Making Access Possible SME

cfi ENHANCING REACH TO FINANCIAL SERVICES

Centre for Financial Inclusion

SIYINQABA

Eswatini

Roadmap

2018 - 2022

FMT FINMARK TRUST

UNCDF MAKING ACCESS POSSIBLE

PARTNERING FOR A COMMON PURPOSE

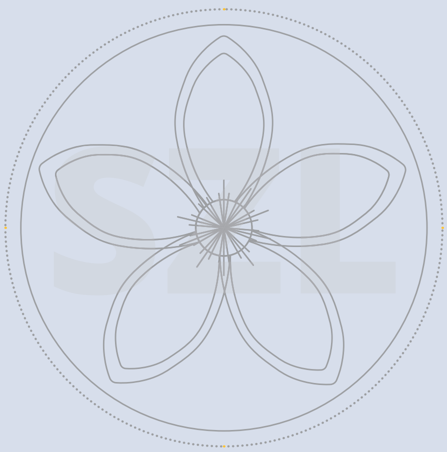
Making Access Possible (MAP) is a multi-country initiative to support financial inclusion through a process of evidence-based country diagnostic and stakeholder dialogue, leading to the development of national financial inclusion roadmaps that identify key drivers of financial inclusion and recom mended action. Through its design, MAP seeks to strengthen and focus the domestic developmentdialogue on financial inclusion. The global project seeks to engage with various other international platforms and enti ties impacting on financial inclusion, using the evidence gathered at the country level.

This report was produced by the FinMark Trust as part of the larger MAP diagnostic work.

The cover symbol and artwork

Through the MAP programme, we hope to effect real change at country level and see the impact of financial inclusion on broader national growth and development. The cover graphic features the Adenium, a flower synonymous with Eswatini. The flower symbolises growth and development while the circle represents inclusive growth. Each flower is an example of the successful growth in a unique environment.

For MAP SME we considered the small business owners, who do not fit into a standard mould and thus need individually tailored solutions regarding business and financial inclusion. To reflect this personalisation, we have created a design using the human fingerprint. Fingerprints are detailed and unique, and they convey the idea of going in-depth to investigating at a detailed level. There is also something important in the impression they leave - metaphorically they can have an impact. The pattern and circle follow the theme throughout previous covers. Including the flower and colours this links back to family of MAP work that has already been done.



ABOUT THE SME ROADMAP

THIS ROADMAP WAS PRODUCED FOR THE GOVERNMENT OF ESWATINI

FinMark Trust has contributed to Micro Small and Medium Enterprises (MSME) development through FinScope MSME surveys and the Making Access Possible (MAP) programme. Finscope MSME surveys are nationally representative surveys of how small business owners source their income and how they manage their financial lives, while the MAP programme supports financial inclusion through a process of evidence-based country diagnostic assessment and stakeholder dialogue, leading to the development of national financial inclusion roadmaps and recommended action. While both initiatives are already recognised as useful in addressing MSME challenges, they have not fully met the demand that exists in the MSME sector. This is mainly due to a lack of a supply side analysis of the MSME sectors, in the same way that the MAP supply and regulatory analysis complements the FinScope consumer. The MAP MSME supply-side and regulatory assessment therefore complements the Finscope MSME survey to enable a process of evidence-based country diagnostic assessment and stakeholder dialogue, leading to the development of national MSME development roadmaps that identify key drivers of MSME growth and recommended action.

The first of the MAP MSME supply-side analysis and country diagnostic was conducted in Eswatini. However, the assessment only focused on SMEs at the exclusion of micro enterprises. This was in recognition that micro enterprises are unlikely to bring about meaningful impact in economic development, despite their contribution to social livelihoods. The diagnostic assessment therefore resulted in the development of the ESwatini SME Diagnostic assessment and Roadmap. The Roadmap is part of the implementation of Masterplan for the Eswatini MSME Policy, a Policy aimed at creating a modern, comprehensive, targeted and coherent framework that will create a highly profitable and entrepreneurial sector, supported by an enabling institutional and regulatory environment. The Roadmap supports certain key pillars of the MSME Policy. The pillars supported are: (1) increasing access to financial products and services; (2) strengthening business support institutions and structures; (3) strengthening the legislative and regulatory framework for the development of MSMEs; (4) strengthening the domestic and international competitiveness of MSMEs; and (5) developing and improving the position of and support of MSMEs owned by women, youth and disadvantaged groups.

The research findings from the analysis are captured in the Diagnostic Report, which contains the findings of a comprehensive demand-side, supply-side data analysis and regulatory assessment. The demand-side component includes an analysis of access, usage, perceptions and attitudes of financial and business development support services by target groups and draws from quantitative data from the Eswatini FinScope MSME Survey 2017 and qualitative demand-side research conducted in January and February 2018. The qualitative demand-side survey was conducted in the form of individual interviews and focus group discussions with entrepreneurs in Manzini, Lubombo, Hhohho and Shiselweni. Supply side stakeholder interviews were conducted in January and February 2018 and were held with financial service providers, business development support providers, donors and regulators in both the financial and SME space. Secondary data and literature review were conducted, with an in-depth analysis of data contained in regulatory databases, data from suppliers, annual reports and other reports.

AUTHOR

Montle Nicola Phuthego on behalf of FinMark Trust and the Eswatini Steering Committee for the development of the SME Diagnostic Report and Roadmap

ACKNOWLEDGEMENTS

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List of Acronyms

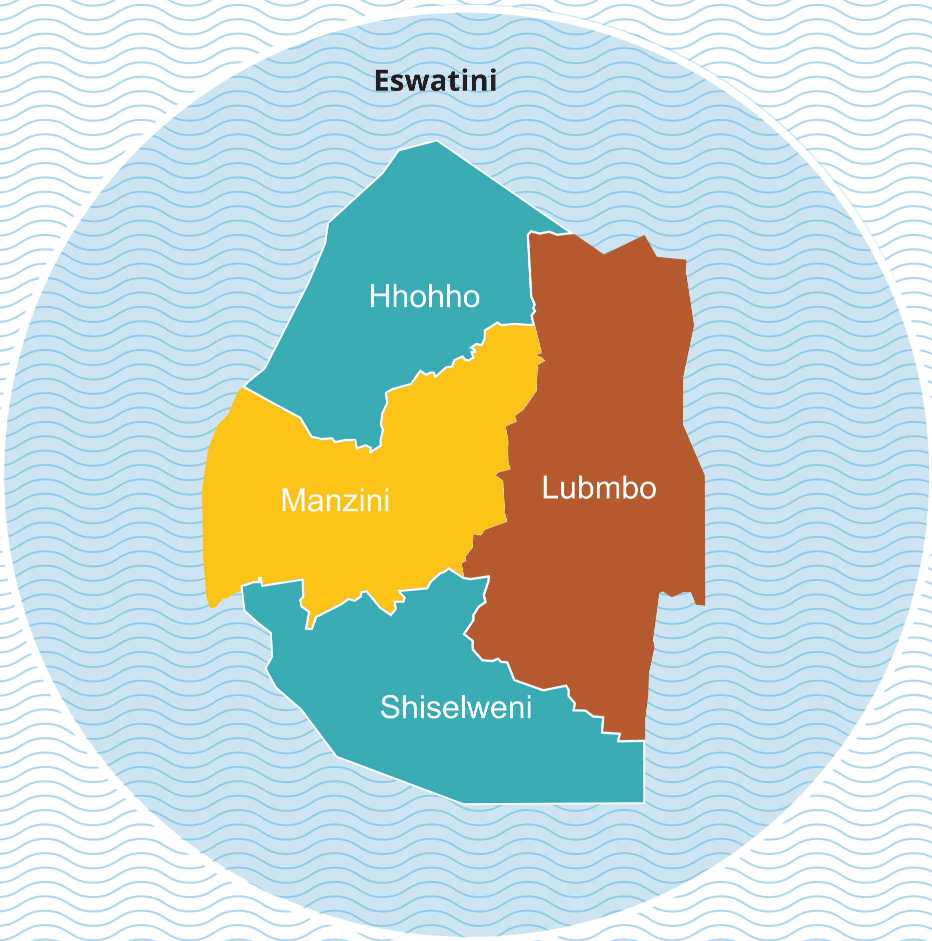
BDS	*Business Development Support*
CBE	*Central Bank of Eswatini*
CFI	*Centre for Financial Inclusion*
CMA	*Common Monetary Area*
DFIs	*Development Finance Institutions*
EU	*European Union*
FAO	*Food and Agricultural Organisation*
FMT	*FinMark Trust*
GDP	*Gross Domestic Product*
GOS	*Government of Eswatini*
MAP	*Making Access Possible*
MCIT	*Ministry of Commerce Industry and Trade*
MFU	*Micro Finance Unit*
MoF	*Ministry of Finance*
MSME	*Micro Small and Medium Enterprises*
NDS	*National Development Strategy*
SACU	*Southern Africa Customs Union*
SADC	*Southern African Development Corporation*
SME	*Small and Medium Enterprises*
SMME	*Small Micro Medium Enterprises*
SNL	*Swazi National Land*
SSELGS	*Small Scale Enterprise Loan Guarantee Scheme*
TDL	*Title Deed Land*
SWADE	*Eswatini Water and Agricultural Development Enterprise*
SWIFT	*Eswatini Fair Trade*
UNCDF	*United Nations Capital Development Fund*
UNDP	*United Nations Development Programme*
USAID	*United States Agency for International Development*

Definitions

TERM	DEFINITION
Banked	Individuals using one or more traditional financial products supplied by commercial banks.
Business Development	Refers to any activity which serves to 'develop' the business in some way. It entails tasks and processes to develop and implement growth opportunities for businesses.
Demand-side barriers	Demand-side barriers to access financial services and business development support relate to characteristics inherent to individuals that prevent them from using financial and business development services.
Financial Access Strand	A measurement of financial inclusion across the formal-informal institutional provider continuum.
Financial inclusion	The extent to which the adult population in the country engages with financial products and services, such as savings, transaction banking, credit and insurance, whether formal or informal.
Formal products	Products provided by government regulated financial institutions such as commercial banks, insurance companies and microfinance institutions.
Formally included	SME owners using formal financial products supplied by institutions governed by a legal precedent of any type. This is not exclusive usage, as these individuals may also be using informal products.
Informal products	Financial services provided by individuals and/or associations which are not regulated by government such as savings clubs and private moneylenders.
Insurance	Payment of a premium for risk of an event happening, where payout is made if or when the event occurs.
SME	Small and Medium Enterprises (SME) are defined by the number of employees (according to the Eswatini SMME Policy of 2009) who employ 4 to 50 employees, have assets of E50 000 to E5 million and an annual turnover ranging from E60 000 to E8 million. For the purposes of the study, only number of employees and turnover were used to segment the sector.
MSME and SMME	MSME and SMME are used inter-changeably in this report. This is mainly because until recently, policy documents refer to the sector as SMMEs. MSME or SMMEs are defined by the number of employees (according to the Eswatini SMME Policy of 2009) who employ less than 50 employees, have assets of up to E5 million and an annual turnover of up to E8 million.
Other formal	Financial products/services supplied by formal financial institutions which are not banks.

Note: Some graphs add up to more than 100% due to multiple mentions or overlaps, i.e. the respondent could give more than one answer or belong to more than one category. As such, the graph includes overlaps in responses and cannot be added to 100%.

To achieve growth and address economic and social challenges, Eswatini has developed the National Development Strategy (NDS) and Vision 2022, whose purpose is to map out a growth path with appropriate strategies for socio-economic development



Executive Summary

The Eswatini Making Access Possible (MAP) for Growth: Small and Medium Enterprises (SME) Development Roadmap lays out a vision and implementation framework for the development of the SME sector in Eswatini. This Roadmap only focuses on SMEs, at the exclusion of micro enterprises. This was in recognition that even though micro enterprises are critical as a major contributor towards livelihoods, they are unlikely to bring about meaningful impact in economic growth, hence the focus on SMEs. The diagnostic assessment was conducted in 2018, utilising data from the Finscope Micro, Small and Medium Enterprises (MSME)[1] Eswatini Survey 2017, demand-side qualitative analysis, a supply-side data analysis, and a regulatory/policy landscape assessment.

Enterprises were segmented into three target markets to facilitate a detailed assessment of key factors impeding SME growth: ‘high impact’, constituting enterprises with a turnover of E250 000 to E8 million and employment of 4 to 50 people; ‘medium impact’ constituting enterprises with a turnover of E250 000 to E8 million and employment levels of less than 4; and ‘low impact’ enterprises with a turnover of E60 000 to E250 000. These target groups were further segmented by main sectors that have been identified by the Eswatini National Development Strategy as key drivers of economic growth; being agriculture, manufacturing and services. Segmentation by sector was in recognition that not all sectors will impact the economy in the same way. The Roadmap intends to focus only on the promotion of high growth SMEs that will impact economic activity and growth.

Over the past few years, Eswatini has realised sluggish economic growth. Government has implemented various support programmes to help boost the economy and encourage MSME development. However, despite such support, the MSME sector is still not sufficiently developed. Micro enterprises and individual entrepreneurs still dominate the sector, representing 92% of total MSMEs and the economy remains undiversified. Government intends to diversify the economy, both within and outside agriculture, as well as bring about improved quality of life for its people. To achieve growth and address economic and social challenges, Eswatini has developed the National Development Strategy (NDS) and Vision 2022, whose purpose is to map out a growth path with appropriate strategies for socio-economic development. To achieve the aspirations enshrined in the NDS, Eswatini subscribes to the Southern African Development Community (SADC)

[1] MSMEs are also referred to as SMMEs. Refer to list of definitions.

Industrialization Strategy and Agenda 2063 of the African Union. These Strategies emphasize pursuit of targeted and selected industrial policies and view industrialization as a key driver of economic development.

The diagnostic assessment concludes that access to finance, lack of local, regional and international markets for locally produced goods and limited business skills are major constraints to SME growth. The micro business environment was also found to be lacking policies and legislation that promote competitiveness and access to market linkages. There is therefore a need to improve the business environment, increase access to financial services, improve business skills and develop market linkages to enable growth of SMEs and meaningful contribution to the economy. The recommendations point to a need for all stakeholders (Government institutions and parastatals/ private sector/donors) to collaborate and partner in the development of high growth SMEs. To support growth, this Roadmap intends to contribute towards the Governments Vision of growing the sector as defined in the proposed Revised MSME Policy.

The Vision is:

"To have a vibrant entrepreneurial SME sector that contributes to the economic development of Eswatini through innovative and creative business practices supported by an enabling environment".

The roadmap proposes three intervention areas to stimulate SME growth through a variety of policies and the use of Government interventions such as buy local and citizen economic empowerment strategies to promote local production and consumption.

Three Key Priority Intervention Areas for MAP for Growth Strategy:

Stimulate SME Growth

- Improving policy level support to SMEs
- Identifying and developing action plans around priority value chains and ecosystems to grow target SMEs, creating market linkages and platforms that will help transform the economy.

Improve Access to Finance

- Improving access to finance especially by ensuring appropriate credit mechanisms from a range of providers throughout the life cycle of target SMEs.
- Digitizing payments across value chains where SMEs participate to increase operational efficiency and generate digital transaction history.

Improve Business Development Support

- Providing high quality and coordinated business development support to target SMEs in key sectors that will transform the economy.
- Addressing barriers for women and youth to promote their high growth enterprises.

The Vision is:

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1 Introduction

The Kingdom of Eswatini is a small, landlocked, open economy bordering Mozambique and South Africa, with a population of 1.1 million. Over the past few years, Eswatini has realised sluggish economic growth compared to growth levels prior to 2014. The economy also remains undiversified. Government intends to diversify the economy, both within and outside agriculture, as well as bring about improved quality of life for its people. To achieve growth and address economic and social challenges, Eswatini has developed the NDS and Vision 2022, whose purpose is to map out a growth path with appropriate strategies for socio-economic development. To achieve the aspirations enshrined in the NDS, Eswatini subscribes to the SADC Industrialization Strategy and Agenda 2063 of the African Union. These Strategies emphasize pursuit of targeted and selected industrial policies and view industrialization as a key driver of economic development through the development of sectorial value chains.

The MSME sector plays a major role as a significant player towards the growth envisaged in Vision 2022 and the NDS. The sector is expected to contribute significantly towards economic growth, job creation and poverty alleviation. Enterprise development is being spearheaded through the SMME Policy (2009), a policy that is currently being reviewed to improve effectiveness. The proposed revised MSME National Policy aims to create a modern, comprehensive, targeted and coherent framework that will develop a highly profitable and entrepreneurial sector, characterized by innovative, competitive and sustainable businesses and supported by an enabling institutional and regulatory environment. The Policy also seeks to align MSME development with the NDS goals.

This Roadmap is intended to be part of the implementation Masterplan for the MSME Policy. The SME for Growth Roadmap and Action Plan has been developed in parallel with the National Financial Inclusion Strategy (NFIS) Action Plan. However, it is expected that the two documents will be amalgamated, either in the annual action planning process or during a MAP refresh planned for 2019. It is important to note that the Roadmap does not cover all elements of the MSME policy. It only focuses on SMEs that are likely to have the highest impact on the economy. Certain elements such as micro enterprises and enterprises not falling in targeted sectors, which are not addressed by this Roadmap, may be addressed through subsequent parallel strategies. As such, this Roadmap only supports certain pillars of the MSME Policy and only in relation to targeted SMEs. The pillars being supported are: (1) increasing access to financial products and services; (2) strengthening business support institutions and structures; (3) strengthening the legislative and regulatory framework for the development of SMEs; (4) strengthening the domestic and international competitiveness of SMEs; and (5) developing and improving the position of and support of MSMEs owned by women, youth and disadvantage group. The Roadmap presents a strategy for improving the performance of SMEs and forms the basis for an action plan, which sets out specific activities for the attainment of the strategy and the responsibilities and timeline for implementing them.

The Roadmap was informed by a Diagnostic assessment of the SME sector focusing on demand-side, supply-side data analysis and regulatory imperatives. The analysis was conducted through the stewardship of a Steering Committee led by the Ministry of Finance, comprising representatives from the Centre for Financial Inclusion (CFI), the Ministry of Commerce Industry and Trade represented by the SMME UNIT and SEDCO, the Central Bank and Financial Services Regulatory Authority (FSRA). FinMark Trust, represented by the Project Coordinator and the Country Coordinator, provided support to the Steering Committee. International partners: the EU, UNDP and FAO actively participated in Steering Committee meetings, providing input onto the development of the Roadmap.

The key research findings from the diagnostic assessment are captured in the comprehensive demand-side, supply-side and regulatory analyses ("Making Access Possible (MAP) for Growth: SME Development in Eswatini" 2018) which is based on:

- **Country Context and Regulatory landscape analysis.** This considered the policy and regulatory framework as relevant for SME development. The analysis reviewed the country context, political economy, policies, strategies, laws and regulations impacting the growth of SMEs.
- **Quantitative demand-side research.** The analysis

This Roadmap is intended to be part of the implementation Masterplan for the MSME Policy.

draws heavily on the Finscope MSME Eswatini Survey 2017. FinScope is a nationally representative demand-side survey that was implemented by FinMark Trust, Centre for Financial Inclusion and Ipsos SA. FinScope MSME surveys are nationally representative surveys of how small business owners source their income and how they manage their financial lives. The Eswatini survey sampled 3024 households who owned micro, small, and medium enterprises, as well as individual entrepreneurs. The data from the survey was used to obtain insights into the SME sector.

- **Qualitative demand-side research.** The analysis utilized qualitative demand-side research that was conducted by the author in January to February 2018. Individual interviews were conducted with 9 sampled enterprises and 6 focus group sessions to get insights into the nature of operations of SMEs and their views on key factors impacting on their development.
- **Supply-side interviews.** Interviews were held with 31 stakeholders between January and February 2018. The stakeholders included providers of financial services and business development support, regulatory authorities, Government departments and parastatals, business organisations and development partners (donor organisations). The main purpose of the interviews was to understand, and document products and services targeted at SMEs, analyse their constraints as well as look at measures in place to support SMEs.
- **Secondary research (regulatory and policy review).** Supply-side consultations were accompanied by in-depth analysis of information obtained from suppliers and regulatory institutions. Various institution's annual reports and literature on the country, policy and regulatory environment were analysed.

The demand-side, supply-side analysis and regulatory/ policy assessment were synthesized to develop key priority intervention areas for the Eswatini SME MAP for Growth Roadmap.

1.1. Methodology

The roadmap approach is presented in Figure 1. The roadmap is founded on identified priority intervention areas emanating from gaps identified in the diagnostic assessment.

The final stage of the process was to build consensus from the key stakeholders for the proposed interventions, Roadmap and Action plan, including activities, responsibilities and accountabilities.

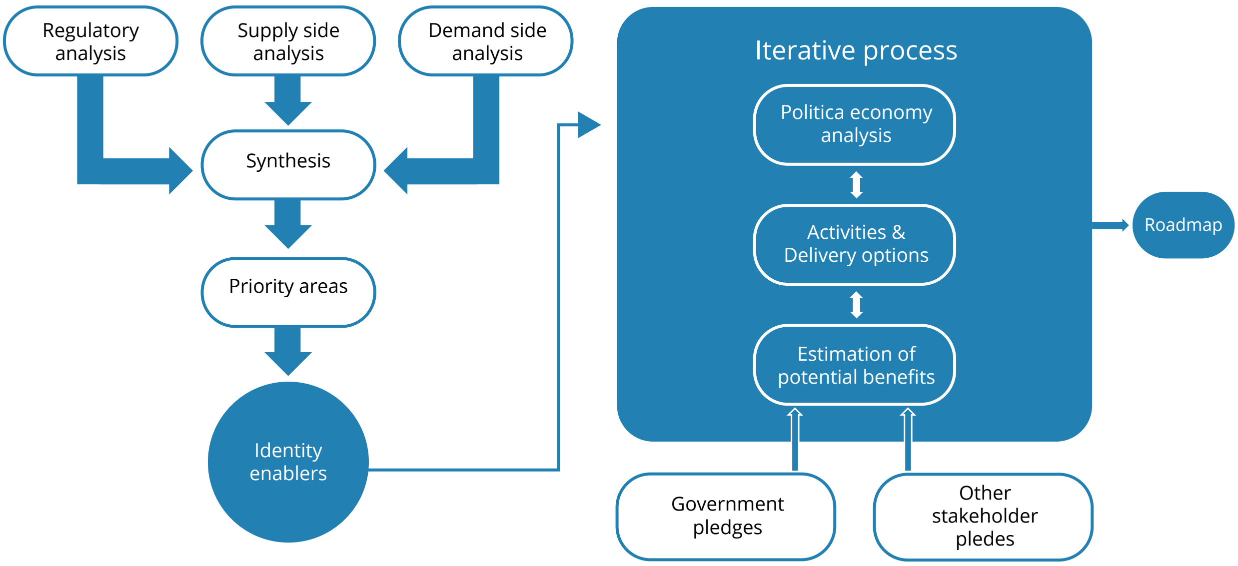


Figure 1: The MAP SME Roadmap Approach

2 Eswatini SME Sector Context

2.1. Economic and Policy Context

Eswatini enjoys a total land area of about 1.7 million hectares out of which 54% is categorized as Title Deed Land (TDL) and 46% is Swazi National Land (SNL). The country has close trade and financial ties with South Africa, which absorbs about 60% of Swazi exports and provides 80% of imports, including most of the electricity. The majority of Eswatini's population is based in rural areas, with livelihoods predominantly dependent on subsistence agriculture. The Swazi economy is mainly driven by its membership of the South African Customs Union (SACU) and the Common Monetary Area (CMA). Membership in SACU is a key determinant of the Eswatini economy, with SACU revenues representing more than half of government revenue and around 17% of GDP.

With a Gross Domestic Product (GDP) per capita of about USD 2 770, Eswatini is classified as a lower middle-income economy. The country has experienced slow growth in the last two decades, averaging just over 2.0% per year. According to the International Monetary Fund, the persistence of low growth is mainly due to lack of competitiveness, fiscal challenges, low investment, and the high cost of doing business. Amongst key challenges faced by the country include high unemployment and social exclusion for the majority of its citizens. Manufacturing, wholesale & retail and public administration are the largest contributors to GDP. In 2016, manufacturing contributed 31.4% to GDP. Agriculture has been declining in importance over the years from a high of 23% in 1980 (World Bank, 2013) to an estimated 9% in 2016. Ewatini's private sector is relatively small and characterized by a large number of micro enterprises and a constraining busi¬ness environment. The Government recognises the importance of the MSME sector in driving the country's economy, given its central positioning as a development objective within the Sustainable Development Goals (SDGs), the SADC industrialization and financial inclusion strategies, and in achieving national growth and poverty eradication objectives.

The Government of Eswatini has made considerable efforts towards developing the MSME sector since the early 2000s, having run programs ranging from capacity building to setting up developmental funding institutions providing financing to encourage the performance of the MSME sector. As in many other developing economies, these efforts have not resulted in expected growth in the sector. The Government is currently in the process of revising the MSME Policy to drive initiatives towards the achievement of MSME growth. The proposed amendments emphasize the critical importance of access to finance, access to business development support and a supportive conducive business environment and institutional framework to support such growth. Recognising that most of the existing micro enterprises that provide much needed livelihoods are unlikely to support significant economic growth, for example growth to GDP, exports, national budget and employment, this Roadmap contributes to the objectives of the MSME Policy by focusing only on SMEs, who are likely to have significant impact on the economy. The Roadmap will support the growth of targeted SMEs through a targeted and holistic approach as detailed in this Roadmap.

2.2. The Target SME Sector

The Eswatini SMME Policy of 2009 defines SMEs as companies with a turnover of E60 000 to E8 million, assets of E50 001 to E5 million and employment levels of 4 to 50 employees. This Roadmap adopts this official definition, but only uses turnover and employment thresholds due to lack of data on assets. To understand the key parameters of SMEs and identify target groups with the greatest potential for growth, SMEs were segmented into three target markets with distinct characteristics. This enabled a proper assessment and definition of appropriate and effective growth interventions. The main market segmentation tool used is the size of the business (turnover) and employment levels, followed by segmentation based on key sectors that are likely to have the highest economic impact. The selection of sectors: agriculture, manufacturing and services (tourism, business services, construction), was based on sectors that have been identified to have the greatest potential for growth by the NDS.

In segmenting the market, firstly, turnover was used to categorise the target market into 'high potential impact' and 'low potential impact' enterprises. A minimum turnover of E250 000 was used as a cut-off point for 'high potential impact' SMEs while the remaining SMEs with a turnover of E60 000 to E249 000 were classified as 'low potential impact' SMEs. Secondly, employment was used to further segment the market. With the employment qualifier, it was realised that there was a substantial number of enterprises that had a turnover of E250 000 to E8 million but did not have the requisite employment levels of 4 to 50 employees to qualify them as SMEs as per official definitions used in the MSME Policy. These businesses represented 79% of the total 25 947 enterprises with a turnover of E250 000 to E8 million. Given the significant numbers in this group, the 'high potential impact' SMEs were further divided into two groups: the ‘high impact’ and ‘medium impact’ target groups, where the ‘high impact’ target group comprised businesses with a turnover of E250 00 to E8 million and employment levels of 4 to 50 and the ‘medium impact’ group’ comprised businesses with a turnover of E250 000 to E8 million and employment levels of less than 4 people. The ‘low growth potential’ target market was retained but renamed ‘low impact’ target group to reflect their impact on the economy.

Lastly, the sectoral qualifier was applied to arrive at the following target market SMEs:

Table 1: Target Market

Target Group	*Total No of SMEs*	*No of SMEs in target sectors*[2]	*No of SMEs in target sectors as % of total SMEs*
High impact	1144	902	78%
Medium impact	4240	1921	45%
Low impact	20563	12449	61%

An analysis of characteristics of the target markets revealed several insights about the target market, and these are discussed in detail in the Diagnostic Report. Overall, the analysis revealed that the policy and regulatory environment, access to finance, limited business management skills, space to operate, competition and lack of local and international market linkages were the top constraints to SME growth in Eswatini. The analysis indicates that constraints to SME development are many and spread out, making it impossible to address them all in a single strategy. Some constraints, such as access to land and certain policy/regulatory aspects, are better addressed by other policies and programmes. This Roadmap intends to contribute to SME growth by addressing constraints that directly impact on business growth, hence the focus on specific policy/regulatory constraints that affect competitiveness, access to finance and improving business management skills, which has a huge impact on competitiveness and improving markets access through competitive products. The following sub-sections provide more detail on the major barriers to growth in the focus areas for this Roadmap.

2.2.1. Policy and Regulatory barriers to business growth

A conducive policy and regulatory environment is necessary for a productive, innovative and competitive SME sector. It is important to create a simple, clear and consistent policy and regulatory environment that stimulates SMEs growth. The Diagnostic analysis revealed several policy and regulatory barriers to SME growth. The major barriers include slow implementation of policies aimed at improving the business environment such as the Investor Roadmap, lack of appropriate policies (both trade and citizen empowerment policies) to stimulate market opportunities for locally manufactured products, lack of targeted and coordinated capacity building programmes that capacitate SME to build strong businesses that are able to produce quality and competitive products and insufficient policies to stimulate access to financial services, especially access to credit.

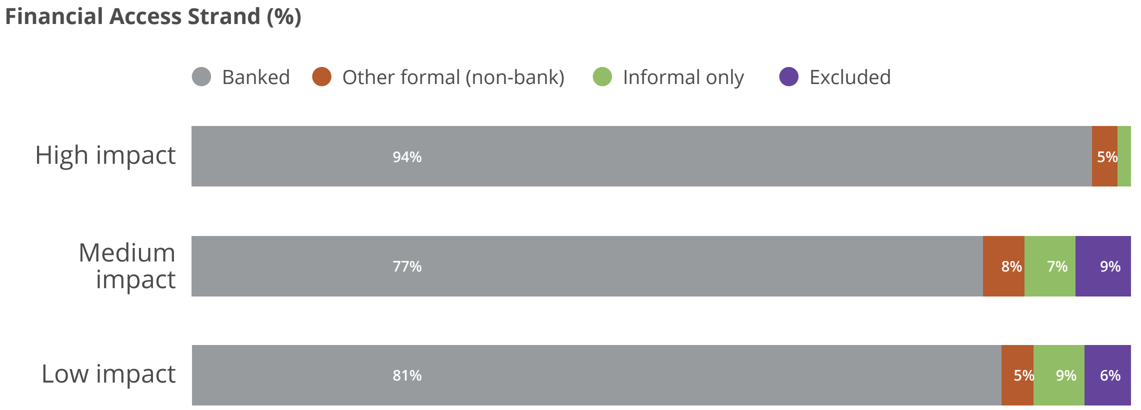
2.2.2. Access to Financial Services

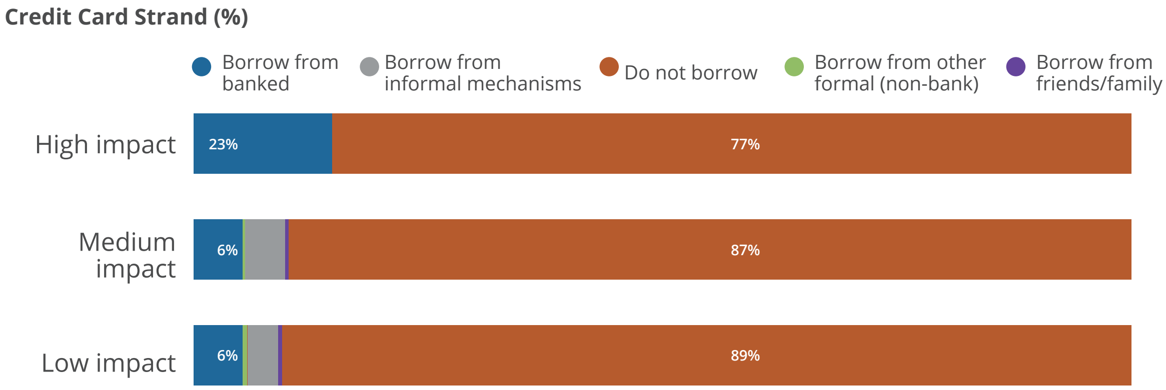
The demand-side analysis identified access to finance[3], particularly access to credit, as the major constraint to SME growth. Despite high levels of financial access, with 84% of SME owners being banked, only a few SMEs have access to credit, both formal and informal. Only 23% of high impact enterprise and 6% of medium and low impact enterprises have borrowed money from the bank (Figure 2). Generally, limited access to credit prevents SMEs from capitalizing on economic benefits, including higher productivity, the opportunity to upgrade to higher value-added production, and greater demand for products. The demand side analysis also shows that cash is the dominant form of payment across all target groups, with 90% of businesses using cash and only less than 30% of enterprises in the high impact group using advanced methods of payment such as bank transfers, electronic banking and cheque payments while those in the medium impact and low impact target groups seldom use these. This presents an opportunity for targeted interventions towards digitization of payments in the SME sector to improve business innovation such as the use of electronic filing systems.

[2] *Target sectors include agriculture, manufacturing, tourism, business services, construction and community & household.*
[3] *Access to finance refers to access to credit, savings, insurance and payments*

Figure 2: Access to Financial Services

Source: FinScope MSME Eswatini 2017 Survey





The supply-side analysis identified several barriers to credit for SMEs. The following summarize the main barriers identified.

- **Financial institutions do not provide appropriate credit products to target SMEs, especially those in manufacturing and agriculture businesses:**

  The SME sector is still highly undeveloped with low entrepreneurial skills and lack of collateral. Financial institutions view it as a high-risk sector, particularly start-up businesses with no performance track record. Furthermore, financial institutions allude to the inability of businesses, especially those manufacturing and agriculture, to submit bankable businesses proposals, leading to low approval rates.

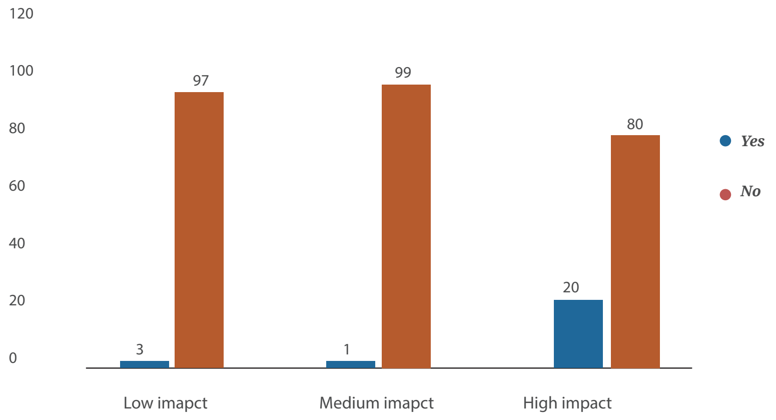
- **The SSELGS does not provide the intended collateral support to encourage lending by financial institutions.**

  Inefficient structuring of the SSELGS prevents the scheme from achieving its set objective of providing collateral for SMEs. Currently, the scheme is only limited to commercial banks, with the exclusion of DFIs who are likely to take more risk than commercial banks. The current claims procedure for defaults is also a major deterrent for credit providers, as the claims procedure can take many years to conclude.

- **Affordability**:

  The high cost of borrowing impacts on the accessibility of credit. Data from the commercial banks shows

Business has some kind of insurance (%)



Payment Type	*High impact*	*Medium impact*	*Low impact*
Cash	81	98	99
Mobile money/E-wallet	4	4	7
Cheque	29	5	6
Bank transfer	33	4	6
Cell phone banking	4	1	2
Other	0	0	2
Direct debit	6	0	1
Internet banking / Electronic Transfer	11	1	1
Payment in kind	0	1	0
Point of Sale	4	0	0

Source: FinScope MSME Eswatini 2017 Survey

that interest rates range from prime rate to prime +5, depending on the risk profile of the loan. SMEs quoted interest rates of up to prime plus 8.5%.

- **High Default rates:**

  Current SME bank default rates are high, ranging from 12% to 40%. Interviews with credit providers revealed business failure as the main factor leading to default. Financial institutions noted that lack of entrepreneurial skills and relevant business & management skills resulted in inappropriately structured businesses and poor management of the business, leading to business failure. Lack of market was also mentioned as a key contributor to business failure.

- **Strict commercial lending terms**:

  Commercial banks apply stringent viability assessment criteria due to the risk profile of the SME sector. They require businesses to have operated over a period, with proven records to show satisfactory performance of the business. Most SMEs do not keep records, are not profitable and therefore do not qualify for bank credit.

2.2.3. Access to Capacity Building Programmes

The diagnostics assessment identified generally limited knowledge of business leadership and management by business owners as one of the factors impeding business growth. This impacts on competitiveness and the ability to compete with foreign products in the market place. Both the qualitative and quantitative demand analysis showed that business owners are aware of business development support (BDS) services offered by various service providers, however, usage is still very low. According to the Finscope MSME survey, on average, 55% of enterprises in all sectors are aware of business support infrastructure. Despite this only less than 20% of businesses use it.

Awareness of utilisation of BDS

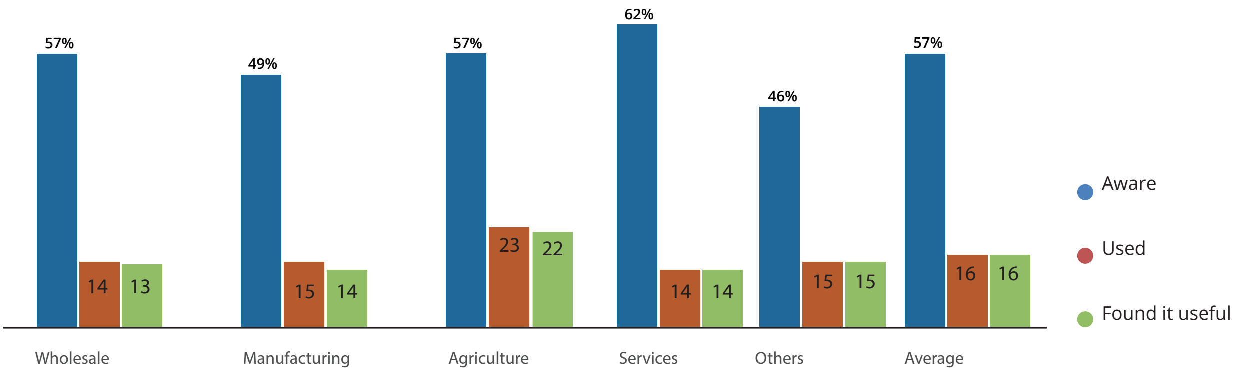


Figure 3: Uptake of Business Development Services

Source: Finscope MSME Eswatini 2017 Survey

Major impediments to the utilisation of capacity building programmes were identified as follows:

- *Lack of a coordinated and integrated approach to BDS:* While Government has set-up specific institutions to offer BDS, there is no coherent and coordinated delivery of BDS. This limits the uptake of BDS due to the mismatch between BDS supplied and SME needs.
- *Limited awareness of programs by certain groups of SMEs:* Some respondents to the qualitative survey, particularly those in rural areas, were generally not aware of specific services and programmes offered by various Government departments/institutions and BDS providers.
- *The 'one-size-fits-all' kind of program offering:* Currently, most of the BDS provided does not differentiate the needs of small and micro level enterprises, who mostly require more fundamental services to make an enterprise more efficient (e.g. record keeping, legal & accounting services) and the needs of upper level medium enterprises who require more strategic services that can affect business growth.

2.2.4. Target Market Needs

The target market needs were identified as tabulated below.

Table 2: Target Market Needs

Identified Need	*Motivation*	*High impact*	*Medium impact*	*Low impact*
Credit to match the different business life cycles • Inception stage (0-2 years) - Capital and operating expenses for businesses • Expansion stage (3-5 years) – long term debt or equity investment, credit that addresses finance gaps of the business, liquidity management • Mature stage (> 6 years) – credit to enable business to maintain return on investment (RoI)	Credit that recognizes the various needs of businesses in various business cycles.	☑	☑	☑
Insurance products to suit various sectors	Business insurance, asset insurance, sector specific insurance	☑	☑	☑
Digitised Payments Methods	Payments that are more secure and efficient payment method	☑	☑	☑
Targeted Business Development Support	Skills development and mindset change to transform businesses • Basic business skills, • Advanced business skills; strategy, leadership, product design & development, marketing, financial management, business ethics, business innovations (e.g. value chain development)	☑	☑	
Market Linkages	Market linkages locally, regionally and internationally	☑	☑	
Formalisation of businesses	• Business registration, especially for high growth potential enterprises to derive more economic value from this target group		☑	☑

3 Growing SMEs in Eswatini

Based on the identified SMEs needs, three interventions areas for SME growth were identified. It must be noted that the intervention areas are not the only opportunities for SME growth. However, they have been identified to have the most potential impact on the overall policy objectives of SME growth, leading to contribution to economic diversification, industrialization, employment creation and overall economic growth. The priority intervention areas are categorised below:

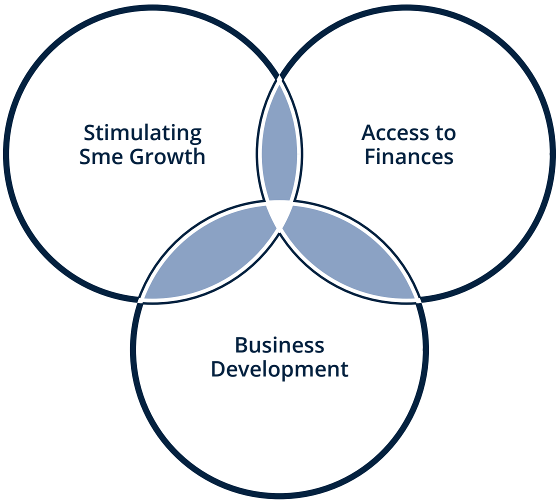


Figure 4: Interventions for SME Growth

Stimulating SME Growth

1. Improving policy level support to SMEs.
2. Identifying and developing action plans around priority value chains and ecosystems to grow target SMEs, creating market linkages and platforms that will help transform the economy.

Access to Finance

1. Improving access to finance especially by ensuring appropriate credit mechanisms from a range of providers throughout the life cycle of the SMEs in the target market.
2. Digitizing payments across value chains where target SMEs participate to increase operational efficiency and generate digital transaction history.

Business Development

1. Providing high quality and coordinated business development support to SMEs in the target market
2. Addressing barriers for women and youth to participating in the economic transformation process.

3.1. Vision for SME Development in Eswatini

The Eswatini's Revised MSME Policy has provided a Vision for MSME development. This Roadmap will contribute towards the realization of this Vision, which is

"To have a vibrant entrepreneurial SME sector that contributes to the economic development of Eswatini through innovative and creative business practices supported by an enabling environment".

The following interventions seek to contribute towards the realization of the vision by impacting on the growth of a select category of SMEs.

3.1.1. Stimulating SME Growth

Improving policy level support to SMEs

SME development requires strategies that touch upon many areas impacting on SME growth. The ability of Governments to implement sound macroeconomic policies, develop conducive microeconomic business environments through simplified legal and regulatory frameworks, abundant and accessible finance, suitable infrastructure, supportive education, skilled labour and capable public and private institutions, amongst other things, is critical in facilitating the development of enterprises. Eswatini boasts of a stable macroeconomic environment to support development. However, an analysis of the microeconomic environment/ business environment revealed regulatory and policy gaps that are necessary to improve SME competitiveness and boost growth. There is a need to develop new laws and implement initiatives that strengthen current institutions such as SEDCO and the SMME Unit to strengthen coordination and delivery of SME capacity building programmes, stimulate growth in the SME sector through policies relating to buy local and affirmative action for SMEs through government procurement, and implement policies and initiatives that promote access to credit by addressing issues such as access to collateral and creating opportunities for targeted blended finance. A targeted approach to SME development rather than a one size fits all is necessary to bring about the required growth in SMEs.

Identifying and developing action plans around priority value chains and ecosystems to grow target SMEs, creating market linkages and platforms that will help transform the economy.

Eswatini's small economy presents a unique opportunity for the utilization of value chains to find and nurture businesses that can transform the economy. Participation in value chains brings many potential advantages, such as technology transfer, skills upgrading, innovation and access to supply chains. These in turn result in positive impact to SMEs, making production more flexible and efficient and access to market attainable. Value chains help SMEs leverage their relationship with buyers to access better market access and better financing opportunities. Large enterprises at the head of the value chains often help smaller enterprises produce better quality products through skills transfer and promotion of the use of technological innovations. Research has shown that participation in value chains can help boost labour productivity, increase domestic value-add, spur industrial development and drive growth (World Bank Group, 2017). Participation of Eswatini SMEs in national, regional and international value chains is very limited, despite the huge benefits associated with value chains. Any strategy to grow SMEs needs to take into consideration the role of value chains in SME development. The main opportunity lies is taking advantage of value chain opportunities that have already been identified in-country as well as regional value chains identified through SACU and SADC regional trading blocs.

3.1.2. Access to Finance

Improving access to finance especially by ensuring appropriate credit mechanisms from a range of providers through the life cycle of target SMEs.

SMEs require financing to invest in assets and inputs, which in turn enables greater productivity. However, credit is unattainable for many SMEs in Eswatini. Credit is only available to the most productive SMEs and those with strong collateral backing. It is important for financial institutions to take steps to develop profitable SME lending programmes and prioritize the development of innovative solutions to collateral issues, such as the acceptance of more flexible forms of collateral. The use of the SSELGS, more flexible collateral such as movable property, an assessment of borrowing capacity that is based more on current and/or future cash flows than the balance sheet, easy and effective loan application assessment methodologies would go a long way in improving access to finance for SMEs. Businesses require different kinds of funding throughout their life cycle. Start-up businesses (between 0 and 2 years) require more DFI funding, angel financing and grant funding while more mature businesses normally utilise funding through bank debt, asset-based funding, private equity and venture capital. It is important to note that small businesses, herein referred to a low-impact business, are normally funded through own funds such as savings, funds from family and friends, as well as equity release from residential property. However, these are not the focus of this Roadmap. For the target SMEs, there is an opportunity for the use of blended finance as part of the credit solution. Blended finance refers to a combination of funding instruments from sources such as government, DFIs or philanthropic funds (donor) blended with capital from other official sources such as private credit providers.

Digitizing payments across value chains where SMEs participate to increase operational efficiency and generate digital transaction history.

Access to digitized payments is fundamental for the usage of all economic segments. SMEs in Eswatini are largely operating in a cash economy, with usage of cash well over 90% mainly due to a lack of electronic payments acceptance capability. Most SMEs use cash to pay employees and suppliers and perceive cash to be simple to use and free. However, this limits access to digital transaction history, which is important for modern day record keeping.
It is important to develop none cash-based payments mechanism to meet the needs of SMEs such as processing day-to-day business transactions. One such opportunity is the use of mobile money for transactions. Providers and users of digital payments need to work together to grow penetration of digital payments.

3.1.3. Business Development

Providing high quality and coordinated business development support to target SMEs in key sectors that will transform the economy.

Business development support services enhance the performance of individual businesses, allowing them to compete more effectively, operate more efficiently and become more profitable. They provide businesses with knowledge and resources to innovate, grow and contribute positively to the economy. The diagnostic analysis showed that most SMEs in Eswatini do not utilize BDS. However, lack of management or technical skills, the use of suboptimal technology, limited access to markets and information, as well as regulatory barriers, were found to hinder the development of SMEs. Business capabilities are therefore crucial for the development of SMEs, providing the know-how and skills to seek growth opportunities, reach export markets and promoting innovative and competitiveness. The analysis also revealed that some of the business support offered to SMEs in Eswatini did not match the needs of SMEs. Delivery of an effective business support system is therefore a necessary condition for the success of SMEs in Eswatini. It requires coordinated business support agencies which are customer-oriented, have a demonstrated capability of meaningfully impacting the SME sector and are accredited to provide such support.

Addressing barriers for women and youth to promote their high growth enterprises.

Fostering entrepreneurship amongst women, the youth and the disadvantaged is a key policy goal for the Government of Eswatini. Enhancing the ability of women, youth and the disadvantaged to participate in SME development should be considered at every level, as they account for an important share of private sector activity and contribute most to poverty reduction. Gender, youth and other disadvantaged group dimensions need to be mainstreamed throughout SME development strategies and programs, with additional specific, targeted initiatives directed at critical roadblocks. The analysis on the participation of women and youth in business showed that women play a significant role in the SME space in Eswatini. However, they tend to operate at very small scale and in none-innovative, low-productivity industries. Only 31% of women owned businesses in the high growth target group. Even though youth participation is still low, it was impressive that almost a quarter of businesses in the high growth target group were owned by the youth.

4 Implementation Areas

4.1. Stimulating SME Growth

Improving policy level support to SMEs

This initiative seeks to strengthen policy level support for SMEs. The major challenges identified were deficiencies in the institutional framework, insufficient legal framework/ policies to support SME development and lack of policies to enhance market linkages, both local and export. The following actions address the identified inefficiencies:

- Strengthen SME coordination by capacitating the SMME Unit and developing legislation that enables SEDCO to operate as an 'Authority' and not as a Company as is currently the case.
- Work with MCIT and Parliament to explore the development of the "buy local" policy to support SMEs in the key economic sectors of agriculture, construction and manufacturing.
  i. Conduct a benchmarking exercise to help understand the scope and potential of the "buy local" campaign.
  ii. Explore the introduction of a requirement for Government departments to purchase a minimum local content, for example 30%. To support this initiative, introduce a regulation that ensures Government pays on time to facilitate SME working capital requirements.
  iii. Explore the introduction of procurement and related training programmes by large retailers and chains to grow SMEs in key sectors.
  iv. Explore the introduction of buy local quotas for large projects and contracts e.g. use of local SMEs by infrastructure companies.
  v. Corporate/private sectors procurement to support "real growth" SMEs using sub-contracting and supplier development programmes (formalized partnerships between SMEs and main private sector companies dominating value chains).
- Identify potential export products, develop the necessary market linkages and supporting environment and policies, and introduce export-led initiatives to build capacity for regional and international export markets.
- Fast-track the approval and implementation of existing initiatives: Implementation of the Investor Roadmap Reforms to improve business environment for SMEs (registration, licensing, reduction of red-tape), approval of the revised SMME Policy and approval of the Citizen Economic Empowerment Act Bill.
- Promote formalization of businesses and support current initiatives towards business registration (database) and ensure that support is provided to target SMEs.
- Identify and document SMEs especially in the target markets, and ensure they receive the necessary support.
- Ensure tax laws and regulations are supportive to promote business registration by mitigating the potential negative impact of the proposed retrospective assessment of compliance and presumptive tax.
- Remove administrative burdens for businesses by introducing electronic interfaces to facilitate interaction with government bodies, streamlining procedures for opening new businesses and removing red tape in Government authorization processes

Identifying and developing action plans around priority value chains and ecosystems to grow target SMEs, creating market linkages and platforms that will help transform the economy.

Eswatini SMEs have not been able to penetrate local to enhance their performance through market linkages, and capacity building associated with value chains. The main challenge is lack of a coordinated approach towards the development of value chains. The proposed actions are intended to formalise and coordinate the development of local value chains, with the possibility to reach out to regional and global value chains.

- Prioritise "low hanging fruit" value chains through a prioritization methodology. This entails a review and consolidation of all current research work on value chains in-country and developing a prioritization criterion to identify quick wins for value chain development/implementation. Most of the studies on value chains have concentrated on the agriculture sector, a sector viewed as having comparative advantage. Some of the current work includes the following value chains:
  » Agriculture (Horticulture, Meat, Dairy, Sugar, legumes, honey)
  » Tourism
  » Manufacturing (Arts and Crafts)
  » Financial Services and ICT (identified at the SADC regional level)

- Develop viability assessments and operational models for the implementation of each of the prioritised value chains. Issues to consider include:
  - » Infrastructure required for the value chains,
  - » Target model for the value chains
  - » PPP models (Government, donors, private sector)
  - » Blended finance (development/donor/banks)
  - » Specialised business development support
  - » Market linkages
  - » Increased competitiveness (using research and product development, ICT, investment, trade agreements, subsidies etc.)

4.2. Access to Finance

Improving access to finance especially by ensuring appropriate credit mechanisms from a range of providers throughout the life cycle of target SMEs

The main objective is to improve access to finance for target SMEs. A good SME support system needs to recognise that different stages of SMEs have different financial needs. Any strategy intended to meaningfully growth SMEs should attempt to provide an optimal support system by addressing the various financial needs that emerge during the various business life cycles. The Table below presents the business lifecycle stages, their properties and needs of each business lifecycle.

Table 3: SME Business lifecycle, properties and financial needs

Source: Physica-Verlag Heidelberg, 2010

Age increase; Information opacity decreases; Size changes

Lifecycle stage	Properties	Needs	Sources of finance	Providers
Inception	Small, young businesses Difficulty accessing external finance. No track record, no collateral Undercapitalisation	Capital for sunk cost and operating expenses	Owners equity (savings) Debt using owner collateral	Owner & providers to owner: Banks, MFI's, Informal and friends
Expansion Growth 1	Overtrading; Liquidity crisis Small, but high growth potential Limited track record High reliance on inefficient short term debt	Liquidity management longer term debt or equity investment	Retained profits Trade credit Overdraft facility	SME itself Value chain providers Bank
Growth 2 Growth 3	Medium sized, older business Some track record Collateral available if necessary Balance sheet mismatch Loss of control (if equity is utlised)	Addressing finance gap/ mismatch Retaining control	Longer term finance Private equity investment Market issued debt/equity instruments	Banks Development banks Private equity investors Public equity/debt markets
Maturity	Large firms, known risk & track record Access to broad range of financial services Declining marginal return on investment Large, old firms, in competitive industry	Need to maintain return on investment (ROI)	Choice of financing determined by owner preference	Choice of financing determined by owner preference
Decline	Well established track record Rapidly declining return on investment Withdrawal of finance, repurchase shares, firm liquidation			

Lack of access to collateral, insufficient funding for DFIs and lack of a credit and information sharing platform were found to worsen access to credit in all stages of the SME business lifecycle. The following actions are aimed at addressing challenges to access to credit for the business lifecycle stages of target SMEs.

- Introducing a variety of funding mechanisms, including blended finance, over the business life cycles of target SMES. Opportunities exists to strengthen and target DFIs towards start-ups and risky sectors, value chain financing for target sectors while making it easier for banks to lend to growth phase SMEs through lessening the risk burden on them while exploring new models that are not as strong in Eswatini, such as angel investors.
- There is potential to extend input credit to target SMEs through existing and new high growth value chains. In tight value chains, this reduces the risk to the provider as repayments are automatically deducted at the point where goods are sold. Credit could be structured to suit various SME business cycles, enabling repayment to be delayed until they earn revenue. As has been shown in the diagnostic assessment, this model has helped propel the sugar cane industry in Eswatini.
- Credit providers in Eswatini require that clients, including SMEs, provide collateral such as land or real estate to secure their loans. However, many creditworthy SMEs do not have the type of collateral required. To remove this barrier, the Government and credit providers could consider relaxing collateral requirements to include movable property as a form of collateral. This could require establishing a unified online registry for all movable assets used as collateral so that potential creditors can verify whether assets offered as collateral are subject to other obligations and introducing enforcement laws in cases of default to reducing credit providers' risk in accepting alternative forms of collateral.
- Improving the broader credit and information sharing environment for providers can help to reduce the uncertainty in the lending market and therefore reduce risk. Central to this is facilitating fully functioning credit bureaus. An SME register is critical to allow lenders to identify and track clients. Overarching credit regulation would help reduce many of the uncertainties in the market and provide a consolidated framework for the market to operate within. Through the CFI, Eswatini is already in the process of developing a credit information bureau as well as a business development measurements system that could be used as SME credit scoring model by financial institutions.
- Address information asymmetries between credit providers and SMEs, and address operational constraints raised by banks in the recovery against bad loans. Additionally, introduce legislation to enable the use of moveable collateral by SMEs.
- Prepare economic viability model for DFIs and find grant or concession loan facilities from donors or government to support target SMEs.
- Introduce financial solutions 'one-stop-shops' to encourage uptake of financial services.

Digitizing payments across value chains where SMEs participate to increase operational efficiency and generate digital transaction history

Limited use of digitized forms of payment was identified to constrain payments and digitized record keeping. The following actions are meant to improve digital payments.

- Develop ecosystems such as digitising payments where suppliers are paid digitally and are able to pay others in the chain using digital money.
- Exploring mobile money solutions for SMEs.
- Develop new digitized products for SME clients and raise awareness on digital payments and receipts to promote update by target SMEs.

4.3. Business Development

Providing high quality and coordinated business development support to target SMEs that will transform the economy

The objective is to improve skills and technical expertise of targeted SMEs through targeted and appropriate BDS. The current provision of BDS was found to be uncoordinated and not addressing the specific needs of more advanced SMEs. The supply of business development support should be determined by the market and shaped by demand, based on a clear understanding of enterprise needs. The main actions include:

- Develop targeted market-driven business development programmes, such as through the UNDP Supplier Development Programme, for each of the prioritized value chains to address specific target group needs. A pilot programme to support high-growth SMEs should be considered to kick-start market-driven provision of BDS.
- Structure the delivery of business development support to be more coordinated, efficient and effective. This will require close collaboration between development

partners, Government institutions, business organisations and the private sector to ensure targeted initiatives and capacity building amongst BDS providers.

- Use physical infrastructure such as business incubators to impart more hands-on practical experience to target SMEs.
- Encourage the uptake of ICT and technological innovations by target SMEs to drive value chains.
- Conduct periodic SME needs assessment for the target groups, leading to a targeted and supply-driven provision of business development support.
- Strengthen the supply of BDS by the providers, including the private sector, through a capacity building and accreditation programme to enhance quality in the supply of BDS services. The UNDP Supplier Development Programme Methodology[4] can be used for this purpose. UNDP provides training and an accreditation process to BDS providers to ensure quality in the delivery of BDS. The introduction of a performance and quality control assessment criteria for BDS providers will go a long way in addressing the current uncertainty on the quality of BDS provided by suppliers in the country. An opportunity also exists for collaborative delivery of BDS between the public and private sectors.

Addressing barriers for women and youth to participating in the SME led economic transformation

The objective of the following actions is to address the participation of women and youth participation in high growth businesses.

- Strengthen policies to promote female and youth entrepreneurship, including reducing administrative burdens on businesses and excessive regulatory restrictions, ensuring equal access to finance for female and male entrepreneurs, and pair relevant financing schemes with support measures such as financial literacy, training, mentoring and coaching.
- Provide more and better information about entrepreneurship as an attractive career option for the youth in schools and for women outside the labour force who are considering starting or getting back into work. Programmes for female-owned enterprises should not exclusively target start-ups and small enterprises but include instruments to stimulate participation in high-growth enterprises.
- Develop and improve current preferential market and financial schemes for women and youth and develop a scoring system to recognize women and youth entrepreneurs in Government procurement and financial assistance programmes.
- Introduce a women/youth entrepreneurship award programme to nurture and encourage entrepreneurship.
- Collaborate with organisations dealing with women and youth in order to coordinate and complement efforts towards women and youth entrepreneurship development.

[4] The UNDP Supplier Development Programme methodology is aimed at developing productive capacities of SMEs to improve their competitiveness and strengthen the entrepreneurial ecosystem through a structured delivery of BDS. BDS is provided through a defined process involving a detailed diagnostic assessment of individual enterprises, development and implementation of performance improvement plans and formalization of supply agreements between suppliers and buyers. In the case of Eswatini, the programme could be rolled out on target SMEs in value chains.

5 SME Development Roadmap for Target Groups

5.1. Anticipated Programme Benefits

The research indicated that the SME sectors in Eswatini is very small and characterized by a low level of entrepreneurship and a constraining busi¬ness environment. High growth enterprises comprise only 4% of SMEs, indicating a clear lack of development of the sector. Access to credit, lack of relevant skills to grow and manage businesses and lack of market linkages have been identified as major constraint to the development of high growth SMEs. Untake of technology, including the use of digitised payments limits advancement in technology. The proposed programme will address these issues and benefit the country in the following ways:

- Increase in high growth SMEs through efficiency gains as a result of the delivery of programmes that more efficiently serve the target market, especially improved skills resulting from efficient and more targeted business development support programmes.
- Support for economic growth through targeted SME credit by supporting financial institutions to better serve them.
- Better utilization of ICT to improve efficiencies and business performance.
- Improved business climate through an enhanced policy/ regulatory framework that allows for market players to more effectively deliver services to SMEs, especially government authorisations, market linkages and business facilitation.
- Quantify and track parameters that will measure growth of target groups and target sectors to ensure that the programme of action remains relevant to national objectives.
- Overall the program will propel the development of 'high growth' enterprises, resulting in increased contribution of SMEs to economic growth, employment creation and poverty reduction through.

5.2. MAP for Growth SME Development in the context of other ongoing SME work.

The regulatory framework for SMEs in Eswatini is premised on the SMME adopted in 2004 and revised in 2009. The Policy is currently at advanced stages of a further review. The Proposed MSME Policy sets out the vision, intention and strategy for MSME development and outlines a number of priorities which are critical for SME development, ranging from improvements in the regulatory landscape, access to finance, access to business development support and participation by disadvantaged groups. The MAP for Growth SME Development Eswatini, will be one of the implementation tools for the achievement of the MSME Policy.

The proposed SME growth strategy will integrate with ongoing initiatives on SME development, notably:

- On-going work by a number of stakeholders on value chain development, for example by CFI, EU, Ministry of Agriculture.
- On-going work on SME development by the EU, International Fund for Agricultural Development, Eswatini Water and Agricultural Development Enterprise, USAID Trade and Investment Hub etc.
- On-going implementation of components of the National Financial Inclusion Strategy that impact on SMEs.
- Credit information bureau, an initiative of the Government of Eswatini and FinMark Trust.

5.3. Implementation Matrix

This Roadmap will be approved by the MAP for Growth Steering Committee and presented to the Ministry of Commerce Industry and Trade for endorsement. It will then form part of the Masterplan for the implementation of the MSME Policy. On approval, a number of key stakeholders will be responsible for the implementation of various actions. The Ministry of Finance/Ministry of Commerce Industry and Trade will provide oversight, coordinate and ensure the implementation of the recommendations, and allocate appropriate resources from within Government or from its development partners.

Activities requiring the input of other Ministries will be escalated to them. It is suggested that each Ministry or organisation implement specific areas of the roadmap under their jurisdiction, and report to the Ministry of finance/Ministry of Commerce Industry and Trade on progress. In some instances, an area of the Roadmap may require more than one organisation, and working sub-groups are recommended for such cases.

The proposed implementation matrix is provided on the next page.

Table 4: Implementation Matrix for the MAP for Growth: SME Development in Eswatini

Strategic Objective	Action	Performance Indicator	Deliverable/ Output	Implementing Body		Timing		
				Lead Institution	Support Institution	S	M	L
1. Stimulating SME Growth	**1.1 Improving policy level support to SMEs** a) Strengthen SME coordination by capacitating the SMME Unit and developing legislation that enables SEDCO to operate as an 'Authority' b) MCIT and Parliament to explore the introduction and enforcement of a "buy local" policy to support SMEs in the key economic sectors of agriculture, construction and manufacturing. c) Identify potential export products, develop the necessary market linkages and supporting environment and policies, and introduce export-led initiatives to build capacity for regional and international export markets. d) Fast-track the approval and implementation of existing initiatives: implementation of the Investor Roadmap reforms to improve business environment for SMEs (registration, licensing, reduction of red-tape), approval of the revised SMME Policy and approval of the Citizen Economic Empowerment Act Bill e) Promote formalization of businesses and support current initiatives towards business registration (database) and ensure that support is provided to target SMEs. f) Identify and document SMEs especially in the target market, and ensure they receive the necessary support. g) Remove administrative burdens for businesses by introducing electronic interfaces to facilitate interaction with government bodies, streamlining procedures for opening new businesses and removing red tape in Government authorization processes	a) Fully Fledged SMME Unit b) SEDCO operating as an Authority c) % increase in volume of procurement of SME products by Government d) Export capacity building programmes in place. e) Approved and implementation of initiatives to improve the business climate (roadmap, citizen empowerment bill, MSME Policy and Implementation Masterplan etc.) f) % increase in formalization of businesses in target group g) Database of targeted SMEs h) **Availability of electronic interfaces with Government**	a) SME growth	MCIT	SEDCO, All Government, SIPA	X	X	

	1.2 Identify and develop action plans for priority value chains and ecosystems to grow target SMEs creating market linkages and platforms that will help transform the economy							
	a) Prioritise "low hanging fruit" value chains through a prioritization methodology. Review and consolidation of all current research work on value chains in-country and develop a prioritization criterion to identify quick wins for value chain development b) Develop viability assessments and operational models for the implementation of each of the prioritised value chains. Issues to consider include: infrastructure; model for the value chains (PPP, blended Finance etc.); specialised BDS, market linkages, increased competitiveness using research and product development, ICT, value chain financing for SMEs, investment, trade agreements, subsidies etc.	a) Matrix of prioritized value chains b) Reports on viability assessments for targeted value chains c) Number of value chains developed d) Number of target SMEs participating in value chains	a) Prioritised value chains for implementation b) Viability assessments and operational models for targeted value chains. c) Operational value chains	MCIT	MoA, donors, SEDCO, SIPA	X	X	
2. Improving Access to Finance	**2.1 Improve access to credit, focusing on ensuring the different life cycles of target SMEs are matched by appropriate types of funding**							
	a) Introduce a variety of funding mechanisms to match business life cycles of target SMEs. b) Introduce appropriate models on blended finance for the business life cycles c) Improve access to collateral by fast-tracking the review of SSELGS and introducing policy/legislation for the use of other forms of collateral such as movable property. d) Improve the broader credit and information sharing environment.	a) Availability and % uptake of funding mechanisms for various business life cycles b) Approved SSELGS that supports target high growth SMEs c) Availability of a legal framework for accepting of movable collateral such as vehicles, machinery, accounts receivable and inventory. d) Number of financial institutions using the credit and information network	a) Improved access to credit for target SMEs b) Improved access to collateral c) Improved funding for DFIs d) Increased uptake of financial solutions by target SMEs	MoF/CFI	MoF, CBE, commercial banks, DFIs	X	X	X

	e) Address information asymmetries between credit providers and SMEs seeking credit. f) Address operational constraints raised by banks in recovery against bad loans. g) Prepare economic viability models for DFIs and find grant or concession loan facilities from donors or government to support target SMEs in the key sectors. h) Introduce financial solutions 'one-stop-shops' to encourage uptake of financial services.	e) Number of credit provider who have refined their financial systems to be more aligned to the local Eswatini context f) % reduction in default rates for targeted SMEs g) % increase in DFI funding through grants and concession loans h) Number of commercial banks/DFIs with 'one-stop-shops' for financial services						
	2.2 Digitize payments across value chains to increase operational efficiency and generate digital transaction history a) Develop ecosystems such as digitising payments where suppliers are paid digitally using digital money b) Explore mobile money solutions for SMEs c) Develop digitized products for SME clients and raise awareness on digital payments and receipts to promote update by target SMEs	a) Number of target SMEs using digitised payments	a) Increased use of digitised payments.	MoF/CFI	CBE, Commercial banks, SEDCO	x	x	
3. Improving Business Development for target SMEs	**3.1 Provide high quality and coordinated business development support to SMEs in the target market** a) Structure the delivery of business development services to be more coordinated, efficient and effective. b) Develop targeted market-driven business development programmes for each of the prioritized value chains and SMEs to address specific target group needs. Implement the UNDP Supplier Development Programme as a pilot project for the delivery of BDS.	a) Available targeted business development support for target SME groups, including the use of physical infrastructure such as business incubators b) Number of accredited BDS providers, including private sector providers c) Completed needs assessment	a) Increased business skills of target SMEs b) Coordinated and quality provision of BDS	MCIT	SEDCO, private sector, donors	x	x	

	c) Use physical infrastructure such as business incubators to provide more hands-on practical experience to target SMEs. d) Encourage the uptake of ICT and technological innovations to drive value chains. e) Conduct periodic SME needs assessment for the target market to enable continued refinement of business development support. f) Strengthen the supply of BDS through a capacity building and accreditation programme to enhance quality control in the supply of BDS services. It is recommended that the use of the UNDP Supplier Development Methodology be used to kick-start the training and accreditation programme							
	3.2 Address barriers for women and youth to enable participating in high growth enterprises a) Strengthen policies to promote female and youth entrepreneurship, including reducing administrative burdens on businesses and excessive regulatory restrictions, ensuring equal access to finance for female and male entrepreneurs. b) Pair relevant financing schemes with support measures such as financial literacy, training, mentoring and coaching. c) Provide more and better information about entrepreneurship as an attractive career option for the youth and women d) Develop and improve current preferential market and financial schemes for women and youth and develop a scoring system to recognize women and youth entrepreneurs in Government procurement and financial schemes.	a) % increase in women and youth participating in high growth enterprises	a) Improved access to finance enhanced for women and youth b) Participation of women in value chains and high growth sectors	MCIT	Commercial banks, DFIs, Youth Fund, MCIT, SEDCO, MoF	x	x	x

	i. Benchmark with programmes implemented in other countries to develop a suitable programme for Eswatini. e) Introduce a women/youth entrepreneurship award programme to nurture and encourage entrepreneurship. f) Collaborate with organisations dealing with women and youth in the country to coordinate and complement efforts towards women and youth entrepreneurship development.							
4. Monitoring and Evaluation Framework	a) Develop a monitoring and evaluation framework for the implementation of the Roadmap	a) % implementation of initiatives	a) Growth in target SMEs	MCIT/MoF	Steering Committee	x		

Proposed timescales: Short-term (S) = Year1 Medium-Term (M) = Year 2-3 Long-Term (L) = Year 4

Notes

Notes

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