDOs. Recently, the technical staff have developed a model for an "Enterprise Development Agreement." The consulting team approves wholeheartedly of this development and encourages LULOTE to finalize and begin utilizing this important document.

b. Pricing

At present, Business Advisory Services are offered free of charge. Based on the Final Evaluation, there has been some discussion about instituting a charge of E25 per site visit; but to date this has not been implemented. Even if it were implemented, such a charge would not take into consideration the length of each visit, distance travelled by the BDO, or type of service provided. It also does not take into consideration whether multiple site visits are really necessary. However, a site visit charge may provide clients with an incentive for only seeking advisory assistance when they really need it and/or visiting the BDO at the Manzini office.

c. Data Collection

An initial set of data is collected on each client enrolling for Business Advisory Services. Data are supposed to be entered in LULOTE's computerized Client Information System; in fact, this does not take place on a regular basis. Hard copy file folders are also kept on each client. Review of both the hard files and the computer files indicates that data are not being collected or entered on an accurate, complete, systematic basis. There is also no regular system in place for conducting follow-ups on assisted clients. Although BDOs do seem to be compiling some follow-up data, most of this is qualitative and based on subjective assessments, and does not provide a basis for assessing clients' progress over time. It also does not allow assessment of individual BDOs' performance and efficiency. Finally, there is no basis for aggregating data about all clients served to come up with an overall picture of scope and effectiveness of LULOTE's advisory services.

2. Business Consulting Services

Consulting Services are valuable for entrepreneurs in need of a specific service or document, usually in a short period of time, such as a business plan or cash flow analysis for presenting to a financial institution. If, however, LULOTE wants to concentrate on developing business skills, this service

may fall outside of their mission. BDOs prepare all the documentation for consulting services based on information supplied by the client. There is no training aspect to the service as it is now presented.

Consulting Services are not presently based on a contract; neither is there a well-established fee policy, although all Consulting Service clients do pay for services. (In fact, the same services are offered free of charge to clients signed up under the Business Advisory Service.) No follow-up is carried out to see whether clients have actually benefited from the services provided.

a. Delivery

Delivery of Consulting Services is done exclusively in the Manzini office on a walk-in basis. Apparently LULOTE is intending to extend its Consulting Services beyond the present 30 km. radius, in accordance with similar plans for its Business Advisory Services.

b. Pricing

Consulting Services do provide revenue for LULOTE. Clients currently pay a percentage of the agreed-upon charge up-front, with the balance collected when the service is delivered in full. Prices are currently based on the particular product requested, and do not have enough of a relationship to the costs and time required to perform the service.

3. Suggested Steps for Improving Marketing of BAS and Consulting Services

- The stated rationale behind advisory services is to reinforce lessons learned in LULOTE training and/or to provide intensive, individualized training to a client in pursuit of specific business objectives. LULOTE should reconsider whether its present Consulting Services are in line with its mission statement, in terms of type of client served and type of service provided.
- In accordance with LULOTE's objectives concerning professionalism and businesslike operations, Business Advisory Services should be delivered on the basis of a business contract, rather than in the open-ended manner in which they are offered at the present time. The BDOs have begun developing an Enterprise Development Agreement. Specific suggestions have been offered by the consulting team on how to bring the draft document in line with LULOTE's mission. While the training aspect of the advisory service should become more explicit, at the same time there should be, from the outset, specific business objectives that the client and the BDO are trying to achieve. The EDA should include and action plan for each objective, specifying expected time to accomplish each objective, as well as timing and location of all meetings. If fees are to be charged, this should be so stated in the EDA. The EDA will provide a clear basis for terminating relationships with each client and/or negotiating new EDAs or making referrals. Putting the advisory relationship on a contractual basis should lead to increased efficiency and professionalism on the part of BDOs and clients, and should facilitate monitoring of client impact and staff performance.
- In line with reassessment of the extension approach to advisory services, LULOTE should introduce criteria for site visits, rather than making regular site visits to individual clients an ongoing part of its program. For each site visit, the BDO should be able to define why a site visit is necessary; what the BDO and the client will be working on; actual cost of making the trip and how much, if anything, the client should be contributing; and exact scheduling

arrangements, to ensure the client will be present. When site visits are necessary, coordination between BDOs should be established along geographic lines to reduce vehicle usage, reduce costs, and save time.

- The newly hired DTO should be responsible for supervising and coordinating the work of the BDOs. Schedules for site visits should be planned in advance and reviewed by the DTO for efficiency and effectiveness. BDOs should be encouraged to keep daily time sheets showing time spent on each client. Such time keeping will facilitate preparation of weekly and monthly BDO progress reports and will facilitate performance evaluation.
- Management should assign to the DTO and the BDOs the task of devising a rational, transparent fee structure for all LULOTE services. The fee structure should be based on known actual costs of service delivery, though actual fees may be discounted in accordance with LULOTE's development mission. The fee structure will not only generate some revenue but will allow LULOTE to determine accurately the level of subsidy required from donors. The fee structure will also be necessary to ensure consistent charging and receipting for all cash transactions.
- The DTO should work with the Accountant to review and refine procedures for managing cash transactions and registering receipts from the Business Advisory and Consulting Services. Accurate recording and reporting of client revenues will be required to ensure proper financial oversight. Client revenues generated by individual BDOs may also be one of the indicators used to measure BDO performance and allocate incentives.
- Information on each client should be updated after each visit, regardless where the visit is held. BDOs must be made responsible for entering the information into a revised CIS. The DTO should conduct routine checks of the CIS to ensure that client files are complete and up-to-date. The data should be used to generate periodic reports on individual client progress as well as present a picture of LULOTE advisory services as a whole. In turn, more accurate information on time spent per client and client progress will enable closer monitoring of BDO performance and facilitate rewards for above average performance.
- The DTO should work with Senior Management and the BDOs to devise a performance based incentive scheme for the BDOs. The scheme should be in line with whatever guidelines on personnel incentives are established by the LULOTE Board. The scheme will need to rest on clear position descriptions for each BDO, along with specific performance indicators and systems for measuring employee progress towards established targets.
- LULOTE should delay expansion of its Business Advisory Services until the current strategic, institutional development, marketing and financial plans have been approved by the Board and required systems and procedures have been put into effect in the Manzini region. If and when LULOTE does move out of the 30 km zone, it should consider a several-month trial period at selected sites in Manzini region before increasing its geographic coverage to the entire country.
- When LULOTE is ready to extend its Business Advisory Services beyond the current 30 km range, it should seek to do so in as cost-efficient a manner as possible. One option is to explore linkages with organizations based in more remote areas, with whom LULOTE may already have prior connections through training. For example, the Rural Education Centers and the Farmer Training Centers could be explored. Linkage with existing institutions can provide remote sites for providing consulting services as well as contacts for further group

training. Through such linkages, LULOTE may be able to implement a program of rural business clinics as described their 1995 proposal to the Ministry of Economic Planning.

C. CREDIT PROGRAM

The 1994 Final Evaluation called for LULOTE to drop its credit scheme. With a 58% delinquency rate, the program has been a money loser for the organization. A special committee was formed by the Board of Directors to look at the credit program and make recommendations to the full Board. The results of this committee report was the retention of the credit program. On the basis of the new Strategic Plan and mission statement, the Board should once again review the credit issue and find in favor of terminating the program. The Board should undertake a process of evaluating the current position of the portfolio - ascertaining the exact position of current and arrear accounts. Then a clear plan of ceasing applications in progress, winding up outstanding loans, and beginning the process of referral needs to be enacted.

A preferable approach to solving clients' need for credit would be to work on the training end, preparing clients to be able to make wise use of credit and then linking them with other appropriate organizations. A recent proposal to TIBIYO presented an arrangement in which LULOTE would collaborate with the Swazi Business Growth Trust in this way.

Annex MA-1 lists some additional credit programs available to small-scale entrepreneurs.

D. PROMOTING LULOTE PRODUCTS AND SERVICES

A comprehensive marketing program for any organization uses a wide variety of marketing mechanisms. Several of the mechanisms that have been used by LULOTE in the past are described below, along with suggestions on additional marketing steps LULOTE may wish to consider.

1. Existing Marketing Channels

Since the Final Evaluation, LULOTE has created some handouts for clients, describing individual products available. While this is a good start, these materials will need to be revisited, to ensure they conform with LULOTE's stated mission and objectives, and to clean up existing spelling and grammatical errors.

Radio has been used as a highly effective means of promoting LULOTE's training programs. Very few LULOTE target group clients have televisions, but most can be expected to have at least a low-cost radio. Most of the clients interviewed stated that they had heard of LULOTE from the radio. For each scheduled IBC, advertisements are broadcast three times, two weeks before the training event, at a cost of E108. Given their cost and effectiveness, these advertisements should be repeated one or two days before the event as a recall mechanism. LULOTE has not made use of radio for marketing its advisory services, and may wish to consider doing so.

LULOTE is well-versed in the use of local newspapers as a means of obtaining media coverage for regular and special events. LULOTE's relaunching in July is evidence of the success of a prominent news story which attracted a number of new clients to the organization.

2. Additional Marketing Suggestions

- Create the position of Public Relations Officer to assume responsibility for development and coordination of LULOTE marketing strategies;
- Review and revise existing marketing materials to correct grammatical and typographical errors which detract from the professionalism of LULOTE's image;
- Create LULOTE stickers to attach to vehicles, hand out to clients, and/or display on other surfaces;
- Make further investment in a LULOTE brochure. The brochure should be error-free, available in Siswati, and may wish to include some other "attraction" such as a calendar or sports schedule, to increase the likelihood that it will be kept for others to see.
- The PRO should explore the costs and benefits of producing a regular LULOTE newsletter and submit a proposal for consideration by Management and the Board;
- Produce business cards with the LULOTE emblem for Management and technical staff. Business cards simultaneously serve as a marketing tool and enhance the professional image of those carrying them.
- Stage newsworthy events such as "The One-Thousandth LULOTE Customer" or "Most Successful Entrepreneur of the Year". This type of event is popular with the press and gives LULOTE "free" advertising. The PRO should take the lead in developing concepts for such events, for Management's approval.
- Investigate costs and benefits of sponsoring a public event (i.e., a sporting event, academic event, etc.) The PRO could take the lead on this.
- Engage in joint promotional efforts with organizations with whom LULOTE has mutual interests, i.e., financial institutions;
- Hold "Small-scale Enterprise Days" with other organizations at locations likely to attract target clients. Offer free advisory assistance for the day. Team up with similar or complementary groups to hold mini-workshops for the public. Possible co-sponsors include SBGT, IMBITA, Rural Women's Group, banks.

E. **PROMOTING LULOTE TO DONORS**

Although LULOTE's immediate funding needs have apparently met through a recent grant from the Ministry of Economic Planning, the organization must nonetheless lay the groundwork for a long-term fund raising program in order to ensure its future viability and expansion. Successfully promoting LULOTE to donors will require a knowledge of possible donors, processes and systems for collecting and using donor information, and knowledge of the different types of grants available and how to apply for them. In addition, roles and responsibilities for fund raising must be clearly designated inside LULOTE, including the respective roles of the Board, Management, and technical staff.

This section will provide guidance on how LULOTE can obtain the information necessary to

establish a respectable fund raising effort. Details on possible funding sources, as well as reference publications that may be of use to LULOTE, are listed in Annexes MA-2 and MA-3.

1. Developing Donor Funding Targets

Targets for the desired amount of donor funding should be established on the basis of the organization's strategic development plan. The accompanying financial plan should incorporate cost projections for at least several years in advance, factoring in human and financial resources required for ongoing operations as well as expansion. At the same time, the financial plan should indicate revenues to be generated from fee income. The shortfall between the amount to be earned in revenues and the total amount required equals the amount that needs to be made up through donor funding. Fund raising targets may need to be adjusted periodically, to take into consideration actual revenues.

While the financial plan indicates exactly how much assistance the organization needs to seek from donors, the marketing plan indicates how to go about actually obtaining needed donor support.

2. Establishing a Donor Information System

One of the first steps in developing a successful campaign for funds will be the establishment of an easy to use donor information system. This information system should contain the names of the funding constituency which will include: international bilateral donors, government, NGO donors, nonprofit foundations operating in Swaziland, private companies, and individuals. Data collected through ongoing research should be entered into the system to complete a series of prospective donor profiles. All contact information should also be entered, allowing rapid preparation of mailing lists, follow-up letters, letters of appreciation, reports, and other correspondence.

Linkages with other local organizations, particularly other NGOs that depend on donations for all or part of their funding, are a good way to obtain further information on possible donor sources. Establishing strong linkages with such organizations can enable technical co-operation as well as lead to improved fund raising campaigns. Another excellent source of information is the public library. The Mbabane library has information which can be accessed at no cost to LULOTE.

3. Fund Raising Roles and Responsibilities

The Board has an active and critical role to play in fund raising, beginning with preparation of a multi-year strategic- and marketing plan. The Board is then responsible for guiding the organization in fulfillment of its stated mission and objectives, and for ensuring that the necessary funds are available to carry out the work in question. The Board (or the Fund Raising Committee) must work closely with Management to develop targets and identify possible funding sources. All Board members are responsible for promoting the organization through contacts, assisting in preparation of case statements, and reviewing proposals. Management may delegate much of the research and writing to other staff, but ultimate quality control remains Management's and the Board's. The Board also has the crucial responsibility of overseeing management and reporting of all funds, particularly for which LULOTE is accountable to outside sources.

The Public Relations Officer, under oversight of the Executive Director, will be responsible for carrying out most of the research necessary to conduct a fund raising campaign. The PRO will prepare marketing materials for proposals and donor reports summarizing the accomplishments of

LULOTE's technical programs. He will also assist with drafting, editing, and production of grant proposals.

4. Cultivating Donor Relationships

a. The Case Statement

Cultivating donor relationships begins with a clear case statement. The case statement is directed towards a specific donors and out compelling reasons for giving money to the organization. In effect, it explains the organization's mission in more detailed form. The case statement tells the donor:

- **Why** is LULOTE in business ? What specific problem or problems has it set out to solve ? What are the ramifications of the problem on the community, city, country? The statement needs to be specific and can not simply say "there's a problem" but must say why the problem exists and what will happen if LULOTE can't solve it.
- **What** does LULOTE do to solve the problem? What does LULOTE do that no one else does as effectively? How is LULOTE helping to solve the problem?
- **How** is the program organized? What resources does it have? Need? How will it use the resources to develop the organization into a competent organization to address the problem?
- **Who** is where the details of the organization are expressed. These include history, size, successes, leadership, other support and financing. To illustrate the organization and its previous successes, LULOTE should begin keeping a folder of every press clipping that appears in magazines, newspaper articles, NGO publications or other press, to be included in information sent to potential donors. Client testimonials are also effective marketing tools to be sent to contacts in the donor community.

b. Contacting Donors

Once LULOTE has researched selected donor sources, it must then develop personal contacts within the funding organization. The geographic location of the donor largely determines the type of approach to be used. Donor organizations in Swaziland can be visited. Staff from the donor organization can be invited to visit LULOTE, meet successful clients, and/or attend training events. Donors outside Swaziland frequently send staff to investigate projects they are already supporting, and can be invited to visit LULOTE and participate in some of LULOTE's activities. Cultivating these relationships makes donors feel they are part of the organization and makes them more likely to grant requests for funding.

For the most part, donors outside Swaziland will need to be contacted by mail. Most donors have designated personnel responsible for geographic or sector specialities. An effort should be made to identify the correct individual within the targeted organization and to direct all communications to that person. Once the names are obtained, an initial letter should be sent to the donor, explaining LULOTE's mission and how it proposes to help the funding agency to achieve it's own goals. The letter should supply additional background materials about the organization and extend invitations, if appropriate.

c. Systems

Cultivating donors requires that systems be in place at LULOTE to ensure the following activities:

- Follow-up letters for every proposal, visit, telephone call, fax, or other contact;
- Speedy responses and letters of appreciation for any contributions, even in-kind or relatively minor (thanking supporters for their contributions is a form of cultivation; donors like organizations that recognize their generosity);
- Requests for continuation of any funds received the year before; and
- Regular contacts with donors explaining exactly what the organization has done with their money. A newsletter is an excellent way of communicating with donors and keeping them interested in the program, especially if they are mentioned prominently in the publication.

Forgetting to implement even one of these systems will eventually undermine even the best research and proposal preparation efforts.

5. Types of Donor Organizations

a. Bilateral Aid Programs

The five-year plan prepared by the Ministry of Economic Planning is an excellent source of information on bilateral donors who have given more than US\$50,000. Each of these is a prospective source of funds, depending on LULOTE's actual assistance needs. Many bilateral programs are government to government only. LULOTE may wish to invest the time in getting to know these donors, through research and personal contacts, well before it needs to approach them for money. A list of these donors is presented in Annex MA-2.

b. NGO Donors

Many NGO are also donors for specific project level activities. NGOs will often want to have at least one of their employees involved in the project and will require excellent reporting as they also must justify the use of funds to their donors. Many of the largest NGO donor organizations are found in Maputo. A list of these potential donors is given in Annex MA-2.

c. Foundations

In 1992, over US\$556 million were awarded in 5,669 international grants from American foundations. A foundation is a nongovernmental, nonprofit organization with its own funds and program, managed by its own trustees and directors, established to maintain or aid other nonprofit organizations.

When applying for grants from foundations, it is wise to conduct some research into foundations' past giving foci. The grant history of even small foundations is registered in one of the publications listed in Annex MA-3 of this report. From the grant history one can determine what the maximum and minimum grants have been, if there are limitations on grants, the purpose and activities of the foundation, fields of interest, types of support given, and how to obtain additional information or application materials.

Foundations may limit their giving to geographic areas, specific groups of people, or specific uses. Many do not give grants for operational expenses. If LULOTE decides to approach a foundation for support, it will need to match the proposal application to the foundation's giving history. Some of the most common grants given by foundations are listed in Annex MA-4.

The consulting team was able to develop a brief list of foundations that have either the same goals and interests as LULOTE, have a donor history of giving in Swaziland, or both. This brief list of American foundations can easily be expanded with more research to include European donors. See Annex MA-5.

6. Donor Information Publications

A leading institute that tracks donors and grant awards is the **Foundation Center**. The Foundation Center is an American service organization which provides a single authoritative source of information on foundation and corporate giving. The program helps grant-seekers to choose among more than 35,000 U.S. foundations for support for their programs. Among its primary activities are publishing reference books on foundations and corporate philanthropy and disseminating information. A list of publications that should be in every fund raiser's library is presented in Annex MA-3.

7. Proposal Preparation

Having identified the type of grant to apply for, a specific proposal must be tailored for each individual donor. Each has a different "mission" or purpose. Some foundations or corporate givers also have specific criteria which must be included into any grant proposal. Establishing early contacts and determining grant application requirements are part of the donor information collection process mentioned above. It is never wise to submit a proposal without knowing what the specific donor's requirements are. Furthermore, the same proposal cannot be circulated to every prospective donor.

The following factors should be thought through when preparing a proposal for any donor:

- A case statement showing the donor how the two organizations are compatible. The proposal should indicate how the two organization's goals are closely related and how LULOTE will use the donor's funds to further the mission of the donor.
- Know the donor. Remember that certain foundations have sector specific restrictions on their money. Do research before writing, not after.
- If application criteria are presented, make sure these are addressed in the proposal.
- Include success stories in the proposal, especially if these provide a slant or highlight a particular activity which the target donor has a history of funding.
- Attempt to demonstrate Board involvement in the proposal preparation process. Donors like to see signs of an active and involved Board.
- Include information on LULOTE's sustainability. Show the prospective donor how much progress has been made over the years towards self-sufficiency.

- Let prospective donors know they are not the only source of funds available. If they know that other donors have "taken a chance" on LULOTE, they may be more easily convinced to make donations as well. This is especially helpful when applying for matching fund grants.
- Include a realistic budget, bearing in mind that most grants are for a specific activity.
- Be sure to edit the proposal carefully, so that the final document looks as professional as possible.
- Find out why unsuccessful proposals were turned down, and consider reapplying.

Steps for Establishing an Effective Fund Raising Campaign:

- Define fund raising roles of individual Board members, members of the Fund raising Committee, and the Board as a whole.
- Establish short- medium- and long-term budget forecasts, project fee earnings, and identify needed donor support, by amount and type.
- Board to approve position of Public Relations Officer to assist Executive Director in fund raising activities (list of duties presented in Institutional Development Plan, above).
- Develop a computerized Donor Information System for compiling, tracking, and managing information. The system should be able to use available D-base software. LULOTE may wish to obtain assistance from a local computer expert in setting up the system.
- A publication budget should be approved by Management for ordering publications needed for the donor information system.
- Consider production of professional-quality video-tape of LULOTE. Include footage of training sessions, walk-in consulting clients, BDO client visits and other programme activities. Tape should be recorded in a number of different formats (PAL, SECAM and NTSC) as donors in different countries use different video systems.
- Continue to develop liaison with CANGO and other local NGOs to share information on donors and contacts within the Swaziland NGO community.

F. ESTABLISHING INSTITUTIONAL LINKAGES

In addition to seeking donor funding, LULOTE should be actively establishing professional linkages with local, regional, and international organizations involved in small and microenterprise development. Linkages with other NGOs provide a potential source of technical assistance and information which may not otherwise be affordable or available. The best experts are those who are intimately familiar with local conditions. The steps to take in establishing these linkages involve the same processes used in creating an active donor funding operation. LULOTE will need to establish personal contacts, log information in a systematic fashion, and share information and resources. A list of local, regional and international organizations involved in enterprise development is located in Annex MA-6.

1. Collaboration with Local NGOs/PVOs

LULOTE has already established significant linkages with other local NGO/PVO groups through the Coordinating Assembly of Non-Governmental Organizations (CANGO). CANGO represents 60 local NGOs active in Swaziland, many of them in rural areas, some with linkages to international non-profit groups such as Save the Children, the Salvation Army, the Women's Resource Center, Boy Scouts, and others. Members of CANGO are involved in activities in fields related to LULOTE's mission and can be of direct support, especially as LULOTE contemplates moving into rural areas.

The diversity of the NGO community represents a wide range of technical, administrative, training, management, financial and other skills which can be shared between organizations at little or no cost. In addition to skills sharing, NGOs in Swaziland can refer clients to one another's programs, share facilities, trainers and training materials, and information on donors, co-sponsor events, etc.

Some research should be conducted into other organizations working in Swaziland that may not be members of CANGO but who may have the same interests or goals as LULOTE. One that is evident is Swaziland Business Growth Trust (SBGT). LULOTE has made some effort to collaborate with SBGT to obtain funding for both organizations. SBGT and LULOTE are already exploring collaboration in the area of credit delivery. SBGT is potentially a source of valuable advice on fund raising, management of endowments, Board operations, as well as a referral point for "graduates" of LULOTE's programs.

2. Regional and International Organizations

The U.S.-based Small Enterprise Education and Promotion (SEEP) Network is an excellent source of information on small enterprise development in general, and on the activities of implementing organizations like LULOTE worldwide. SEEP can also provide LULOTE with information on potential donors. Information on SEEP is included in Annex MA-6.

Another potential source of information and/or resources is the International Council for Small Business (ICSB). ICSB's primary objective is to advance management practices of small business owners and potential entrepreneurs through research, education and the open exchange of ideas between professionals around the world. ICSB serves as an umbrella organization with members in over 40 countries, including an affiliate office in Johannesburg and members in South Africa, Lesotho, Zimbabwe, and Kenya. Further information on ICSB is included in Annex MA-6.

Steps for Promoting Institutional Linkages:

- Designate PRO to maintain database on relevant NGOs active in Swaziland. Database should include contact names, addresses, donor funding sources, program objectives, and target clients. Include information on how LULOTE and the NGO can collaborate. Also include contacts made with the organization and follow-up needed. Much of the information to be used in this database can be obtained from CANGO, but for non-members, some research will be required.
- Contact other regional and international organizations that may be sources of information or resources, including SEEP and ICSB.

- Investigate possible collaboration with other NGO groups on proposals to donors. Many of the NGO projects listed in the CANGO directory have an enterprise development aspect to them, to which LULOTE could contribute.

G. OTHER INCOME-GENERATING SCHEMES

Over the past year, LULOTE has contemplated a number of schemes to replace income from the USAID grant. Fortunately, with the exception of rentals of workshop space, none of these schemes has been pursued. LULOTE is facing enough internal and programmatic challenges related to improvements in its core area of operations, without attempting to take on and manage additional commercial activities unrelated to its mission and objectives.

1. Workshop Rentals

The eight workshops located on LULOTE's premises create a source of revenue with very little effort on the part of LULOTE. LULOTE rents the properties at approximately E10 per square meter. Comparable space in Manzini rents at E15 per square meter. Rent includes subsidized electricity, free use of LULOTE's receptionist, receipt of incoming calls, and a free mail box address.

LULOTE personnel spend very little time managing the facilities, except to read the electricity meter and collect late rent. Occasionally LULOTE incurs advertising expenses when it is necessary to fill an empty workshop. At present, this responsibility is assigned to the Accountant, who delegates most of these tasks to the Accounts Clerk.

There is some question of the opportunity lost in terms of the unrelated nature of workshop rentals to LULOTE's strategic plan. The workshops were originally intended to be rented out to graduates of MITC and the IBC training program. LULOTE was not successful in renting the space to the target group and opted for rental income instead. At present, no LULOTE business or training clients are renting workshop space. Several of the workshops are used as warehouses. One is used for woodworking, and in fact creates significant noise disruption for LULOTE training events and meetings.

Given the other pressing programmatic priorities that LULOTE has to deal with, it is probably wise to continue with the workshop rentals as is, for the present time. Given that there is no strategic linkage to program clients, LULOTE should probably take a more businesslike approach to the workshop rental and attempt to maximize the income stream from it. One easy step would be to eliminate the electricity subsidy. LULOTE should continue to keep an eye on commercial rates for comparable properties, and keep its rental costs as close to commercial rates as possible.

LULOTE may also wish to remove this function from the portfolio of the Accountant, who needs to concentrate on financial management and reporting systems, and place it with the proposed Program Assistant.

SECTION IV - FINANCIAL PLAN

In the Strategic Plan there are four rationales put forth for charging fees:

- Serve as a test of clients' commitment;
- Ensure that services are valued;
- Confirm the relevance of the product or service to clients' needs, providing a valuable source of feedback to LULOTE technical staff; and
- Generate revenues that contribute to the financial sustainability of the organization.

It is absolutely vital to recognize that only one of these has to do with generating revenues as such. Rather the concept of charging fees is being accepted as a reflection of the way LULOTE wants to carry out its business and as one of the best ways of measuring whether its services are actually benefitting and being appreciated by clients.

The financial plan should reflect this strategic direction, which means putting a considerable amount of effort into assessing programmatic and institutional questions first, and then calculating what fees may be generated by the organization. Also, it has become quite evident that LULOTE's needs in the area of finance have much less to do with actually accumulating funds. (Recent government largesse and the good possibility of substantial additional funds coming into the organization make fund raising in and of itself a somewhat less important exercise for the time being.) Rather, there is a dire need for the establishment of policies, procedures, plans, controls and modified reporting structures and systems to ensure money is properly budgeted, spent and accounted for - and most importantly, used in a way that improves LULOTE's ability to achieve its strategic mission.

This Financial Plan will address several key issues. LULOTE must understand and adopt a practice of sound *capital and operational budgeting*. *Investment guidelines* must be established for the organization. *Management and financial reports* must be revamped to provide necessary tools for control and monitoring of LULOTE's activities. There are some amendments to the *current cost budget forecast*, arising out of the proposals in the Institutional and Marketing Plans, which should be reflected in new projections. New sources, plans and targets for *internally generated revenue* must derive from LULOTE's own design and implementation of changes in product content and delivery.

A. CAPITAL AND OPERATING BUDGETS

LULOTE has never had to present a capital budget. Operating budgets really amounted to modifications of the status quo. Both of these circumstances must change substantially in the absence of the sole and significant support of one donor. LULOTE will have to establish its own short, medium and long-term plans with associated costs and revenues or benefits. The organization must learn to distinguish between incremental changes in cost structures due to inflation or the movement of one or two staff members; and major financial outlays which should change fundamental ways the organization operates. It also must learn to quantify the benefits of a particular investment. All of these concepts are part of separating capital and operating budgets.

In short, a capital budget describes significant expenditures which tend to be incurred only once and are distinct from normal operating expenses. Examples of capital expenses may include, but not be

limited to, purchases of buildings, vehicles or substantial quantities of new computer equipment. Capital expenditures should be identified as any purchase of a fixed asset which has a value of 5% or more of current fixed assets or annual operating expenses. Thus in LULOTE's current case (at the moment without its own balance sheet), any newly acquired asset costing approximately E35,000 or more would qualify as a capital item.

If LULOTE were a private profit making firm, it would have to justify making the purchase on the basis that the present value of the expected profits over the life of the newly purchased asset were equal to or greater than the present cost of the asset. As a non-profit with a developmental focus, such rigorous financial analysis would not be appropriate or perhaps even feasible. However, LULOTE will still have to justify any future capital expenditure on the basis that whatever marginal recurring costs may accrue to the organization as a result of the new asset purchased are covered by marginal revenues and / or donor support. Also, it should be very clear what additional service benefit will accrue to the client base by making the capital expenditure.

As an example, if LULOTE wants to build an additional classroom to accommodate additional IBC students because the organization perceives heightened demand, then it must carefully calculate what costs and benefits will derive from the new space. Additional electricity and maintenance costs should be identified. The expense of additional chairs and other materials to go in the new room should be accounted for. On the other hand, fees from additional training clients should be calculated. If there is a shortfall between the marginal costs and marginal revenues, then LULOTE will have to ensure access to a sufficient amount of donor funds over a sufficient time period to pay for the subsidy. Also, LULOTE should weigh the benefits of this strategy to reach more training clients with other potentially less costly (and non-capital related) moves, such as offering Saturday and evening classes.

Another advantage of isolating capital budgets and items in them is that donors and other potential benefactors can readily identify singular interventions which may be attractive to them. It is still a distinct preference for most donors, particularly those just learning about an already established institution, to want to fund clearly identifiable items, as opposed to general operational or ongoing costs. Having a capital budget also helps the organization to coordinate and target its fund raising efforts around very specific items. A pro forma capital budget is provided in Annex FP-1.

LULOTE is much more familiar with operational budgets. They essentially are expressions of regular and recurring costs and revenues, usually shown on a monthly or yearly basis. However, LULOTE should begin to budget for its operations from a market demand and need perspective, not from the basis of its current structure. This concept harkens back to a significant exercise undertaken last year during the final evaluation, whereby LULOTE examined the actual utilization of people's time. It is safe to say that it seemed then and it still seems that significant under-utilization of technical staff might justify fewer staff, and thus a revised operational budget, if market targets remain modest with unspectacular growth.

Another aspect lacking in LULOTE's operational budgeting is any planning for fee income. As stated in the beginning of this section, the charging of fees is being accepted as an integral expression of the way LULOTE wants to be perceived and to do business. Whether the fee income equals 10% or 80% of costs is in some ways immaterial. It is, however, important to reasonably calculate this figure so that the program may be managed effectively, efficacy and efficiency can be measured, and more precise targets can be set for fund raising.

Mrs. Girlie Mamba
Sewing Store Owner
Manzini

Administration.

LULOTE brochures

Mrs. Patricia Ngozo
Restaurant Owner
Manzini

Mr. Mamba
Cleaning Service Owner/Aspirant Brick
Maker and Property Developer
Manzini

Mr. Stephen Ntshalintshal
Restaurant Owner
Manzini

Swazi Business Growth Trust

Mr. Don Henry
Managing Director

Mr. Norman Buckham
General Manager

European Economic Community Microprojects/Mbabane

Mr. Peter Oates
Coordinator

Ms. Thabsile Baartjies
Small Business Consultant

Written Documents

BMEP Constitution of the Board of Directors

BMEP A Financial Evaluation and
Sustainability Plan. Final Report, October
1994.

BMEP Grant Proposal to the Ministry of
Economic Planning, May 1995.

BMEP Report on Review and Restructuring of
BMEP, March/April 1995. Prepared by
Swaziland Institute of Management and Public

ANNEX C

Resources Used by the Consulting Team

United States Agency for International Development

Ms. Anita Sampson
Lulote Project Officer

Mr. Paul Tsabedze
Swaziland Enterprise Development Company
(SEDCO)
P.O. Box A186
Swazi Plaza
Mbabane

LULOTE Board of Directors

Father Larry McDonnell
Skills Centre
P.O. Box 1475
Manzini

Dr. Sr. Judith Ellen Dean
MITC Emakhonweni
P.O. Box 549
Manzini

Dr. Jerry Gule
Usuthu Pulp Company
Provate Bag
Mbabane

Mrs. Moroesi Khoza
Principal
Swaziland Institute of Management and Public
Administration
P.O. Box 495
Mbabane

Mr. Thulani Musina
Masina Mazibuko & Co.
P.O. Box 592
Manzini

Mr. Leonard Lukhele
Ministry of Education
P.O. Box 39
Mbabane

LULOTE Personnel

Mrs. Nokukhanya Gamedze
Director

Mr. Sifiso Ndwandwe
Programme Manager

Mrs. Thuli Mshengu
Accountant

Mr. Stephen Motsa
Bussiness Development Officer

Mr. Abednego Dikiza
Business Development Officer

Mr. Meshack Earnshaw
Credit Officer

Ms. Nomthandazo Magagula
Training Officer

Ms. Patricia Malindzisa
Secretary/Receptionist

LULOTE Clients

Mrs. Joyce Bennet
Grocery/Petrole Station Owner
Manzini

Mrs. Nonkululeko Nxumalo
Grocery Store Owner
Manzini

15 Dec 1995

	FY 1995			FY 1996			FY 1997			Quantity Explanations
	QUANTITY	RATE	AMOUNT	QUANTITY	RATE	AMOUNT	QUANTITY	RATE	AMOUNT	
INTERNALLY GENERATED INCOME										
Introduction to Business Course	120	250	30,000	240	275	66,000	240	303	72,600	Person-courses
Modular Courses	144	100	14,400	288	110	31,680	288	121	34,848	Person-courses
Business Advisory Services	360	25	9,000	720	28	19,800	864	30	26,136	Person-visits per year
Consulting	72	175	12,600	144	193	27,720	144	212	30,492	Client-jobs per year
Group Empowerment Training	50	333	16,650	120	366	43,956	180	403	72,527	Course-days
Contract training	50	333	16,650	50	333	16,650	50	333	16,650	Course-days
Workshop rent	84	550	46,200	84	550	46,200	84	550	46,200	Occupancy-months per year
Interest income	150,000	10%	15,000	150000	10%	15,000	150000	10%	15,000	Avg. yearly balance on deposit
Miscellaneous recoveries	NA	NA	10,000	NA	NA	10,000	NA	NA	10,000	NA
INTERNALLY GENERATED INCOME	NA	NA	170,500	NA	NA	189,156	NA	NA	236,603	
Year-to-year percentage change			ERR			10.94%			25.08%	
(Percent of Total Expenses)			18.80%			ERR			ERR	
EXTERNALLY GENERATED INCOME										
USAID grant			320000			0			0	
Endowment Income			432000			1200000			1380000	
Other operational grants (1)			50000			200000			200000	
EXTERNALLY GENERATED INCOME	NA	NA	802000	NA	NA	1400000	NA	NA	1580000	
(Percent of Total Expenses)			88.41%			ERR			ERR	
(External / Internal Ratio)			470.38%			740.13%			667.78%	
GRAND TOTAL INCOME	NA	NA	R972,500	NA	NA	R1,589,156	NA	NA	R1,816,603	
GRAND TOTAL EXPENSES (from above)	NA	NA	R907,097	NA	NA	???	NA	NA	???	
NET INCOME	NA	NA	R65,403	NA	NA	???	NA	NA	???	

Notes:

(1) Do not include grants which are only to be used for capital expenses in this revenue forecast.

**LULOTE PRO FORMA EXPENSE FORECAST
FY 1995 TO FY 1997**

Annex FP-2

DATE: 15 Dec 1995

	Mgt / Admin 1996	Training 1996	BAS 1996	Total 1996
PERSONNEL (1)				
Management (2)	187,104	30,000	30,000	247,104
Line Staff (3)	0	53,688	80,532	134,220
Support Staff	43,812	0	0	43,812
Part-time employees	24,000	0	0	24,000
BDO Incentive	0	0	4,000	4,000
Training Incentive (E5 / trainee)	0	3,000	0	3,000
Staff Incentive (i.e. 1% of internal revenue)	2,000	900	1,100	4,000
Workmen's compensation insurance	300	250	250	800
Medical insurance	18,000	15,000	15,000	48,000
Provident fund	1,000	500	500	2,000
Pension	100	50	50	200
TOTAL PERSONNEL	276,316	103,388	131,432	511,136
VEHICLE EXPENSES (4)				
Maintenance	8,000	4,000	8,000	20,000
Fuel	6,000	3,000	6,000	15,000
Insurance	4,000	2,000	4,000	10,000
TOTAL VEHICLE	18,000	9,000	18,000	45,000
OFFICE OPERATIONS (5)				
Ad hoc technical assistance	20,000	3,000	13,000	36,000
Advertising	1,200	1,200	1,200	3,600
Auditing fees	11,000	0	0	11,000
Bank charges	850	0	0	850
Cleaning and housekeeping supplies	2,200	0	0	2,200
Contractor services (comp, fire, copy)	9,000	1,000	1,000	11,000
Entertainment	1,200	100	200	1,500
Interest expense	200,000	0	0	200,000
Legal fees	900	0	0	900
Licenses	500	0	0	500
Maintenance (bldg & grounds)	3,300	0	0	3,300
Office supplies	6,000	1,000	2,000	9,000
Postage	500	100	100	700
Printing & reproduction	5,000	2,000	1,000	8,000
Publications and subscriptions	200	0	0	200
Security	8,000	0	0	8,000
Staff training	1,000	2,000	4,000	7,000
Travel (hotel, air, per diem)	5,000	1,000	1,000	7,000
TOTAL OFFICE OPERATIONS	275,850	11,400	23,500	310,750
UTILITIES & RENT				
Electricity	6,000	0	0	6,000
Telephone	12,000	6,000	12,000	30,000
Water	800	0	0	800
Rent	0	0	0	0
TOTAL UTILITIES & RENT	18,800	6,000	12,000	36,800
OTHER INSURANCE				
Liability	165	0	0	165
Burglar	930	0	0	930
Money	275	0	0	275
Glass	110	0	0	110
Building	1,931	0	0	1,931
TOTAL OTHER INSURANCE	3,411	0	0	3,411
GRAND TOTAL EXPENSES	R592,377	R129,788	R184,932	R907,097

Notes:

- (1) Salary expenses are apportioned on the basis of actual salaries of persons in specific positions. Other Personnel expenses should also be able to be apportioned on the basis of actual expenditure for specific staff members in each division.
- (2) "Mgt / Admin" includes the Program Director, PRO, Accountant and Program Assistant. "Training" and "BAS" include half of the new DTO's salary.
- (3) "Training" includes 2 trainers and "BAS" includes 3 BDOs.
- (4) Vehicle expenses should be apportioned along per kilometer travelled basis, according to the planned and actual travel of personnel within each division. This assumes an accurate keeping of a travel log.
- (5) To the greatest extent possible these expenses should be apportioned to the divisions which actually use the associated services.

Pro Forma Capital Budget

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Expense							
Bakkie	120,000						
Revenues							
New BAS Clients		2,000	2,500	3,000	3,000	3,000	13,500
Etc.		1,000	1,000	1,000	1,000	1,000	5,000
Etc.		500	500	500	500	500	2,500
Subtotal		R3,500	R4,000	R4,500	R4,500	R4,500	R21,000
Expenses							
Fuel		4,610	5,300	6,100	7,020	8,070	31,100
Maintenance		1,000	1,150	1,320	1,520	1,750	6,740
Insurance		6,000	6,900	7,940	9,130	10,500	40,470
Etc.		500	580	670	770	890	3,410
Subtotal		R12,110	R13,930	R16,030	R18,440	R21,210	R81,720
Net Profit / (Loss) (1)		(R8,610)	(R9,930)	(R11,530)	(R13,940)	(R16,710)	(R60,720)

(1) Note that under this particular scenario, LULOTE would have to raise sufficient funds from donors or cross-subsidize from other profit-making products in the organization to cover the ongoing loss of this particular capital expenditure. Also, such financial losses should be clearly justified by developmental (social) advances, which may not be apparent in just financial terms.

FINANCIAL PLAN ANNEXES

Annex FP-1	Pro Forma Capital Budget
Annex FP-2	Pro Forma Cost Budget
Annex FP-3	Pro Forma Revenue and Net Income

Opportunity International
360 W. Butterfield, Suite 110
Elmhurst, Ill. 60126
Phone: 708-279-9300
Fax: 708-279-3107

**Private Agencies Collaborating Together,
Inc.**
1901 Pennsylvania Ave. NW
Washington, D.C. 20006
Phone: 202-466-5666
Fax: 202-466-5669

Pan American Development Foundation
1889 F. St. NW
Washington, D.C. 20006
Phone: 202-458-3969
Fax: 202-458-6316

Pro Mujer
2653 Sanchez Lima, Sopachi
Casilla 7338
La Paz Bolivia
Phone: 591-2-322886
Fax: 591-2-784443

Project HOPE
Carter Hall
Millwood, Va. 22646
Phone: 703-837-2100
Fax: 703-837-1813

Salvation Army World Service Office
615 Slaters Lane
P.O. Box 269
Alexandria, Va. 22313
Phone: 703-684-5528
Fax: 703-684-5536

Save the Children
54 Wilton Rd.
Westport, Ct. 06880
Phone: 203-221-4000
Fax: 203-221-3799

Seed Capital Development Fund
1828 L. St. NW Suite 1030
Washington, D.C. 20036
Phone: 202-785-8300
Fax: 202-785-0799

SOCODEVI
1245 Chemin Sainte Fay
Bureau 2300
Quebec, Quebec
Canada G15 4P2
Phone: 418-683-7225
Fax: 418-683-5229

Trickle Up Program
54 Riverside Dr., PHE
New York, New York 10024
Phone 212-362-7958
Fax: 212-877-7464

Volunteers in Technical Assistance
1600 Wilson Blvd. Suite 500
Arlington, Va. 22209
Phone: 703-276-1800
Fax: 703-243-1865

Women's World Banking
8 West 40th St. 10th Fl.
New York, New York 10018
Phone: 212-768-8513
Fax: 212-768-8519

World Council of Credit Unions
5810 Mineral Point Rd.
Madison, Wi. 53705
Phone: 608-231-7130
Fax: 608-238-8020

World Education, Inc.
210 Lincoln St.
Boston, Ma. 02111
Phone: 617-482-9485
Fax: 617-482-0617

World Relief
P.O. Box WRC
Wheaton, Il 60189
Phone: 708-665-0235
Fax: 708-653-8023

The following organizations are members of the **Small Enterprise Education and Promotion (SEEP) Network**, a nonprofit organization dedicated to promoting the advancement of small enterprise development:

Small Enterprise Education and Promotion (SEEP) Network

777 United Nations Plaza
6th Floor
New York, New York 10017
Phone: 212-808-0084
Fax: 212-692-9748

The Crafts Center

1001 Connecticut Ave. NW
Suite 1138
Washington, D.C. 20036
Phone: 202-728-9603
Fax: 202-296-2452

Enterprise Development International

1730 N. Lynn St.
Suite 500
Arlington, Va. 22209
Phone: 703-243-9500
Fax: 703-243-1681

Feed The Children

917 Second St. NE
Washington, D.C. 20002
Phone: 202-543-1990
Fax: 202-543-2019

Food for the Hungry International

7807 E. Greenway Rd. Suite 3
Scottsdale, Az. 85260
Phone: 602-951-5090
Fax: 602-951-9035

Foundation for International Community Assistance (FINCA)

1101 14th St. NW 11th floor
Washington, D.C. 20005
Phone: 202-682-1510
Fax: 202-682-1535

Freedom from Hunger Foundation

1644 DaVinci Ct.
Davis, Ca. 95617
Phone 916-758-6200
Fax: 916-758-6241

InterAid

3217 Broadway, Suite 206
Kansas City, Mo. 64111
Phone: 816-931-9449
Fax: 816-931-6344

International Institute of Rural Reconstruction

475 Riverside Dr.
New York, New York 10115
Phone 212-870-2992
Fax: 212-870-2981

Katalysis

1331 North Commerce
Stockton, Ca. 90205
Phone: 8209-943-6165
Fax: 209-943-7046

Mennonite Economic Development Association

155 Frosbisher Dr.
Suite I-106
Waterloo, Ontario, Canada N2V 2E1
Phone: 519-725-1715
Fax: 519-725-9083

National Cooperative Business Association

1401 New York Ave. NW
Suite 1100
Washington, D.C. 20005
Phone: 202-638-6222
Fax: 202-638-1374

Opportunities Industrialization Council, Inc.

240 West Tulpehocken St.
Philadelphia, Pa. 19144
Phone: 215-842-0220
Fax: 215-849-7033

Young Entrepreneur Foundation
P.O. Box 52713
2132 Saxonwold

ZIMBABWE:

**Zimbank Micro Projects Services Small
Business Services Division**
P.O. Box 3198
Harare

Small Enterprise Development Corporation
P.O. Box 4520
Harare

MOZAMBIQUE:

Henny Almeida Matos
Director, International Relations
National Institute for Development
Avenue 25 Setembro 1509/C.P. 2132
Maputo

LESOTHO:

Business Training Centre
University of Lesotho
Private Bag A47
Maseru

INTERNATIONAL:

**International Council for Small Business
(ICSB)**
World Headquarters:
St. Louis University
Jefferson Smurfit Center
3674 Lindell Blvd.
St. Louis, Mo. 63108
USA

ICSB Affiliate Member for Southern Africa
P.O. Box 7780
Johannesburg, 2000
South Africa
Phone: 27-11-643-7351
Fax: 27-11-642-2791

ICSB Affiliate Zimbabwe
A.K. Mtshani
Small Enterprise Development Corporation
P.O. Box 4520
Harare
Zimbabwe

David Hiscocks
Managing Director
Youth Enterprise Services International
4th Floor Hobart House
40 Grosvenor Place
London SW1X 7AE
England
Phone: 44-171-201-4375
Fax: 44-171-201-4269

Director
**Canadian International Development
Agency**
200 Promenade du Portage
Place du Centre
Hull, Quebec K1A 0G4
Canada

Mr. R. Egberink
Ministry of Economic Affairs
**International Co-ordination, Small and
Medium Sized Business Development**
P.O. Box 20101
The Hague, NL-2500 EC
Netherlands

International Labor Organization
United Nations
4 Route des Morillons
CH-1211 Geneva 22
Switzerland

Foundation for Expertise in Enterprise Development
P.O. Box 525
4125 Amamzimtori

Hoechst Business Development Unit
P.O. Box 8692
2000 Johannesburg

Human Resources Trust
P.O. Box 693
1700 Maraisburg

Independent Business Enrichment Centre
P.O. Box 565
5200 East London

Independent Development Trust
P.O. Box 23
2006 Auckland Park

Informal Business Training Trust
P.O. Box 44482
7735 Claremont

Institute of Marketing Management
P.O. Box 91820
2006 Auckland Park

Islamic Business Development Corporation
P.O. Box 2335
4000 Durban

Japan External Trade Organization
P.O. Box 2811
2000 Johannesburg

Junior Achievement of Southern Africa
P.O. Box 784480
2146 Sandton

Local Enterprise Task Team
P.O. Box 411
2570 Klerksdorp

National African Business Development Organization
P.O. Box 5560
1502 Benoni South

National African Federated Chamber of

Commerce and Industry
Private Bag X81
0152 Soshanguve

National Crafts Association
P.O. Box 32978
2017 Braamfontein

Nedenterprise
P.O. Box 87157
2041 Houghton

Paarl Small Business Trust
P.O. Box 328
7620 Paarl

Port Elisabeth Entrepreneurial Centre
Private Bag X6011
6000 Port Elisabeth

Private Agencies Collaborating Together
P.O. Box 32286
2017 Braamfontein

Programme for Development Research
P.O. Box 32410
2017 Braamfontein

Rand Mines Small Business Development Programme
P.O. Box 62370
2107 Marshalltown

Small Business Advisory Services
P.O. Box 845
1620 Kempton Park

Small Enterprise Foundation
P.O. Box 212
0850 Tzaneen

Stutterheim Business Information Centre
P.O. Box 686
4930 Stutterheim

Women's Development Foundation
P.O. Box 31028
2017 Braamfontein

Business Challenge
P.O. Box 3448
2000 Johannesburg

Buthisezwe Training Centre
P.O. Box 2086
8000 Cape Town

Canadian Association for Black Business in South Africa
P.O. Box 42864
2033 Fordsburg

Centre for Black Economic Development
P.O. Box 260479
2023 Excom

Centre for Businessmen
University of Zululand
Private Bag X1001
3886 Kwadlangezwa

Centre for Opportunity Development
P.O. Box 784480
2146 Sandon

Ciskei Small Business Corporation
P.O. Box 167
Bisho

Community Banking Project
P.O. Box 62670
2107 Marshalltown

Community Based Development Programme
P.O. Box 32679
2017 Braamfontein

Community Business Services
37a Somerset Road
8001 Cape Town

Community Development Trust
P.O. Box 651321
2010 Benmore

Delegation of the Commission of the European Communities
P.O. Box 95358
0145 Waterkloof

Deloitte and Touche Entrepreneur Services Division
Private Bag X6
2052 Gallo Manor

Department of Trade and Industry
Private Bag X84
001 Pretoria

Development Action Group
101 Lower Main Road
7925 Observatory

Eastern Cape Development and Funding Forum
P.O. Box 2280
6140 Grahamstown

Education with Enterprise Trust
P.O. Box 150
9880 Harrysmith

Embassy of Israel: AID Programmes
P.O. Box 3726
0001 Pretoria

Enterprise Education Initiative
P.O. Box 50313
8002 Waterfront

Entrepreneurial Development
Private Bag 38140
2016 Booyens

Eskom Small Business Development
P.O. Box 1091
2000 Johannesburg

Foundation for African Business and Consumer Services
P.O. Box 8785
2000 Johannesburg

Foundation for Entrepreneurship Development
P.O. Box 18405
4014 Dalbridge

Centre for Businessmen
University of Zululand
Private Bag X1001
KwaDlangezwa, 3886

Africa Co-operative Action Trust (ACAT)
P.O. Box 1743
3200 Pietermaritzburg

**African Bank Business Development and
Advisory Unit**
P.O. Box 61352
2107 Marshalltown

**African Institute for Policy Analysis and
Economic Integration**
UCT Breakwater Campus
Portswood Road
Greenpoint
8001 Cape Town

African Small Business Development
P.O. Box 5573
2000 Johannesburg

**Afro Hairdressing and Beauty Association
of South Africa**
P.O. Box 8785
2000 Johannesburg

**Anglo American and De Beers Small
Business Initiative**
P.O. Box 61888
2107 Marshalltown

**Anglo America Corporation Chairman's
Fund**
P.O. Box 61587
2107 Marshalltown

Anglovaal Small Business Development Unit
P.O. Box 62379
2107 Marshalltown

**Appropriate Technology Information
Centre**
P.O. Box 395
001 Pretoria

Ashoka
P.O. Box 6079
2000 Johannesburg

**Association for Rural Advancement
(AFRA)**
P.O. Box 2517
3200 Pietermaritzburg

Barlow Foundation
P.O. Box 78224
2146 Sandton

**Black Employment and Education
Development Corporation**
P.O. Box 61828
2107 Marshalltown

**Black Entrepreneur and Enterprise
Support Facility**
P.O. Box 30804
2017 Braamfontein

Black Initiative Resource Centre
P.O. Box 5252
8000 Cape Town

**Black Integrated Commercial Support
Network**
P.O. Box 1936
2125 Randburg

Black Management Forum
P.O. Box 260185
2033 Excom

Brits Training and Entrepreneur Centre
P.O. Box 78
0250 Brits

Business Advice Centre
P.O. Box 1114
3880 Empangeni

Business Advisory Bureau
University of the North
Private Bag X1106
0727 Sovenga

ANNEX MA-6

Small Business Resource Organizations

LOCAL:

Mr. Peter Oates
Technical Advisor
EEC Micorprojects
Mbabane

Mr. Pinhas Lavi
Ambassador
Embassy of Israel
P.O. Box 146
Mbabane

Mr. Huen Liu
Counselor
Embassy of China
P.O. Box 56
Mbabane

Mr. M. Ogawa
Director
Canada Fund
P.O. Box 1577
Mbabane

Mr. Robin Blackburn
Chief Representative
Commonwealth Development Corporation
P.O. Box 133
Mbabane

Father Larry McDonald
Youth Services International
Catholic Church
Manzini

REGIONAL:

Mr. Wagacha
African Development Bank
Economist
Abidjan, Ivory Coast

SOUTH AFRICA:

Centre for Developing Business
Faculty of Management
University of the Witwatersrand
St. Davids Place, Parktown
P.O. Box 98
Wits, 2050

**Foundation for Entrepreneurship
Development**
P.O. Box 18045
Dalbridge, 4014

Small Business Advisory Services
P.O. Box 752
Isando, 3880

Breakaway Business
cnr Main and Church Roads,
Retreat, 7945

Informal Business Training Trust
P.O. Box 44482
Claremont, 7735

Jeffrey M. Kleinsmith and Associates
P.O. Box 24278
Landsdowne, 7780

Small Business Unit
University of Port Elizabeth
P.O. Box 1600
Port Elizabeth, 6000

Institute for Small Business
University of the Western Cape
Private Bag X17
Bellville, 7535

Ebony Development Alternatives
P.O. Box 261276
2023 Excom
Johannesburg

The Public Welfare Foundation has given money to the Near Est Foundation for support to the Women's Research Centre here in Swaziland. They received over 50,000 dollars in 1992. They have also funded other projects in Southern Africa and are interested in a community development and youth.

Reebok Foundation

100 Technology Center Drive
Stoughton, Massachusetts 02072

Reebok wishes to fund projects in Southern Africa. Their annual giving is almost 2 million dollars.

W.K Kellogg Foundation

One Michigan Ave. East
Battle Creek, Michigan 49017-4058

Kellogg's average grant is over 75,000 dollars a year. They provide money for rural and community development and have funded at five projects in Swaziland.

Genesis Foundation

2980 West Shore Rd.
Warwick, Rhode Island 02886-5458

Giving by Genesis is restricted to Southern African and several projects have been funded in Swaziland. Genesis concentrates on education so if applying for a grant Lulote should emphasize training.

ANNEX MA-5

Potential Donor Foundations

The U.S.-based foundations listed below represent only a small sample of possible funding sources from foundations. Further research will be required by LULOTE to create working list of compatible funding sources for LULOTE.

BankAmerica Foundation

Bank of America Center
Dept. 3246
P.O. Box 37000
San Francisco, California 94137

The BankAmerica Foundation gives average grants of \$1,000 to \$20,000 dollars and has a history of funding annual campaigns, building funds, matching funds, general purpose funds, capital campaigns and more. Economic and community development are two of the areas of support which interest this foundation.

Chevron Corporate Giving Program

575 market St.
P.O. Box 7753
San Francisco, California 94120-7753

Chevron gives general purpose grants in over 80 international countries. They are especially interested in international development and in Africa.

The Henry J. Kaiser Foundation

c/o Quadrus
2400 Sand Hill Rd.
Menlo Park, Ca. 94025

Kaiser funds conferences and seminars, fellowships, special projects, seed money, matching funds and program-related activities and is especially interested in South Africa.

Montgomery Street Foundation

235 Montgomery Street Suite 1107
San Francisco, California 94104

Fields of interest for Montgomery include economics, community funds, social services, and youth, to name but a few.

The Public Welfare Foundation

2600 Virginia Ave. NW Room 505
Washington, D.C. 20037-1977

Research grants are normally made to institutions to cover the cost of investigations or clinical trials.

Scholarship Funds are used as grants to educational institutions to support a scholarship program, usually in a specific field of study.

Seed Money grants are given to organizations to start a new project or organization. Seed grants may cover operating costs and are sometimes referred to as start-up grants.

Special Projects grants are used to support specific projects or programs of an organization.

Technical Assistance grants are used to support the operational costs or management assistance given to nonprofit organizations. Assistance may be fundraising, budgeting, financial, planning, legal, marketing and other areas of technical help. Assistance may be offered directly by a foundation employee or by an outside consultant.

ANNEX MA-4

COMMONLY AWARDED TYPES OF GRANTS FROM FOUNDATIONS

Capital Support grants for endowments, building, construction, or equipment. Capital support grants are usually a continuing effort over a number of years.

Building Funds are grants used exclusively for construction.

Conferences and Seminars grants

Consulting Services grants to cover costs of professional consulting organizations to provide technical assistance. This involves no cash for the grantee.

Continuing Support grants are grants which are renewed on a regular basis.

Deficit Financing grants are used to cover outstanding debts of the organization. These grants are usually used to cover mortgage payments.

Emergency Funds are one time grants to cover emergency, short-term funding needs.

Employee Matching Funds are contributions to charitable organizations by a corporate employee which is then matched by the corporation.

Employee-related Scholarships are funds used for children of employees.

Endowment Funds are a gift intended to be kept permanently and invested to provide income for continued support of an organization.

Equipment grants are used to purchase equipment.

General Purpose grants are made to further the work or purpose of an organization rather than for a specific project.

Grants to Individuals are given for individual efforts rather than to an organization.

In-kind Gifts are usually gifts of equipment, supplies or property.

Land Acquisition grants are made to organizations to buy real estate.

Matching Funds are grants made to match funds provided by another donor.

Operating Budgets grants are used to cover the day-to-day expenses for an existing program or organization.

Program-related Investments are loans made by private foundations to profit-making or nonprofit organizations for a project related to the foundation's purpose and interests. Program-related investments are usually made from a revolving fund and the foundation generally expects to receive its money back with interest which will then be used to finance other grants.

fundraising campaign; fundraising methodology; and fundraising resources, a bibliography of the most useful fundraising guides available.

ANNEX MA-3

Donor Resource Publications

The following publications can be ordered from the Foundation Centre, 79 Fifth Avenue, New York, New York 10003-3076 and will be valuable tools to LULOTE in making the initial contacts necessary for successful fund raising.

The Foundation Directory

The Foundation Directory includes the latest information on all foundations whose assets exceed US\$2 million or whose annual grants total US\$200,000 or more. This edition includes over 6,700 foundations which hold US\$162 billion in assets. The directory contains information on application procedures, giving limitations, types of support awarded, the publications of each foundations, and foundation staff. The Directory also gives vital information on giving interests, financial data, grant amounts, addresses, and phone numbers. Also included are analyses by geographic region.

Guide to U.S. Foundations, Their Trustees, Officers, and Donors

Provides information on 35,000 active foundations in the United States. Managers, philanthropic connections, board members and geographic locations are covered.

Corporate Foundation Profiles

Includes information on 228 of the largest corporate foundations in the U.S. each who give at least 1.25 million dollars a year in grants.

Guide to Funding for International and Foreign Programs

Foundation entries include lists of grants recently awarded by grant makers to projects with an international focus, both within the U.S. and abroad: international relief, conferences, disaster assistance, human rights, civil liberties, community development, education, and others. The Guide provides all the facts fund raisers need to target potential donors including key names, addresses, financial information, donor priorities, geographic focus, sample grants delivered in 1994, and indexes.

Who Gets Grants / Who Gives Grants: Nonprofit Organizations and the Foundation Grants They Receive

This book lists 16,000 NGOs and the more than 48,000 grants they have been awarded. The publication allows fund raisers to target specific foundations by the type of NGO they fund.

Foundation Fundamentals: A Guide for Grantseekers

An easy-to-read guidebook with facts needed to understand foundations and to identify foundation funding sources. This publication offers a step-by-step guide to researching possible funding sources. Worksheets and checklists to follow for fund seekers are included.

The Foundation Center's Guide To Proposal Writing

A comprehensive guide to proposal writing for grant seekers this guide presents a step by step process for preparing proposal. Sample proposal are included with a list of do's and don'ts for those who may be new to fundraising.

Raise More Money For Your Nonprofit Organization: A Guide to Evaluating and Improving Your Fundraising

This guidebook contains three sections: the necessary steps a nonprofit takes before launching a

Bilateral Donors in Swaziland as Printed in the Five Year Plan:

- ▶ Australia
- ▶ Canada
- ▶ Denmark
- ▶ France
- ▶ Federal Republic of Germany
- ▶ Ireland
- ▶ Israel
- ▶ Italy
- ▶ Japan
- ▶ Netherlands
- ▶ South Africa
- ▶ United Kingdom
- ▶ United States

Most of the bilateral donors do not handle aid programs here in Swaziland but are required to refer requests to their embassies in either Maputo or Pretoria. It is recommended that LULOTE contact the Swedish and the Dutch embassies in Maputo, and the Japanese embassy in Pretoria to request assistance finding potential donors. These have been the most helpful to other organizations seeking local funding.

The major **United Nations** donors referred to in the plan are:

- ▶ International Labor Office
- ▶ United Nations Development Program
- ▶ International Fund for Agricultural Development
- ▶ UNICEF
- ▶ United Nations High Commission for Refugees
- ▶ World Food Program
- ▶ World Health Organization

The International Labor Office in Harare (another will soon be opened in Pretoria) and the Private Sector Development Project of the United Nations Development Programme will probably be the most receptive to approaches by LULOTE.

Other **Multi-national** donors active in Swaziland are:

- ▶ African Development Bank
- ▶ The European Economic Community
- ▶ World Bank
- ▶ Overseas Development Administration
- ▶ Commonwealth Development Corporation

The Director
Technical Centre for Agricultural and Rural
Co-operation
ACP-EEC
Lome Convention Postbus 380
6700 AJ Wagenigen, Netherlands

The Director
The African Women's Leaders in Agriculture
and the Environment
Winrock International
1611 North Kent Street Suite 600
Arlington, Virginia 22209, USA

Mr Grant Hawess
Counselor for Development
The Canadian Embassy
P.O. Box 26006
Arcadia Pretoria 0007 RSA

Ms. Joke Brandt
Second Secretary
Development Co-operation
The Netherlands Embassy
825 Arcadia Street
Arcadia, Pretoria, RSA

Mr. Peter Blom
Managing Director
Tridosbank NV
Prins Hendriklaan 9-11 Postbus 55
3700 AB Zeist, Holland

The Director
UNIDO
Vienna International Centre
P.O. Box 300
1400 Vienna, Austria

Dr. Thelma Awori
Resident Representative
UNIFEM
7th Floor, Takura House
67 Union Avenue
P.O. Box 4775
Harare, Zimbabwe

Woman Ink
777 United Nations Plaza
New York, NY, 10017, USA

Mr. R. Egberink
Ministry of Economic Affairs
International Co-ordination Small and
Medium Sized Business
P.O Box 20101 The Hague, NL-2500 EC
Netherlands

International Finance Corporation
1850 Eye Street,
NW Washington, DC 20433, USA

International Institute for Environment and
Development
3 Endsleigh Street
London WC 1H 0DD, UK

International Labour Organisation
4 Route des Morillons CH-1211
Geneva 22, Switzerland

Mr. Maurice Jakubowicz
Director, International Training Centre of the
ILO
Turin, Italy

Dr. Casselaggi
Director, Italian Chamber of Commerce
Italian Trade Mission
PO Box 462
2000 Johannesburg, RSA

Japanese External Trade Organisation
(JETRO)
P O Box 2811
2000 JHB, RSA

Mr. Frank Spenglar
Resident Representative
Konrad Adenaur Foundation
P.O. Box 1383
2041 Houghton, RSA

Mr. N. Edwards
Ned Enterprises
P.O. Box 87157
2041 Houghton, RSA

Mr. Richard Moens
NMB BANK
P.O. Box 1800
Amsterdam, NL-1000 BV, Netherlands

Mr. Seppo Sippila
Senior Economist NORSAD
Zanaco House 5th Floor
Cairo Road, P.O. Box 35577
10101 Lusaka, Zambia

Mr. Keith Hillyer
Director, PSDP/UNDP
One UN Plaza, TM-9th Floor
New York, NY 10017, USA

Royal Danish Embassy
AID PROGRAMMES
PO Box 2942
0001 Pretoria, RSA

Mrs. Borgvad-Simonin
First Secretary, Royal Norwegian Embassy
AID PROGRAMMES
PO Box 9843
Pretoria 0001, RSA

Swedish International Development
Administration (SIDA)
S-10525 Stockholm, Sweden

Swedish Embassy Aid Programme
PO Box 1664,
0001 Pretoria, RSA

Mr. Frank West
Attache/Co-ordinator
Swiss Development Corporation
Embassy Of Switzerland
Pretoria 0001, RSA

Mr. Gregor Binkert
Co-ordinator, Swiss Development Corporation
Embaixada da Suica
Departamento de cooperacao
Av Ahmed Sekou Toure, 637
CP 135 Maputo, Mocambique

Swiss Embassy Aid Programme
PO Box 2289
0001 Pretoria, RSA

Mr. Peter Stricker
Swisscontact
Doltschiweg 39
CH-8055 Zurich, Switzerland

Mr. Paolo Logli
Chef du Secteur, Commission of the European
Communities
Rue de la Loi 200, B-1049 Brussels, Belgium

Mr. Robin Blackburn
Chief Representative, Commonwealth
Development Corporation
PO Box 133 , Mbabane

Ms. May Kendall
Crown Agents
Predio Paulino Santos Gil 3.0 Andra
Avenida 25 de Setembro 1509
CP 4073 Maputo, Mozambique

Delegation of the Comission of the European
Communities
P O Box 95358
0145 Watrekllof, RSA

Deutsche Stiftung fur International
Entwicklung
PO Box 303210 d - 10729
Berlin, Germany

Mr. Manuel Fontes
Loan Officer: Directorate for Operations
Outside the Community
European Investment Bank
100 Boulevard Konrad Adenauer
L-2950 Luxembourg

Mr. Justin Loasby
Head, Directorate for Operations Outside the
Community
European Investment Bank
100 Boulevard Konrad Adenauer
L-2950 Luxembourg

Mr Peter Oates
Technical Advisor
EEC Microprojects
Mbabane

Embassy of Finland
Finnida
P.O. Box 443
0001 Pretoria, RSA

Mr. Pinhas Lavi
Ambassador, Embassy of Israel
P.O. Box 146
Mbabane

Mr. Ueda Kazuo
Second Secretary, Embassy of Japan
Brooklyn
0001 Pretoria, RSA

Embassy of Spain
169 Pine Street
0083 Arcadia
Pretoria, RSA

Mr. Huen Liu
Counselor, Embassy of the Republic of China
P.O. Box 56
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ANNEX MA-2

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ANNEX MA-1

Small Enterprise Credit Sources in Swaziland

Small Scale Loan Guarantee Program (SSLG)

The SSLG was operated by the Ministry of Commerce and Industry, with loan guarantees provided by the Central Bank. The program's maximum loan was E50,000 but has now been suspended.

IMBITA

IMBITA is a loan fund to women only, operating from a capital base of E60,000 provided by the ODA and SBEMO. The E60,000 can be recalled at any time the bank requests. The scheme has a graduating credit programme. The first loan is for a maximum of E500, with successful repayment leading to larger loans thereafter. The largest loan made to date has been E14,000.

Zenzele Assistance Project (ZAP)

The Home Economics Department of the Ministry of Agriculture operates a small loan fund for women only. The fund has a capital base of E35,000. The capital base is provided by Barclay's Bank but can be recalled at any time. Although designed as a small loan fund, it has once given a loan for E6,000.

Swazi Development Savings Bank

SDSB has closed its doors and is no longer giving loans. When functioning, it gave major loans to agriculture and other businesses. Loans ranged from E50,000 to E600,000.

BIWAS

BIWAS is a Swazi business women's organization with a capital base of E151,000. Their loan portfolio has not been performing well. The program was initially funded by CARE International, but that organization has since pulled out.

Swazi Business Growth Trust has a well-established loan program with two classes of loans. SBGT's class A loans would be the most appropriate for LULOTE's target clients. SBGT and LULOTE have applied together for funding from the TIBIYO fund, under which LULOTE would be responsible for training and SBGT would handle credit. If implemented, this program would allow LULOTE to transfer its direct lending function to SBGT and concentrate on what it does best -- training.

Youth Enterprise Services International has recently been introduced to Swaziland. The program mobilizes technical assistance and financial resources world-wide to promote youth enterprise. The aim of the program has been to develop effective international partnerships between voluntary organizations, the private sector and government to offer young people a package of high quality enterprise programmes. The program has linkages with Junior Achievement, The Trickle-Up Programme (see also SEEP), the Prince's Youth Business Trust and with government programs in France, USA, and England.

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ANNEX ID-2

PERSONNEL MANUAL

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ANNEX ID-1

BOARD OPERATIONS MANUAL

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INSTITUTIONAL DEVELOPMENT PLAN ANNEXES

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operating plans.

- Revisit the utilization and costing exercises of a year ago to provide the financial base for establishing a consistent fee structure.

marketing plan exercise. An illustrative Income and Net Revenue statement is included as Annex FP-3.

One way for LULOTE to arrive at prices that are consistent with the mission would be to establish fees which reflected 20% (or some other reasonable percentage) of the cost of delivering the service. Keep in mind that the cost of delivering the service would have to include estimates of improved utilization. Thus, if implemented, LULOTE would have a built-in mechanism to test clients' willingness to put something of their own into the business and to monitor and assess staff performance.

The fee charging basis for BDOs is essentially their time. In other words, the most rational basis for charging clients for services rendered by BDOs is hourly. To calculate the full cost recovery of a BDO's time, LULOTE must calculate the overhead rate for the Business Advisory division. In short, the calculation assumes a certain percentage of time billed out by the BDOs (utilization) as "direct labor". The remaining portion of their salaries are considered overhead. In addition, vehicle expenses and other direct costs apportioned to that division must be included in the overhead calculation. Once these figures are known an overhead rate and hourly rate can be calculated. Training can be charged out on a slightly different basis - per course. Thus while it would still be important to determine the amount of direct and indirect labor and other costs associated with the Training division, these figures should be divided by the number of people or courses that would be given over the same period.

It is suggested for the time being that all costs associated with the Management and Administration division not be spread over the two technical divisions. However, the board Finance Committee should establish a certain limit on the M&A division's expenses as a proportion of overall costs. At the moment a ceiling of 50% would not seem unreasonable. However, it should not be allowed to go much higher than that.

F. ACTION STEPS

Several clear action steps emerge from these observations and suggestions:

- Through the Board Finance Committee, establish clear investment guidelines on the risk profile, maturity, type of financial institutions to deal with, and use of funds. Given that the foreseeable funds will be used as an endowment, the Finance Committee should bar depletion of the capital, mandate investment in low-risk, medium to long-term investments, impose separate accounting and bank account set-up, and demand regular monthly reporting on the financial performance and status of the invested funds.
- A specific arrangement must be negotiated by LULOTE management with the Ministry of Economic Planning about the use of the funds that have been and look as if they will be passed to LULOTE. A standard memorandum of understanding should be developed concurrently.
- Task the Accounting Officer to modify the general ledger and management / financial reporting system to track expenses and revenues on a divisional and product basis. Also, develop and implement a basic cash flow report, looking twelve months ahead, and a consolidated budget / actual income and expense report for monthly reporting to management.
- Incorporate clearly identified new recurring costs, which derive from the strategic and

identified these cost structures, then establishing individual and group incentive schemes, clarifying subsidy levels, and measuring staff efficiency all become much easier. Annex FP-2 provides a pro forma cost budget in the suggested format.

LULOTE also will need to develop its own rolling 12 month cash flow statement. This report should be established at the beginning of each fiscal year, and then updated monthly as the actual cash position changes and new cash receipts and expenditures are identified as the year unfolds. The other regular financial report LULOTE should have is a balance sheet. It should be available to management on a monthly basis, and officially reviewed by the Finance Committee twice per year. As of 1 December 1995 LULOTE will assume ownership of a number of fixed assets (i.e. computers, furniture, etc.). These items must be valued, a fixed asset register should be compiled, depreciation schedules should be derived. LULOTE must present a balance sheet which reflects its new independence as an organization which owns assets and has liabilities (most notably the repayment of the money from the Ministry of Economic Planning).

D. CURRENT COST FORECASTS

There are few changes the consulting team would make to the basic structure and content of the current 10-year forecasts. However, this report suggests some personnel and other changes which should be taken into account. Among the new recurring cost items are:

- Director of Technical Operations
- Public Relations Officer
- Program Assistant
- Staff Incentives

There are other items, which are not large enough to be considered a capital expense and for which capital budget forecasting would be inappropriate. If LULOTE moves to implement this plan expediently, then all of these expenses would be incurred in the coming financial year:

- Systems / Computing Consultancy
- Laptop Computer
- Accounting Consultancy
- Additional Marketing Materials
- Expenses Related to an Intensified Media Campaign

These items have been considered in the pro forma operational cost budget (Annex FP-2).

E. FEE INCOME

The evaluation team last year suggested a series of prices and pricing methodologies. Some of these have been implemented. Some have been modified. Some have yet to get off of the ground. Whatever the status of the recommendations from last year, LULOTE must derive its own process for arriving at a pricing mechanism and an actual price for its services out of the strategic and

B. INVESTMENT GUIDELINES

LULOTE should be commended for securing what seems to be a substantial amount of money which may be eligible as the capital for an endowment fund. Clearly, the granting of the money is a reflection of the good reputation of the director and organization as a whole. Nonetheless, there are some troubling signs associated with these funds.

First, there has been no clarification whatsoever about how the funds may be used, what the terms of repayment are, and a number of other important issues which could, if not cleared up now, lead to some very negative consequences for LULOTE. Second, there are no clear policies and procedures for notifying the board of the existence or terms of the funds. Third, there are no internal guidelines as to how, how much and what portion of the money may be used over a specific time period. Fourth, there are no instructions or considerations about how the money should be invested. The consulting team has no reason to believe that anyone would try to perpetrate fraud or embezzlement of funds. However, the absence of any of these controls leaves the entire organization and all the people involved with it very open to potential fraud or even just honest, but very costly, mistakes.

As LULOTE garners funds from an increasingly wide array of donors and other benefactors, the ability to absorb, monitor and prudently invest funds will become imperative. In fact, most donors will want to see very clear policies and procedures of the type mentioned above prior to committing any significant amount of funds. And actually what seems to be a short-term benefit of apparently unconditional and very cheap money now may turn into a significant long-term cost. The organization may be commanded to radically shift focus or incur unforeseen costs to satisfy new whims and favors asked for in lieu of monetary interest or other clearer conditions.

C. MANAGEMENT AND FINANCIAL REPORTS

Once USAID withdraws its support, there will be no officially sanctioned management or financial reports available to LULOTE. If LULOTE wants to practice what it preaches and operate in a business-like manner, then it must immediately design and implement a basic series of management and financial reports. For purposes of managing internal affairs and presenting coherent and accurate pictures to the outside, LULOTE will need to develop regular monthly reports and budgets which look at the organization along two basic axes - one by division the other by product.

Briefly, it is being suggested that LULOTE apportion its operating expenses across three divisions - Management and Administration, Training, and Business Advisory. The first division would include the salaries and related personnel expenses of the Director, Program Assistant, Accountant and related subordinate staff. The Training division would include personnel expenses of the training officers. The last division would include personnel expenses related to the BDOs. The new DTO's personnel expenses should be apportioned on a 50/50 basis between the Training and Business Advisory divisions. Wherever possible other costs should be clearly identified and apportioned to that division. Non-personnel costs may be apportioned (at least for budgeting purposes) on a percentage of total staff basis. For example, vehicle expenses can be calculated from the vehicle log books on a per kilometer traveled basis. Actual costs could then be apportioned on the basis of the percentage of kilometers each division used.

Products should also be costed. Thus reasonable cost estimates would be compiled for the IBCs, modular courses, BAS, Consulting, Contract Training, and other products as they are developed. The most important step in the costing will be to determine the amount of time an individual or group of individuals spends on providing a particular product annually. Other direct costs should be specified or apportioned, again probably on a percentage of total staff time basis. Once the organization has