

MANUAL FOR ACTION IN THE PRIVATE SECTOR (MAPS)

SUMMARY OF STRATEGY ASSESSMENT

Prepared for  
USAID/Swaziland

Prepared by  
Office of Market Development and Investment, Bureau for Africa  
Agency for International Development

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## FOREWORD

The strategy developed in this report is not meant to be a complete statement of the United States Agency for International Development's (USAID's) development strategy in Swaziland. It is meant to be a strategy and programmatic options menu the USAID Mission can use to identify and structure activities which will support development and growth objectives through the private sector. As such, it is meant to complement, rather than substitute, and be incorporated into the overall Mission strategy.

The MAPS process has identified a full menu of options for action in support of development in and through the private sector. The activities relate to major needs and opportunities identified through the various studies undertaken as part of the MAPS exercise. The most important of these needs are:

- o To improve dialogue between the Government of Swaziland (GOS) and the private sector;
- o To increase GOS awareness of the private sector's needs and constraints;
- o To build and strengthen business organizational infrastructure, particularly that supporting micro and small-scale enterprises;
- o To promote integration between large and small-scale enterprises;
- o To increase the supply of labor with education and skills training relevant to the needs of the private sector;
- o To facilitate increased investment in the private sector; and
- o To create increased opportunities for productive employment in Swaziland to close the growing employment gap.

The menu of activities outlined in this report are not only valid for USAID consideration. The activities can be effectively adopted by other donors and agencies interested in supporting private enterprise development in Swaziland. Coordination in implementation among donors, the GOS and the Swazi private sector will maximize results.

This report should be only the beginning in a longer process which will involve and use the private sector to achieve the overall development objectives sought for the country. The studies sponsored by MAPS have provided a rich data base on Swaziland which should receive wide distribution and publicity. The data can be used as part of a program to promote and enhance dialogue between the GOS and the private sector, and increase GOS awareness of the private sector's role in the economy and its needs and constraints. It may also serve to enhance Government of Swaziland planning capabilities.

The data will also be of great interest to foreign investors. It would be possible to put together a short brochure using the data sets produced for the MAPS studies (as well as that from previous studies of relevance) providing basic data of interest to potential investors, to the GOS, to local and foreign business organizations, to NGO's and to other bilateral and multilateral donors operating or interested in operating in Swaziland. This activity could be complemented by the development (using the set of graphics produced from the MAPS description and survey) of a short slide presentation which may be used to enhance the dialogue between the GOS and the private sector, as well as serve as a resource for potential donors, NGO's and others wishing to work with the private sector in Swaziland.

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A more complete report has also been prepared and is available through the USAID Mission to Swaziland or AID/AFR/MDI.

## INTRODUCTION

In July 1989, USAID/Swaziland will submit a new country development strategy to Washington. To help it develop this strategy document, USAID recognized the need to assess which private sector mechanisms and activities exist or can be developed and incorporated into this new strategy.

USAID/Swaziland requested the Office of Market Development and Investment (AFR/MDI) of the Africa Bureau of A.I.D. to organize and sponsor such a private sector strategy assessment utilizing the Manual for Action in the Private Sector (MAPS) framework in October 1988. Work was begun on November 18, 1989 with the arrival in Swaziland of a three-person team to perform the first phase of MAPS and initiate efforts to follow. A report on this first phase of the MAPS exercise was produced in December 1988 and is available under the title "Swaziland MAPS Report - Phase I".

MAPS is being used in this strategic planning process along with a number of other studies recently completed or now being undertaken with Mission guidance and involvement, such as a Women in Development (WID) study being produced through a contract with LABAT-ANDERSON, Inc. and a Swaziland employment study.

The MAPS process, which clarifies Mission objectives and seeks to identify means to accomplish those objectives through the private sector, is proving to be a particularly useful tool at times when African A.I.D. Missions are designing new or revised strategies. In Swaziland, it will be used in discussions to promote understanding within the Government of Swaziland (GOS) of the effect of public policy on private sector activity. MAPS should also provide the private sector with a forum in which to express its own development priorities to the Mission, to other donors and to the GOS, so that more cohesive and comprehensive policies and projects may be developed and implemented.

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## MANUAL FOR ACTION IN THE PRIVATE SECTOR (MAPS)

The following are the major findings of MAPS efforts and the tentative private sector strategy of the USAID Mission in Swaziland resulting therefrom. This summary is based on work found in Annexes A through E.

### I. OBJECTIVES OF THE STUDY

The general purpose of the study was to review current A.I.D., Mission and GOS development strategies and guidelines, the economic history, current position and trends of the Swaziland economy, and private sector activities and stated needs to recommend a strategy and specific actions for future development efforts by USAID/Swaziland.

The specific objectives were:

1. To generate a more comprehensive information base for use in private sector strategy formulation, USAID/Swaziland's new overall strategy design, and new Mission development activities;
2. To test assumptions behind existing USAID/Swaziland private sector oriented projects and strategies;
3. To enhance project feasibility by verifying private sector needs, support and capabilities to implement new initiatives;
4. To widen the Mission's network of private sector contacts and increase its dialogue with leaders in the private sector; and
5. To generate a fuller menu of programmatic options from which new or expanded private sector oriented activities could be selected.

## II. STUDY METHODOLOGY

The study has had five phases to the present time:

### 1. Articulation of Current Mission Strategy

The MAPS team articulated current Mission strategy as described in detail in the "Swaziland MAPS Report - Phase I" of December 1988. Concurrent with the articulation exercise, subsequent phases of MAPS were planned, and contracts for work to be undertaken in phases II and III were prepared, potential contractors were identified and initial contract negotiations were held.

### 2. Description of the Private Sector

Capricorn Africa Economic Associates of Mbabane, Swaziland under subcontract with LABAT-ANDERSON, Inc. produced a data base and graphics from existing sources of information. Capricorn's comprehensive study and report has been bound and is available from USAID/Swaziland or LABAT-ANDERSON, Inc.. The description exercise had two objectives:

- To provide statistical information which would help guide private sector strategy and new project development; and
- To support broader and longer-term USAID activities in favor of the Swaziland private sector and its contribution to the economic growth of Swaziland.

### 3. Diagnosis of Private Sector Constraints and Opportunities

Coopers and Lybrand (Swaziland) under subcontract to LABAT-ANDERSON, Inc. was commissioned to undertake a survey of the private sector. This survey obtained the perceptions of private sector participants on growth of the Swaziland private sector. One hundred firms in the medium to large-scale range and one hundred firms in the micro to small-scale enterprise (SSE) sector were surveyed to determine the:

- Private sector's perceptions of opportunities and constraints;
- Most critical resource constraints;
- Impacts of public policy;
- Initiatives which will receive greatest support among local leadership;

- Impact of the competitive environment; and
- Capabilities and accessibility of the financial system to the private sector.

#### 4. Dialogue with the Private Sector

A total of three focus groups were conducted to discuss the findings of the description and survey work noted above. Business people represented firms as small as two-person operations to medium-large firms employing over one hundred workers. Representatives from the manufacturing, finance, agriculture, construction, commerce and service segments of the private sector participated. The objectives of this phase were to:

- Widen USAID's network of private sector contacts;
- Test and confirm the findings of phases II and III;
- Identify additional opportunities and constraints to growth;
- Identify USAID interventions which the private sector felt were important and would support; and
- Identify and obtain opinions about potential implementing agents for USAID activities.

#### 5. Strategy Development

The analysis, examination of A.I.D. guidelines and other donor activities, and discussions with USAID/Swaziland staff have yielded a tentative private sector statement, with objectives, and with a menu of possible strategies arranged to show support of each objective. This exercise has also produced suggestions concerning the implementation process and criteria which may be used in specific activity selection.

### III. STUDY FINDINGS AND IMPLICATIONS

The following is a summary of major findings.

#### A. Phase II - Private Sector Description

- The traditional non-wage agriculture sector accounts for over 75 percent of total employment. The private sector contributes 69 percent to formal monetary sector employment.
- Growth in formal sector employment has not been able to keep up with the growth in labor supply.
- Private sector employment has fallen from 77 percent of total wage employment in 1969 to 69 percent in 1987. Moreover industrial development is becoming increasingly capital intensive. The elasticity of formal sector employment in relation to GDP has declined substantially over the last 10 years.
- Swaziland continues to be heavily dependent on the South African labor market.
- As a result, migrant wages continue to be an important source of income. It is estimated that 5.2 percent of the income nationally is derived from remittances from abroad (6.5 percent in the rural areas), and account for about 10 percent of cash income.
- Private sector activity is dominated by a relatively small number of large firms. Enterprises employing over 25 people represent 28 percent of the total number of firms registered in the country, but account for approximately 87 percent of formal sector employment.
- The private sector dominates almost all aspects of the monetary economy in Swaziland, accounting for about 71 percent of GDP in 1986, including 14 percent from Tibiyo, the Crown's holding company. Parastatals accounted for almost 7 percent and central government accounted for 22 percent.
- Parastatals operate in almost all sectors of the economy except manufacturing and are dominant in the transport, communications and public utilities subsectors.

- Losses from parastatals accounted for over 2 percent of GDP and 26.2 percent of government capital expenditure in 1988.
- Parastatal performance over the last 10 years has been generally poor, partially as a result of foreign exchange losses, though overall losses have decreased slightly over the last few years and not all parastatals lose money.
- Public sector borrowing has increased to cover parastatal losses.
- The Crown also participates in the economy through Tibiyo which has a majority holding in 30 companies engaged in a wide variety of economic activities. Tibiyo gains equity through cash investments, providing land or borrowing against future dividends, but stays out of any direct management role in the companies in which it holds equity.
- The private sector in Swaziland also contributes significantly to new investment (almost 80 percent of total investment in 1987), and fiscal revenues.
- Company taxes, personal income taxes and sales taxes have become an increasingly important source of fiscal revenue and in 1987/8 accounted for 18.8, 14.2 and 10.5 percent respectively of total revenue. These taxes, internal sources of revenue, give the GOS more fiscal discretion than the Customs Union receipts.
- The private sector is the major producer of exports and the major earner of foreign exchange. The major earners of foreign exchange -- sugar, wood pulp and in 1987-8 Coca Cola concentrate -- are all produced primarily by large private companies.
- Of the 31 foreign firms registered in the country in 1986, over 50 percent (17 firms) were from the RSA, another 3 were partly owned by RSA concerns.
- ITF (private) land represented only 44 percent of the total land under production in the country in 1985/6 (from 47 percent in 1971/72) but accounted for 79.7 percent of total agriculture GDP.
- SNL (crown) crop production has shown a dramatic increase since the drought of 1982, with much of the increase in production accounted for by increases in hectareage rather than gains in productivity.

- Swaziland's economy has become increasingly diversified. Although agriculture based economic activity still accounts for 25 percent of GDP and 50 percent of export revenue, other sectors have acquired increasing importance, particularly manufacturing and finance. In 1988 manufacturing contributed over 25 percent to GDP (up from less than 10 percent in 1966) and accounted for 20 percent of export revenues (giving Swaziland one of the highest proportions of manufactured exports in southern Africa). Mining's contribution has dropped to less than one percent from almost 20 percent in 1967/8.
- Sugar dominates agricultural and agro-processing activity; it is the leading earner of foreign exchange; and is the largest horizontally related industry in terms of value added, employment and export earnings.
- In 1986 exports represented almost three fourths of GDP. Swaziland's exports as a proportion of GDP is the highest in southern Africa.
- Export markets have become less diversified. The proportion of exports going to the RSA has increased (in part attributable to Coca Cola's exports) from 16.4 percent at independence to 37.8 percent in 1986.
- GDP growth has accelerated in recent years and has generally shown positive growth in all but 3 of the last ten years. Per capita GDP growth has been negative 10 out of the last 15 years (though it too has improved since 1986).

#### **B. Phase III - Private Sector Survey**

- There are two private sectors in Swaziland -- the private sector of large firms (over 100 employees) and that of the micro and small firms (less than 25 employees). There are very few manufacturing and/or agribusiness firms in the middle.
- Key factors affecting the development of the larger firms are:
  - Limited local supply of skilled (supervisory, technical and professional) labor;
  - The poor quality of government services, particularly electricity, water, and refuse collection; and
  - GOS policies.

- Key factors constraining the development of micro and small enterprises are:
  - Difficulties related to getting their product to market; specifically, distance from the market, lack of market infrastructure, transportation, and lack of adequate market information.
  - Access to credit and capital. Firms in this size category rely heavily on non-formal sources of capital, particularly personal and funds provided by family and friends.
- Micro and small enterprises want and require different things from business organizations than the larger firms. Large firms believe a business organization should serve as a vehicle to lobby government; small firms believe business organizations should provide assistance in credit and marketing.
- Small enterprises by and large do not belong to any business association and there is very little contact between the large and the smaller firms.
- The economic environment is perceived as having improved far more over the last year than the political and social climate in the country. This is attributed to the influence and problems being experienced by the RSA and not necessarily a reflection of the domestic situation. The growth of the Swazi middle class is, however, becoming an important factor in social and political considerations with a certain lack of satisfaction with GOS inefficiencies and misdirected traditional sector policies being expressed.
- A substantial proportion of the firms interviewed believe agriculture and agro-processing activities promise the best return on investment in Swaziland.
- Almost 80 percent of the firms interviewed believe that the RSA and the EEC are the most promising export markets. Less than one in ten firms believe African export markets (including the PTA and SADCC) offer many prospects.
- Most firms (63 percent) interviewed were unaware of any benefits they may have derived or are deriving from international donor assistance.

### C. Phase IV - Dialogue Sessions

- Preparation and training of Swazis is perhaps the major constraint to indigenous private sector growth.
- There are problems with: obtaining secure housing and industrial premises in urban areas, internal infrastructure (especially roads and transport), motivation and incentives being offered to Swazi workers, access to market information and knowledge of the principles of marketing, and information on technologies (especially for the medium-scale businesses looking at further growth).
- Credit and collateral requirements represent a serious constraint for the micro and SSE entrepreneur and the traditional farmer on Swazi National Land (SNL).
- Other than the Swazi Federation of Employers for the larger enterprises, no other business representation bodies or associations were generally recognized as effective and worthy of support.
- There is significant potential for backward and forward linkages in all sectors, but particularly in agriculture. Specialized small-scale agriculture itself can produce profits and is more easily undertaken than manufacturing.
- The SACU agreement and preferential treatment by the EEC (Lome Convention) provide an excellent and easily accessed market for Swazi goods.
- SSE entrepreneurs expressed opinions that the unlicensed informal sector represented an intrusive and unfairly competitive sector since they did not have the same costs of operation, and that GOS control was largely ineffective.
- Incentives, when offered, will motivate higher levels of performance and productivity, but these incentives are not widely offered by major employers in Swaziland -- advancement in large firms is perceived to be based on seniority, rather than merit.

#### D. Implications for Private Sector Support

- Large and small firms have very different problems which are attributable to size and not subsector of operation. This fact must be considered in all project interventions. For example, the financial system adequately caters to the needs of the larger enterprises located in Swaziland, but SSE and micro enterprises rely on finance outside of the formal system. Efforts in the financial sector, therefore, should be tailored to the smaller Swazi businesses.
- WID and MAPS studies show that the majority of micro and small scale enterprises are women owned. Many of these enterprises operate in the rural sector. Hence, programs meant to address constraints faced by the smaller scale rural based enterprises will be an effective vehicle for reaching women-owned establishments.
- MAPS studies have shown that areas of significant opportunities for private sector growth besides agriculture and ag-related industries are: tourism, general industry and manufacturing, SNL commercial agriculture and secondary income activities, SSE growth in general and various social and marketing services presently performed by GOS parastatals (privatization).
- Private entrepreneurs indicate that they feel left out of decisions which affect them. Efforts to improve the regulatory environment should include consensus-building mechanisms which involve the private sector -- potential areas of review are business incentives, land allocation and tenure, business premises, power supply, and the effect of SACU on local business development).
- Integration of the two private sectors in Swaziland, i.e. the modern, foreign dominated large enterprises and the mostly Swazi micro and small-scale enterprises, are desired by both sectors. There is a need to create a greater number of linkages, and business organizations can play a key role by providing networking opportunities.
- Entrepreneurs believe that USAID can contribute to the building of intermediary organizations and business associations which can promote private sector growth and be vehicles for donor assistance.

- The creation of relevant labor skill training in the country should be a priority. This issue is not new. Past actions to address this situation which have not reduced the problem have included the Industrial and Vocational Act (April 1986), which allows private sector participation in the training structure. The question for AID then arises: why does the problem persist; why have past actions not alleviated this situation?
- Education and awareness of the concepts of market development, market forces, entrepreneurship, etc. are not by themselves sufficient to stimulate greater participation of Swazis in productive economic activities. According to participants in the MAPS focus groups, USAID's educational and training activities must be supported by enlightened employment policies and incentives which reward employees for performance.
- Beneficiaries of USAID participant training (approximately 700) and other highly educated Swazis currently working in the public sector form a strong core group of skilled manpower. The USAID trained officials interviewed by MAPS are ready to facilitate dialogue between the public and the private sectors.
- Previous studies, including those carried out as part of MAPS suggest that no private sector program can ignore the influence of the Republic of South Africa. A realistic private sector development strategy should not only consider negative impacts such as dependency and the "brain drain", but also build on the opportunities this market presents. New investment promotion, however, should rely as little as possible on the continuing strength of the South African economy.
- Because of the need to produce quick results to reverse the widening gap between school leavers and job openings, development efforts with short-term impacts must be undertaken alongside programs with longer term structural change objectives. To obtain short-term results USAID cannot rely on future new project initiatives. It must leverage its limited funds through already existing A.I.D. regional and central programs to the maximum extent possible.
- A major donor in Swaziland, A.I.D. in 1987 accounted for over 56 percent of total bilateral assistance and 46 percent of all donor assistance. While staffing and funding may be major constraints, A.I.D. is in a position to take a leadership role in private sector development activities.

#### IV. RECOMMENDED USAID STRATEGY

##### A. Tentative Private Sector Strategy Statement

To promote and assist growth in the private sector's contribution to national development with emphasis on: a) the creation of an environment conducive to increased investment in productive sectors; and b) programs capacitating Swazis with the incentives, knowledge and skills needed to fully participate in the private sector.

##### Objective 1

To increase awareness among GOS and traditional sector leaders about private sector needs and constraints.

##### Objective 2

To better prepare Swazis to enter the work force and become more successful entrepreneurs.

##### Objective 3

To strengthen business associations and local capacities to better contribute to and promote the growth of a more fully integrated private sector.

##### Objective 4

To accelerate (a) the rate of employment creation and (b) increases in export earnings through catalytic actions promoting new investments and expansions of private sector activities.

## **B. Action Options**

### **Under Objective 1:**

Action options under this objective should have both long and short-term impact. They are oriented to increasing awareness about private sector needs and constraints and fostering changes in policies which impede the growth of the private sector. Dialogue which includes the private sector is a key ingredient in all the options. Linkages created between business and the academic community (see objective 2) can also support many of these activities.

#### **- Introducing and Expanding on Concepts of Market Development and Market Forces**

Plan and execute a long-term program which discusses concepts of the free market system. Seminars, workshops, media presentations and exposure tours to the U.S. and other countries should be included. These should be tailored to address overall economic planning, specific operations within market force based economies (e.g. secondary financial market instruments and facilities) or specific subsectors of the Swazi economy.

An example raised during the performance of the MAPS private sector strategy assessment was improving GOS understanding of how to maximize the benefits and minimize the problems in competition. In this case, studies or workshops would address such subjects as the affect of low-overhead, informal sector businesses on small-scale enterprises, the Southern Africa Customs Union (SACU) on infant and growing industries and the pull of trained manpower to jobs in more developed markets.

After the groundwork has been laid and critical areas have been covered, a national conference on the "enabling environment" might be held. This might in turn be followed by additional efforts to facilitate recommendations produced by the conference.

#### **- Clarifying Specific Policy Areas**

Sponsor specific studies of policies and regulations which are seen as problematic, especially in the consistency of their implementation. Such areas may include, for example, customs and sales taxes, and localization and work/residence permits.

- **Improving the Incentives for Growth**

Work with the private sector and the GOS in the analysis and improvement of incentives which affect the rate of economic expansion. Incentives in such areas as export promotion, Swazi business start-ups and expansions, credit and development finance and investment promotion are examples.

- **Increasing GOS Capacity to Plan and Implement Growth**

Help to design and implement systems and studies which will provide donors, the GOS and the private sector with the information needed to accurately analyze the current workings of the economy and plan for and implement changes. The planning data which needs to be collected and disseminated has largely been identified during the MAPS process. Other areas of planning include upgrading and building a complete Swazi resource data base, conducting research on the characteristics of the country's small enterprise and informal sectors, and gathering information on business ownership, i.e. "who owns what". The Department of Economic Planning and Statistics in the Prime Minister's Office is particularly important for monitoring and coordination of implementation of GOS development plans, and this Department lacks the capability to perform this job..

- **Improving Government of Swaziland Efficiencies**

Areas which are needful of reform are the processing of documents through the GOS bureaucracy, performance of parastatal enterprises, in part through assistance to the GOS Public Enterprise Unit, the quality of governmental services such as the speed and accuracy with which licenses are issued, and the maintenance of infrastructure vital for private sector operations.

- **Developing Support Infrastructure**

Assist the Government of Swaziland to perform long-term infrastructure planning exercises in such areas as land availability and premises for businesses and workers residences, service provision, property security, internal roads and railways, and access to ports and markets for exports.

**Under Objective 2:**

**- The Primary and Secondary Education Systems**

- Increase basic interest in business and improve basic entrepreneurial and business skills through curriculum reform at the secondary level. Such curriculum reform might seek to:
  - introduce classes on economics and decision-making and expose students to the notion of market forces;
  - develop a program of guest lectures and workshops where entrepreneurs and business persons share their experiences and insights on different aspects of running a business;
  - develop programs which have students "set up" and operate their own companies as part of class projects to introduce marketing, business operations, and decision-making skills.

**- At the University Level**

- Improve managerial/supervisory labor skill education at the university level. The introduction and use of the "case method" could be one methodology which encourages active student participation and problem solving. Activities which could be supported in this regard could include:
  - training of faculty in the case study method; and
  - assistance in the development of a case study library, focused on areas of greatest need such as marketing, accounting, decision-making, and other business operations.
- Foster linkages between the university and/or SCOT and business schools in the United States and successful management schools in other developing countries, such as INCAE in Costa Rica, ESAN in Peru, the Lahore School in Pakistan (through a visiting professor system, seminars and workshops).
- Improve/introduce into the curriculum basic principles of marketing, decision-making, and business operations.

- **Linkages Between the Formal Education System and the Business Community**
  - the establishment of a system of incentives (sponsored in part by business contributions) which encourage faculty research into areas which have practical and immediate application to business management and operations, including appropriate technology and:
    - sponsorship of periodic seminars and round tables on management or policy issues;
    - encouraging the use of business leaders as guest lecturers;
    - fostering greater business input into business curriculum reform committees, by providing seats on such committees to business persons, at the secondary and higher education levels. The Directorate for Vocational Training of the Ministry of Labor, which works with businessmen, is a model worth investigating.
  - Strengthen career counseling and job placement services at the university level (job fairs have already taken place).
  - the establishment of a program of business internships is another tool for facilitating the placement of graduates.
- **The Vocational Education System**
  - Strengthen relevant technical skills training by improving the operation of vocational schools. Activities in this regard could include:
    - teacher training in those skills which are particularly in short supply such as basic accounting and marketing;
    - increasing business input in the development of vocational school curriculum;
    - fostering work-study programs with local businesses.

### **Under Objective 3:**

Creation of an effective business council should be given priority by A.I.D. in Swaziland. At present, the micro and small business sector wants but lacks representation. Existing representational organizations are considered unsympathetic and ineffective and have been unable and/or lack the financial resources, with the possible exception of the Federation of Employers, to organize their own representation.

One low cost recommendation is the involvement of returned participants in the activities of A.I.D. and the private sector. For example, the involvement of these participants in private sector business councils could clearly have a salutary effect.

#### **- Business Representation and Associations**

- Facilitate and support an existing business association(s), or Business Council if established, which will offer services in priority areas identified by the MAPS assessment. This support should include technical assistance in the areas of general institution strengthening and the development of new services and their marketing to the small and micro-scale entrepreneurs. The U.S. and International Chambers of Commerce or the U.S. International Executive Service Corps (IESC) can help to provide the necessary skilled personnel.
- Through the business association(s) receiving A.I.D. support, promote linkages and regular communications (networking) between small and large businesses.
- Use the MAPS and CARE data bases to help identify small businesses which can be contracted by larger firms to supply services such as gardening/landscaping, secretarial, garbage collection, vehicle maintenance, etc.

#### **- Integration through Business Associations**

- Support the formation of backward and forward linkages between small and large scale enterprises by providing examples from other countries where such linking has been successful, e.g. Kenya where car parts are supplied by small businesses under contract to major assembly plants.
- Involve returned U.S. participants to the extent possible in the support of private sector and business representational objectives.

#### **Under Objective 4:**

In considering the following strategies, A.I.D. should first pursue those of nominal or little cost, and those which may be incorporated into current assistance programs. Most of these activities are intended to address confirmed short-term needs and should not await approval of the new CDSS or development of new projects.

In some areas, however, because of a lack of staff or available funding, A.I.D. may be able to do nothing more than keep the agenda item before the government and donor community. For example, on-the-job and remedial training are critical needs that A.I.D. may lack the resources to address in any systematic way. Nevertheless, A.I.D. can perhaps play a catalytic role by keeping this issue on the agenda of the Government and the larger private sector firms, and/or by providing small seed-capital grants.

#### **- Access to Credit**

The provision of training and assistance in understanding bank credit and paperwork requirements, and assistance in the identification of sources of capital and credit, can be implemented through an effective Chamber of Commerce, for example, or through Swazi Banks, at nominal cost. Equally, given the importance but lack of credit at the micro and small enterprise level, A.I.D. should give priority to the development of alternative credit schemes which can perhaps be delivered through CARE, other local NGO's or local banks. This naturally assumes that A.I.D. can identify credit funds locally or from other donor, A.I.D. central or regional sources.

- Examine and develop alternative financing schemes for micro and SSE which recognize collateral constraints of this sector.
- Provide training and assistance to help micro and SSEs to understand credit and collateral issues and requirements.
- Provide assistance in meeting bank paperwork requirements.
- Assist Swazi entrepreneurs to identify sources of capital/credit.

- **Preparation of Feasibility Studies**
  - Finance feasibility studies, as required, on a cost sharing basis for micro and SSEs.
  - Provide marketing assistance, particularly for small to medium-sized entrepreneurs.
  - Provide feasibility and other assistance to Swazi small to medium-sized entrepreneurs through the Africa Project Development Facility.
- **Access to Sites and Services**
  - Promote the establishment of secure micro and SSE industrial production, marketing and storage facilities.
- **Raw Materials and Other Supplies**
  - Promote the establishment of secure facilities and assistance to support micro and SSE bulk purchasing.
- **Availability of Transport**
  - Encourage support and assistance to micro and small entrepreneurs in the transport of raw materials/supplies/inventory from secure bulk storage facilities.
  - Encourage Government and donors to continue/broaden transport infrastructure support.
  - Examine alternatives for support of rural transportation cargo, e.g. tax and other incentives.
- **Training and Access to Manpower**
  - Encourage the development of improved on-the-job training programs in industry and government. As appropriate and when requested, assist with the design of such programs.
  - Assist with the development of, and offer limited financial assistance (scholarship support) to individuals and small firms for, training programs in management, accounting, and other business skills -- both short and long term.
  - Encourage the Government and donor community to also support the creation and strengthening of such training programs.

- **Marketing**

A.I.D. should assist in the area of marketing information either through direct assistance or through the brokering of international market information. Numerous organizations in the U.S. could provide marketing information of merit and potential value, possibly at low or nominal cost.

- Provide marketing support to Swazi businesses, particularly small and medium-sized firms, through regional A.I.D. projects.
- Use IESC trade and investment (TIS) services to support the marketing efforts of the GOS Trade Promotion Unit.
- Encourage the collection of regular market data by the Government.
- Using A.I.D. Washington offices and support, facilitate market information linkages with U.S. trade and market information organizations.

- **Technology Development and Transfer**

- Assist the Government, as requested, with technology issues and informational needs.
- Facilitate technology linkages between the U.S. and Swazi Government and respective universities and private sectors, e.g. subscription to the NTIS.

- **Encouraging Investment**

Swaziland can benefit from the infusion of additional productive investment, particularly investment from companies from the U.S., who offer expanded market contacts, new technology, and American management approaches. The recent OPIC investment mission has demonstrated the interest of U.S. investors in the region.

The Mission should move to capitalize on this interest by strengthening its capacity to support such investment missions. This can be done by the careful selection of a private sector officer, increased coordination with AFR/MDI, OPIC and the Department of Commerce, which organize and support investment missions, and involving the Swazi private sector in the planning and organization of investment missions. Equally, USAID should facilitate and support expanded ties with investors in European markets where preferential access for Swaziland's products provides a comparative advantage.

While Swaziland has followed wise conservative financial policies, it should not ignore the losses being incurred by a large number of parastatals. USAID through the Public Enterprise Unit (PEU) should encourage and support the privatization of these parastatals; placing the firms in private hands may well lead to improved levels of service as well as improved financial performance.

In its private sector program, USAID should always keep in mind the benefits of backward and forward linkages and horizontal and vertical integration of productive capacity. Much growth can be accomplished by adopting a "buy Swaziland" ethic particularly if efforts are also directed at insuring Swaziland services and goods are of high technical quality.

- Promote productive foreign investment -- particularly investment which is labor intensive, value-added and environmentally non-threatening.
- Encourage and facilitate investment promotion activities of the Government and donors.
- Encourage the privatization of Government parastatals.
- Promote country and regional trade and industry promotion activities.
- Consider expanded use of existing mechanisms which facilitate the making of trade and investment contacts, such as Entrepreneurs International and other programs facilitating private sector visitation/observation tours to the U.S.
- Encourage and facilitate investments which have forward and backward linkages and which are vertically and horizontally integrated.
- Encourage, related to the above, value-added linkages between large firms and micro and smaller enterprises.

## V. CONCLUDING REMARKS

### A. Private Sector Activity Selection

The list of activities for accomplishing private sector strategy objectives is a menu of options for the Mission to pursue. Not all activities may be equally desirable (though MAPS has identified the need for all of them) or feasible given present policy and economic conditions and funding and staffing constraints.

The following three criteria should be used to assess the feasibility of undertaking MAPS recommended activities.

- All of the preconditions for success are in place.  
(For example, is there a need for a policy change? Is there a need to put a credit mechanism in place before assistance in preparing SSE feasibility studies is given?.)
- Staff Time and Skills are Adequate.  
(There must be a skilled private sector staff member and there should be training and exposure of present staff to private sector concepts and activities. Organizations such as the Peace Corps may also contribute with field support and socio-cultural inputs.)
- Funds for Implementation are Available.  
(Leveraged buy-ins and regional and central funding are included.)

In addition, private sector activities should:

Promote Cost-Effective Employment Generation

Increase Economic Diversity

Build Entrepreneurial Base

Provide Broad-Based Benefits

Promote Investment and/or Trade Links

Contribute to Spread of Work and Management Skills

Build Stronger Promotion/Intermediary Agencies

Facilitate Business Creation and/or Expansion  
Have Support of Private Sector

Be Complementary to GOS and Other Donor Activities

## B. Conclusions

The above tentative private-sector mission statement, objectives and strategic options, coming as they do at the beginning of a new planning cycle, present an opportunity for USAID to take more aggressive, coordinated and broad measures to support the private sector's contribution to economic development. However, as it is highly likely that USAID's resources will still be limited, the Mission faces a challenge to carefully prioritize and focus its efforts. It must leverage its limited resources in combination with those which may be available from GOS other donor, and A.I.D. central and regional sources.

In particular, increased dialogue with the private sector itself must join USAID's continued good relations and interchange with the GOS and other donors.

The strategy which has been presented is based on the MAPS exercise and related studies already completed. It has been designated a "tentative" strategy because the Mission has yet to receive the results from two additional studies currently being undertaken -- one on employment and the other on Women in Development (WID). The results from these two studies should be analyzed before the present strategy is considered to be final. It has also been designated "tentative" because extensive discussions of the strategy between the USAID Mission and members of the community within which USAID operates are essential before it may be considered acceptable and complete.