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## Abstract

This paper investigates new ways to transfer entrepreneurial education to previously disadvantaged individuals. It analyses the case of the ASDSE project, implemented in the form of partnership between the Namibian Government, a Non Governmental Organisation (NGO) and a commercial bank.

The main concept was to train the District Learner Officials already in the field for the National Literacy Programme in Namibia (NLPN), and at a later stage to assign them to the tasks of selecting, training and monitoring the entrepreneurs. Since the launch of this project 330 loans amounting to N\$ 770,000 (US\$ 150,000) were disbursed to unemployed and underemployed Namibians, 70% of which are women, the majority being heads of households. Previously, to receive the loan, each entrepreneur had to receive extensive training on basic entrepreneurial skills. It is encouraging to note that to date, thanks to the constant follow-up of the entrepreneurs, the repayment rate by entrepreneurs is 98% with only 2% defaults.

## 1. Introduction

Apartheid left Namibia with a highly segmented labour market where every defined “ethnic group” had highly different access to employment and wages, a major underlying factor was the unequal access to education. On the one hand this system created a large army of unskilled and unemployed people and on the other a considerable shortage of skilled workers. In order to address this problem the Government expressed its commitment to generate an environment conducive to encourage self-employment in the informal sector developing income-generating skills for the unemployed and underemployed. The Ministry of Basic Education and Culture realised the necessity to lead toward the provision of skills needed for self-employment since Government alone could not provide the sole solution to unemployment (Venditto and Ashipala, 1999).

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In the light of these objectives the Adult Skills Development for Self-Employment (ASDSE) project was introduced. The project was jointly sponsored by the European Union, the Ministry of Basic Education and Culture, through the Directorate of Adult Basic Education, (DABE) and the Italian Non Governmental Organisation (NGO) *Comitato Internazionale per lo Sviluppo dei Popoli* (CISP) [International Committee for the Development of Peoples].

The pilot phase started in January 1996, covering only two educational regions, in September 1999 the pilot phase was completed covering the whole country and the project become a Government of Namibia national project.

The ASDSE was able to establish a synergy between the public and the private sector in order to stimulate job creation and opportunities. The unique form of partnership between the Namibian Government, CSIP and a commercial bank, establishing a link between the education system, job-creation, training and micro-credit, contributing in this way to the alleviation of poverty in Namibia. The main concept used in implementing the project was to train the District Learner Officials (DLOs) already in the field in the pilot regions for the National Literacy Programme of Namibia (NLPN), and at a later stage to assign them the tasks of selecting, training and monitoring the entrepreneurs. To reach this goal the project used a set of benefits like the credit scheme, loans, informal business management skills, vocational training and support services for the Small and Micro Enterprises (SME) which were provided to the business community in the rural areas of the regions previously neglected.

The project was able to formulate a model for a small-loan credit scheme to be developed in future. The provision of loans for start-up or venture capital to pilot rural groups or individuals on a commercial basis and through an agreement with a formal financial institution aimed at the creation of a “working relation” between the informal sector and the bank. The ultimate objective was that entrepreneurs in the informal sector would graduate progressively to become future bankable clients of the bank.

## 2. The Adult Skills Development for Self-Employment Project (ASDSE)

The statistics of the Directorate Adult Basic Education (Ministry of Basic Education and Culture, 1996) revealed that 35% of the Namibian adult population at the age of 15 and above were illiterate.

**Table 1 - Households by highest level of education attainment in selected regions**

Region	N° Formal Education		Primary Education		Secondary Education		Tertiary Education	
	N°	%	N°	%	N°	%	N°	%
Khomas	14 594	10	40 207	29	69 753	50	9 905	7
Erongo	8 968	14	24 471	39	27 391	44	1 929	3
Otjozondjupa	27 140	33	27 439	33	23 798	29	1 859	2
Four northern regions	32 182	36	37 703	42	17 377	19	2 005	2
Namibia	72 742	30	78 708	32	76 524	31	13 529	6

Source: Ministry Of Labour (1998)

The idea of the Adult Skills Development for Self-Employment Project was based on the needs expressed by the learners of the NLPN. These learners identified their needs and those needs were collected during the preparation of the surveys conducted for the draft of the book “Interests of the New Learners in Namibia – A Research Outcome” in December 1993 by the Senior Education Officers of the Directorate Adult Basic Education (DABE) involved in the evaluation of the NLPN.

One of the needs addressed was the establishment of income-generating projects or to start a SME activity. In short, the major needs were related to the willingness of the learners to switch from theory to practice, to start some income generating activity in order to put in practice the newly acquired literacy skills.

To satisfy the needs expressed by the learners, the Ministry of Basic Education and Culture (MBEC) through the DABE contacted CISP. In May 1995 the parties agreed upon the project of the Adult Skills Development for Self-Employment Project (ASDSE), which was presented to and approved for funding by the European Union in December 1995.

The ASDSE project fell under the category of formal qualitative reorganisation and management improvement of existing resources and assets; using low investment but with expected strong impact results. Various forces and actors interplayed for the success of the whole design.

The main objectives of the project was to link the NLPN to institutional capacity building, business management skills and vocational training, informal sector promotion by exposing the potential and existing entrepreneurs to business ethics, banking procedures, and creation of employment.

The project was furthermore concerned with the gender question. In fact, special attention was given to women as a result of their marginal position in the economy, their increasing participation in the informal/small enterprise sector, and their increasing family economic responsibilities. The pilot period was estimated to take 18 months and then if successful, to be implemented at national level. It started in January 1996, and in September 1999 the pilot phase had been successfully completed and the project became a Government of Namibia national project.

The major component of the project was three fold:

0. The training of the DLO already in the field for the NLPN and to assign them to the following:
  - 0.0 to select the business/entrepreneurs in their communities;
  - 0.0 to help in the elaboration of the business plan questionnaires and the request of loans;
  - 0.0 to provide the follow up of the credit scheme;
  - 0.0 to provide the follow up and the entrepreneurial training to the selected entrepreneurs.
0. The training of the selected entrepreneurs via the DLO.
0. The delivery of the loans to the selected entrepreneurs via the financial institution.

Before analysing the three elements of the ASDSE project it is necessary to consider the context in which the prospective entrepreneurs had to operate.

### 3. The Namibian SME Context

Small and micro enterprises are a major feature of the economic landscape in all developing countries today. Namibia is not an exception, in fact, the Policy and Programme on Small Business Development (1997) identified the promotion of the SMEs as the main instrument for the achievement of the Government's central economic objectives to alleviate poverty and foster growth.

The contribution of these enterprises to the creation of jobs and to the alleviation of poverty was widely recognised (Liedholm and Mead, 1998). It seemed, however that SMEs played a small role in the Namibian economy. According to the most recent Namibia Manufacturing Survey conducted by the Ministry of Trade and Industry (MTI 1994), 84 out of 274 enterprises were small, representing 35% of the total number of businesses surveyed, accounting for less than 2% of manufacturing turnover and less than 6% of employment. This study gave only a partial representation of the Namibian context, in fact within the Small Micro Enterprise sector there were two very different realities; on the one hand there were the formal small businesses, to which the 1994 study refers, while on the other hand there were the informal businesses.

Between the two, the formal small business sector was much smaller in terms of enterprise number, employment, turnover and value added. According to rough estimates based on the limited existing data, the *small formal enterprise sector* seemed to be much smaller than the informal one in terms of enterprise number, employment, turnover and value added. The main areas of activity of small formal businesses were mining, manufacturing, construction, retailing, catering and personal and business services. Activities such as agribusiness, accommodation, wholesaling and transport, in which a large number of small businesses were engaged in other countries, were less important in Namibia<sup>1</sup>.

Recent studies (ILO, 1994; Commonwealth, 1994; MTI, 1998) have shown that there is a growing informal small enterprise sector whose real size actually remains unknown. These sub-sectors differ with regard to their legal status and, more importantly, to the technologies they use. The recent surveys<sup>2</sup> (MTI, 1998; MTI, 1999; MTI, 2000) seem to confirm such findings.

There is, however, not yet a clear definition of Small Micro Enterprises in Namibia and to use criteria applied to other countries would be inappropriate<sup>3</sup>. In fact this definition depends upon the social and economic feature of each country. The Ministry of Trade and Industry (MTI) defines small enterprises as follows<sup>4</sup>.

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<sup>1</sup> It is a feature of the small, formal sector in Namibia that small businesses account for a relatively minor share of the total number of enterprises in the sectors in which they operate. Many of the small formal enterprises are urban and concentrated around Windhoek (Hansohm, 1997). The only other sizeable concentration is in Swakopmund (14%), with the balance spread between the country's smaller towns (Commonwealth, 1994; Hansohm et. al., 1996).

<sup>2</sup> There are, however, no reliable statistical data at present on the size, structure and needs of SME in Namibia that cover the whole sector throughout the country. For this purpose, the Ministry of Trade and Industry has carried out a baseline survey on small and micro enterprises in selected regions in Namibia. Surveys have already been conducted in the four northern regions (MTI, 1998), in the Erongo and Otjozondjupa regions (MTI, 1999) and in the Khomas region (MTI, 2000).

<sup>3</sup> For example in the European Union, businesses employing less than 50 people are characterised as small. To apply this definition in Namibia would mean to include the vast majority of the businesses in the country. Furthermore combining different measures such as number of employees, capital value, turnover etc. would become problematic as some businesses may fulfil one criteria but not all of them.

<sup>4</sup> One must bear in mind that this definition was kept broad in order to have the possibility of giving incentives also to the small formal businesses of the country and in so doing try to achieve an impact, from the SME sector, on the national economy.

**Table2 - Small Enterprises Definition**

Sector	Criteria		
	Employment	Turnover (N\$)	Capital N\$ Employed
Manufacturing	Fewer than 10 persons	1,000,000	500,000
All other enterprises	Fewer than 5 persons	250,000	100,000

Note: To qualify, businesses must meet the employment criteria, and one of the other two.

The findings of the latest reports (MTI, 1998; MTI, 1999; MTI, 2000) seem to indicate, however, that the above definition is not appropriate in the Namibian context, where the average size of an SME is 2.2 employees.

**Box 1 - Characteristics of the informal businesses supported by the ASDSE**

- Have never received any form of loans from local financial institutions.
- Employ between 2 and 3 people on irregular basis without formal contracts.
- The owner is the manager and works in the enterprise.
- 50% of the owners/managers are women.
- The businesses have an average income of N\$80.00 per day.
- 73% of the businesses are located in rural areas.
- Non of the businesses are registered.
- The manager of the business does not pay tax on his income, being also below the threshold for the registration to the Receiver of Revenue.

According to the ASDSE the characteristic that would best describe the informal sector would be the *inaccessibility to credit from formal financial institutions*.

Another trade factor of the Namibian informal sector was that the majority of entrepreneurs were usually forced into business by social factors such as unemployment or survival needs/poverty, rather than attracted by the opportunity.

The sector remained very underdeveloped for a variety of reasons: a. *Finance*: little or no savings, hence insufficient and inadequate investment capital from the informal sector sources and family savings. b. *Market*: lack of purchasing power, hence very little or no market for SMEs. c. *Purchasing*<sup>5</sup>: lack of basic infrastructure. d. *Training*: acute shortage of skilled workforce. e. *Managerial skills*: lack of entrepreneurship.

Therefore enterprising Namibians who ventured into the sub sector faced many obstacles such as the following: 1. Inaccessibility to credit and finance<sup>6</sup>. 2. Poor technical and managerial skills. 3. Scarcity of information. 4. Lack of extension services. 5. Lack of adequate and cost effective sites and services for carrying out business.

The growth potential of SMEs was therefore severely constrained. Most SMEs operated at subsistence levels existing mainly for survival purposes and remained at those levels. Moreover the informal sector's poor access to supply sources and high costs of inputs contributed to the poorest sector of society paying the highest prices for essential goods. Apart from the substantial loss of consumer surplus, by itself a major cause of national concern, it effectively served to limit the volume of purchases made by poor Namibians and restricted their demand to a few essential items.

It is against this background that the designing and developing of the ASDSE project has to be understood.

<sup>5</sup> In purchasing there are too many transactions in the sourcing chain. This is mainly caused because the main sources of raw materials are from SA. Too many informal businesses purchase mainly from retailers rather than wholesalers, and even if they do purchase from the wholesalers there are likely to be two or three intermediaries between the wholesalers and the primary source. In addition small business face a supplementary problem that their small volume of purchases does not make it economical to source directly from suppliers. They have to purchase from intermediaries, wholesalers and distributors, who in most cases in Namibia have a monopoly power and charge very high mark-ups. Finally informal SMEs have poor access to purchasing channels and therefore receive no credit or large customers discount.

<sup>6</sup> Between 1996 and 1998 there was an increase in the amount of funds available and the number of loans distributed to SMEs in Namibia (Tonin et al., 1998; Hansohm et al., 1996). An increasing number of loans were granted to small-scale enterprises in the rural areas, and women comprise 60% of the people receiving loans now compared to only 40% in 1996 (Tonin et al., 1998).

## 4. The ASDSE Training Components

The training component of the ASDSE project aimed mainly at providing Business Management Skills to both the DLOs and Entrepreneurs. There was no specific time limit to this specialised functional training and it was therefore an ongoing process determined by the ongoing needs of both the DLOs and the project as such.

Training activities were interactive and reflected the learners' environment. Since the goal of the project was dealing with adults, the training strategy had to be based on a participatory approach. Emphasis was put on how much the learners knew and training was started from where their knowledge ended. The objectives and contents of the programme were based on the identification of basic needs through a Training Need Assessment (TNA), which formed the foundation upon which the training methodology was based.

The DLOs, through the training, were introduced to the general background of the ASDSE project, as the idea was a component of the NLPN that had previously not been dealt with. Furthermore, training on business management and credit issues was offered to both DLOs and entrepreneurs. It was recognised that neither of the groups had experience in these fields, especially the DLOs who were previously not involved with SMEs development.

Another important component of the training pertained to legal aspects related to business that were also offered to both groups. This aspect attempted to equip the entrepreneurs with information on how the legal system works in relation to businesses, leg agreements/contracts, ban procedures and getting them to know their rights as business people.

### 4.1. The training of the DLOs

The majority of DLOs had no experience in business management and credit related issues. As a result no specific TNA tool was applied and the training provided was based on the needs of the ASDSE project and the DLOs in certain areas. In such a situation, experience has shown that TNA is more suitable after the first training when DLOs are in a position to identify their needs based on the first training.

The design of the training for DLOs and the content thereof was determined by the roles that the DLOs had to perform.

This training was a tool that was complementary to the duties that were performed by the DLOs for the successful implementation and progress of this project.

#### **Box 2 - Role of the DLOs in the Project from the training perspective**

- Identification of viable businesses.
- Interviewing of entrepreneurs.
- Filling in of business plan questionnaire (BPQ).
- M&E of the business providing feedback to the ASDSE staff on the progress of the project.
- Business counselling and advisory support to the entrepreneurs.

Taking these responsibilities into consideration the training attempted to address these responsibilities. The objectives of the training of the DLOs for the purpose of the ASDSE were the following.

#### **Box 3 - Objective of DLOs Training**

- Provide DLOs with the opportunity to acquire skills in business management.
- Expose the DLOs to the principles of guarantee credit schemes management.
- Provide the foundational basis and exposure to business start-up principles and continuous management skills.
- Impart the necessary skills in facilitating the implementation, monitoring and evaluation of self-employment project and enterprises.
- Enhance the DLOs' abilities to impart their newly acquired skills to others through training and counselling.

The training was divided in two categories: Category 1: *ASDSE Project and Business Plan Presentation*; Category 2: *Business Management Skills*.

#### Category 1: ASDSE Project and Business Plan Presentation

DLOs mostly saw the ASDSE as a separate entity from the NLPN and therefore as an additional responsibility which had nothing to do with their literacy activities. Taking them back to the original objectives of the ASDSE and linking it up to the literacy project became a very important component of the training.

### Box 4 - Training for DLOs – Category 1

<p><u>Background of the ASDSE Project</u></p> <ul style="list-style-type: none"> <li>• Factors that lead to the origin of the ASDSE Project. Steps taken towards the initiation of the project.</li> <li>• The link between the ASDSE Project and the NLPN.</li> <li>• The long-term future of the ASDSE Project.</li> </ul> <p><u>Aims and Objective of the ASDSE Project</u></p> <ul style="list-style-type: none"> <li>• What did the project wish to achieve.</li> <li>• Components of the project, i.e. credit, training and co-ordination.</li> <li>• Roles of the DLOs.</li> </ul> <p><u>The Business Plan Questionnaire</u></p> <ul style="list-style-type: none"> <li>• What is a business idea; The importance of business planning; Components of a business plan; Evaluating a business plan; Identifying viable businesses; Conducting an interview.</li> </ul>
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### Category 2: Business Management Skills

This training aimed at orientation and building the foundation of the DLOs' understanding and involvement in the implementation and ongoing progress of the ASDSE project.

Considering that the main responsibilities of the DLOs was the monitoring and evaluation of the enterprises as well as advisory support to the funded entrepreneurs, there was a need for the DLOs to be well versed with the principles of business management.

### Box 5 - Training for DLOs – Category 2

<p><u>Entrepreneur and Enterprise</u></p> <ul style="list-style-type: none"> <li>• What is an entrepreneur</li> <li>• Characteristics of an entrepreneur</li> <li>• What is an enterprise</li> <li>• Difference between enterprise and income generating project</li> <li>• Stages in enterprise development</li> </ul>	<p><u>Marketing</u></p> <ul style="list-style-type: none"> <li>• What is a market</li> <li>• The marketing process and its approaches</li> <li>• Identifying products</li> <li>• The 6 Ps of marketing</li> <li>• Getting products to the people</li> <li>• Factors affecting the setting of prices</li> </ul>
<p><u>ASDSE Load Scheme</u></p> <ul style="list-style-type: none"> <li>• How does it work</li> <li>• What are the requirements</li> </ul>	<p><u>Buying</u></p> <ul style="list-style-type: none"> <li>• Good buying</li> <li>• Steps in buying</li> <li>• Documents used in buying</li> <li>• The importance of combined buying</li> </ul>
<p><u>Costing and Pricing</u></p> <ul style="list-style-type: none"> <li>• Different costs in business</li> <li>• Calculating costs</li> <li>• Pricing</li> </ul>	<p><u>Stock Control</u></p> <ul style="list-style-type: none"> <li>• What is stock control</li> <li>• Stock Taking</li> <li>• Stock Records</li> </ul>
<p><u>Legal Aspects</u></p> <ul style="list-style-type: none"> <li>• Legal aspects related to business</li> </ul>	<p><u>Record-Keeping</u></p> <ul style="list-style-type: none"> <li>• Different records</li> <li>• Simple methods of record-keeping</li> </ul>

### 4.2. Training of Entrepreneurs

The purpose for the training of entrepreneurs was to provide those who qualified for funding with the opportunity to acquire skills in small enterprise development in order to enhance their abilities to start and operate successful businesses. The training was for entrepreneurs to improve their skills in business management. Training was not a prerequisite for receiving a loan, but if an entrepreneur required training, it would be provided before the loan was disbursed.

### Box 6 - Training for Entrepreneurs

<ul style="list-style-type: none"> <li>* Marketing</li> <li>* Buying</li> <li>* Stock Control</li> <li>* Costing and Pricing</li> </ul>	<ul style="list-style-type: none"> <li>* Record keeping</li> <li>* Business Planning</li> <li>* Credit Issues</li> <li>* Legal Issues</li> </ul>
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The BPQ contained a section assessing the training needs of the entrepreneurs. The type of training offered depended on the needs as indicated in the training needs analyses. The training programme consisted of 6 modules; however, the number of modules presented depended on the needs of the entrepreneur. The number of entrepreneurs per training session was a minimum of 8 persons and a maximum of 15 persons.

### **Box 7 - Objectives of training of entrepreneurs**

- \* Provide entrepreneurs with an opportunity to acquire/improve the Business Management.
- \* Enhance their abilities to start and operate successful businesses.
- \* Explain how ASDSE works in terms of application for credit and training.
- \* Explain the Credit Scheme and how it works.
- \* Provide information on Legal aspects for better running of their businesses and knowing their rights.

Since entrepreneurs could not afford to be away from their businesses for a long period, through discussions with them, it was determined that the most convenient period of time to be absent from their responsibilities was 3 days only. Taking this into consideration, the training was divided into two phases of 3 days each over a period of 2 to 3 months.

#### **4.3. Lessons Learned from Training the DLOs**

0. Although part of the purpose of the training was to introduce DLOs to business management skills, it was necessary to conduct a needs assessment in order to determine their level of understanding before training could be started. Not only was it a new topic, but the principles were also difficult for the DLOs to comprehend.
0. The general assumption was that DLOs needed to understand the basic business management skills. However, experience taught one that the most important factors that they had to deal with were the goals and objectives of the ASDSE project, the link with the NLPN and the BPQ before going over into business management skills.
0. When dealing with people who are not trainers and who have never been exposed to issues related to small enterprise development or income generating activities, such as the DLOs, it is important to link the training to practical experiences which would expose them to the real situation, for example, using a business plan questionnaire in a real business set-up, as well as relating practical successful business stories to them.
0. The understanding of business management by the DLOs was overestimated, as a result the first workshop contained a number of "High Profile" elements which they could not understand.
0. This meant that it was necessary to adapt the training to the level of understanding of the trainees and to decrease the speed in order to be at the same pace as they were. In order to reach the level of understanding of the DLOs and to ensure that the expected maximum results were achieved, the time schedule for the training had to be flexible. In other words, one could have a programme for the week of training but without rushing to achieve all the objectives in that particular time. It was more important that the DLOs have a clear understanding of the concepts, and not necessarily finish the programme in the given time.
0. A special effort was made to ensure that all DLOs understood and followed the presentations, especially during training, since the English language was a problem for some DLOs.
0. Some DLOs experienced major problems with the filling in of BPQ. The cause of the problem was three-fold: a) English language. b) Lack of understanding of the business concepts in the BPQ. c) The BPQ was lengthy and required time to be done properly, DLOs seemed to do this in a rush and therefore did not spend time obtaining the correct information. In order to overcome this problem, more time was spent on going through the BPQ step by step, and also conducting a real interview with an entrepreneur. Another solution was for the ASDSE team to visit the project after receiving the BPQ to double-check the information.
0. Before the DLOs received a presentation on the meaning of viability and how to identify viable businesses, their ability to do this was weak, judging from the BPQ received.

#### **4.4. Lessons Learned from Training of the Entrepreneurs**

0. Although a training programme had been worked out for the training of the entrepreneurs, a Training Needs Assessment (TNA) was done before any training took place and entrepreneurs were able to point out their immediate training needs.
0. It was important to double-check the training needs of entrepreneurs without having to depend on the indications on the TNA section in the BPQ.
0. The entrepreneurs had a better understanding of business principles and practical management compared to the DLOs.
0. A training course for the entrepreneurs could not be longer than 3 days, because they could not afford to stay away from their entrepreneurial responsibilities for longer than that.
0. There was a need for the trainer to be able to speak various languages as it was established during the training that not all entrepreneurs understood English or Afrikaans.

## 5. The Credit Guarantee Scheme

The credit scheme was the second major pillar of the ASDSE project - the rationale being that it would not have made sense to provide training to potential entrepreneurs if they did not have access to financial facilities.

As underlined previously, finance was usually cited as the major problem in establishing small business and the main constraint to future growth of the sector.

In Namibia no formal financial institution delivered credit to informal businesses. Entrepreneurs usually had access to credit or grants from either credit schemes or international donors. This system created a dependency from the sector and limited their growth and possibility to compete in the market economy. As most small businesses were sole proprietorships this limited their equity available. In addition, commercial banks were reluctant to lend to them for two reasons:

- ) They were considered high risk ventures as the rate of business failure was high (in Africa it is estimated that 85% of new small businesses fail) and often small businesses did not have collateral to cover the exposure they represented.
- ) The cost of appraisal of small loans was as high as a larger loan to a large business; it was obvious that banks found it more attractive to lend money to larger businesses.

There was a particular reluctance on the part of commercial banks to lend to small businesses, especially informal ones. The main form of funding was very short term, such as high cost financing in the form of overdrafts that were supplied directly to the owner of the informal business. In addition some Namibian banks did not consider long-term finance for enterprise development to be a product/service they wished to provide.

In designing and developing the credit guarantee scheme an analysis was undertaken of the sector evaluating the existing infrastructures supporting the SMEs, to such regard. Furthermore, the intention was to provide credit through the local financial institution integrating the credit scheme with the existing local commercial credit system. The following was the criteria used to consider a loan application.

### Box 8 - Criteria of Selection

- 0. The owners must be 18 years of age and above.
- 0. Not more than 30% of credit goes to start-ups.
- 0. Enterprises may or may not be part of the literacy groups in the NLPN.
- 0. Prefer single to group-managed enterprises<sup>7</sup>.
- 0. Evaluate the technical and managerial skills of the entrepreneur and workers of the venture. For on going ventures analyse the technical and managerial skills on how successfully the business is run (profit/loss, productivity, record-keeping). For new ventures analyse how good the idea is and how the entrepreneur intends to implement it, evaluate entrepreneurial capabilities and spirit and technical skills.
- 0. Focus on the gender issue also taking into consideration the fact that women are usually more responsible than men, the ASDSE will aim at giving credit to at least 60% of the ventures owned by women.
- 0. Viability of the project: a) Existing consumer market (customers demand). b) Financial viability (financial trend). c) Supply of raw materials. d) Technical and managerial capabilities. e) Incentive, entrepreneurial spirit. f) Environmentally friendly.
- 0. Training will not be a pre-condition for the loan approval but according to the evaluation made in point number (7) above.

The most important achievement of the ASDSE was the agreement signed on 18 July 1996 with the First National Bank (FNB).

The project's credit component is at present the only credit guarantee scheme in the Southern Africa Region, which is being implemented in partnership with a commercial Bank.

### 5.1. The loan selection process

The ASDSE designed a specific set of operations in order to ensure that a proper and effective selection process be implemented.

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<sup>7</sup> Organisations supporting cooperative or group businesses in Namibia have generally encountered the same problems such as: Ownership: group businesses are usually "artificially" owned by the community, with members not clearly understanding who they are working for, especially in cases where there is financial assistance in the form of grants. Income: internal conflicts often arise from group members who are not equally benefiting from the business. Dependency syndrome: group businesses are usually not aware of the value of inputs especially because they are donated in kind. This means that the level of economic achievement does not alter according to the inputs given. Management: in group businesses members tend to have different objectives. Both objectives and regulations are assumed rather than agreed upon. Moreover the formation of groups is artificially done to attract funds causing high internal conflicts, poor management and obscure accounting.

- The DLOs, together with the Promoters and the Literacy committee in the community in which they operated performed the first screening step, inviting known business people and the community at large to join the project. The process continued with the identification of viable businesses, done through business plan questionnaires filled-in by either: a) The entrepreneur him/herself if s/he was capable of doing so; b) District Literacy Organisers; or c) The ASDSE staff in the regions where they were available.
- The ASDSE staff in Windhoek did the second screening process based on the information given in the business plan questionnaire. At this stage a business could either be recommended for a loan and would therefore be visited, could be kept pending awaiting information lacking, or rejected if it fell outside the scope of operation, or proved not to be viable or for any other reason.
- The third screening was done during the field visit.
- The bank did the fourth screening using the confidential channels.
- After the “green light”, entrepreneurs with successful loan requests would be invited for training.
- Before receiving the loan, the entrepreneurs were required to attend business management skills training conducted by the ASDSE. During the training, individual weaknesses of the entrepreneurs in running their businesses as identified during field visits were dealt with. Similarly the most important topics such as marketing, costing, pricing and other topics related to business management were covered. The business plan questionnaire of each entrepreneur was reviewed with the respective individual to make sure each of them understood the details of the business plan questionnaire presented. During this time ASDSE would make the final decision as to whether to finance the business or not.
- If the entrepreneur did not have a bank account with the FNB, s/he was required to open one, deposit the equivalent of 10% of the loan applied for, and sign the agreement form.
- Support in the form of monitoring and evaluation to the businesses receiving the loan by ASDSE was provided to ensure the successful operation of these ventures including on-the-job training in business skills, monitoring their loan repayment, etc.
- A monthly report of each business was prepared and submitted to the ASDSE.

## 6. ASDSE Achievement

The achievements of the project were analysed on the base of two different parameters, the training component and the credit component. The training aspect focused on the number of Ministry officials and entrepreneurs that received training in the lifespan of the project while for the credit component the focus was on the number of loans given to the trained entrepreneurs.

A more qualitative analysis regarding the disbursement of the loans was also performed. The data used was collected from the ASDSE database updated in May 1999.

### 6.1. The Training Achievements

During the three years ASDSE managed the project, DLOs from six of the seven Educational Regions (Khorixas was not included) underwent formal training for a total period of one month (four training sessions each lasting one week). Officials of the DABE also underwent the training courses.

**Table 3 - Ministry Staff and Entrepreneurs training**

Educational Regions	Ministry Officials	Entrepreneurs	Total
DABE Hq.	6		6
Ondangwa West	84	95	179
Ondangwa East	43	45	88
Rundu	19	20	39
Katima Mulilo	24	47	71
Windhoek	39	43	82
Keetmanshoop	36	57	93
<b>Total</b>	<b>251</b>	<b>307</b>	<b>558</b>

Source: ASDSE Data Base

Furthermore they also benefited from regular on-the-job and in-service training for at least a cumulative period of two additional months.

On the other hand training to entrepreneurs was given on a regular basis depending on the number of applications submitted by each educational region and the processing. On average each educational region undertook a training course for entrepreneurs once a month.

The Directorate of Adult Basic Education will continue the ASDSE training to DLOs through refresher courses that will take place once a year for all the regions.

Employment creation and income generation was also considered as qualitative elements of the project since meeting these objectives represented that the training was effective in helping the entrepreneurs to improve their performances. At the same time, this was also one of the main targets of the ASDSE scheme (Venditto and Ashipala, 1999).

A simple way to express an overall assessment on the training performances was to consider the business performance, on the assumption that good performances are an indication of good training.

### 6.1.1. Impact of the training on the business

When commenting on the turnover growth and the employment creation, the data shows that 77% of the entrepreneurs interviewed had increased their turnover. It was also found that 77% of the entrepreneurs managed to maintain their employment level while 23% had increased theirs. This by itself proved that entrepreneurs were implementing what they had learnt from the training. The continued existence of the business was another criteria used for monitoring the training effect. The data showed that all the enterprises that benefited from the scheme had not experienced labour turnover or business close down. This is an indication of the continued existence of the businesses.

## 6.2. Loan Project Achievements

Another way to determine the effectiveness of the entrepreneur training was the number of loans delivered, since loans were given only if the entrepreneurs were able to produce a viable business plan.

Project achievements were calculated from the beginning of the pilot phase till May 1999. The statistics do not consider the remaining period till when the project had been officially handed to the Namibian government.

**Table 4 - ASDSE Financial Indicators**

Indicator	Unit	Value (May 1999)	Value (December 2000)
Number of Applications		709.0	1,794.0
Number of Loans Disbursed		161.0	(*) 334.0
Approval rate	(in %)	22.7	20.0
Loan Portfolio disbursed	(in N\$)	404,379.0	937,754.0
Average loan disbursed	(in N\$)	2,512.0	2,841.0
Average loan requested	(in N\$)	3,200.0	
Loan Capital requested	(in N\$)	2,221,305.0	
Average period of repayment (in months)		12.0	
Number of Loan repaid		75.0	214.0
Number of Loan outstanding		82.0	53.0
Number of Loan defaulted		4.0	10.0
Default rate	(in %)	3.6	2.9
Delinquency rate	(in %)	33.9	21.6

(\*) Plus 54 new loans non included.

Source: ASDSE Database

### 6.2.1. Gender Distribution

In the design of the scheme it was indicated that the credit had to reach at least 60 percent of the ventures owned by women. The justification of such a choice being the consideration that, in general, women were more responsible and reliable than men and that in most of the regions in which the project had to be implemented the heads of the households were women.

**Table 5 - Loan disbursed by Gender**

Gender	Loans disbursed
Female	115
Male	46
<b>Total</b>	<b>161</b>

Source: ASDSE Database

The 71% women participation in the scheme indicated that the schemes outreach was well over the 60% target. When constructing a cross-table between gender and position of business (table 6 below), it was found that 88% of the new businesses had a women entrepreneur. This seems to confirm the assumption that women have better entrepreneurial skills than men.

**Table 6 - Gender and Business position**

Gender	Business Position	
	On going	New
Female	70	45
Male	40	6
<b>Total</b>	<b>110</b>	<b>51</b>

Source: ASDSE Database

Another way of assessing the performance of the credit scheme was by determining its effect on employment. This was determined by assessing the number of new entrepreneurs and the number of people employed as a result of the credit scheme.

Project documents analysed and interviews conducted indicated that, although the majority of the beneficiaries had some working experience before, they were unemployed prior to receiving the loan. On this ground employment opportunities were created as a result of the project.

## 7. Conclusions

ASDSE was the first project of its kind in Namibia, which aimed at implementing a well-designed strategy; co-ordinating Government Institutions, NGOs and Financial Institutions in order to offer a set of services (training/credit/follow-up and co-ordination) and create the justification for an environmental structure that may be called "*Social Market Economy*". The success of the project indicates that the market arena may functioned within the framework of public accountability having a more effective impact in the communities, offering opportunities for SME development and bringing some sustainable improvement in people's livelihood.

The procedure and methodology applied linking Namibia's adult education system with the effort of creating an enabling and favourable environment for job creation and the development of the micro, small enterprise sector was innovative for the region. Moreover the aspect of taking an interventionist approach in credit provision, by merging resources and capacity from the public, private and developmental organisations, was seen as the most sustainable system to be implemented in Namibia.

In general the ASDSE project was able to support the Government by voicing and giving attention to the globally burning issues of poverty alleviation and rehabilitation, gender and employment creation. Special attention was given to women as a result of their present marginal position in the economy, but also due to their increasing participation in the informal sector as well as family economic responsibilities. The significant number of loans disbursed to women entrepreneurs by the project has demonstrated this so far.

Enterprises turnover and asset values have also given further insight on the income effects of the project. The data shows that 77% of the entrepreneurs interviewed increased their turnover while 84% increased their assets. Judging from the impact of the project on the businesses it is possible to say that the impact has been very successful giving the entrepreneurs new skills that have enabled them to better deal in the new environment.

This approach could be used in a similar context when governments rely on SMME in order to address unemployment.

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