

## CASE STUDY

### **ITDG's LIGHT ENGINEERING PROJECT, ZIMBABWE** **(compiled by Sarah Sumbureru, WISE representative in Zimbabwe)**

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The information contained in this case study was derived from one interview with Mr Mugova, Small Enterprise Support Programme Manager, a subsequent visit to his office to obtain further facts and documents and review earlier drafts of these notes, and a visit to the Harare LEPBusiness Shop.

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## 1 BACKGROUND

Intermediate Technology Development Group Southern Africa (ITDG Southern Africa) has been implementing the small-scale light engineering project since 1995. Now in its second phase, Phase 1 was funded by the British Government through DFID, and the second phase is being funded by the European Union. The aim of the project is enhanced employment among small-scale enterprises in Zimbabwe, and the project's main activity is to create sustainable mechanisms for the delivery of an improved quality and quantity of capital goods to end users, and to improve livelihoods in general.

The project started with one service centre (workshop) in Gweru. Based on the experiences and lessons learnt from the Gweru centre, two more workshops have since been opened in Harare (1996) and Mutare (1999). At the centres Artisans can hire equipment for production and manufacture of a wide range of items that include capital goods (eg freeze-it machines, peanut butter processors, grinding mills, etc), door frames, window frames and rolling gates. As a result of having this access to precision engineering equipment, which it would be beyond their means to purchase or raise loans to buy, artisans are also now able to secure jobs as sub-contractors to small and large firms.

In order to complement the artisans' production activities, and create linkages between manufacturers and the market, the Business Shop concept was incorporated into the project. Business Shops provide visible and reliable marketing outlets for the products

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manufactured by artisans. A Business Shop has been opened to support each of the three service centres.

The benefits of the project consist of jobs and incomes. These are created at two levels:

- jobs are created by the artisans hiring the equipment to manufacture and sell products directly to consumers and to the Business Shops
- more jobs are created by entrepreneurs who buy the capital goods from both the artisans and the Business Shops to start or expand their own businesses.

## 2 GOVERNANCE

ITDG is an international NGO registered in the UK with seven country and regional offices in the South. Regional offices are in Zimbabwe (ITDG Southern Africa), Kenya (ITDG East Africa), Peru (ITDG Latin America) and Sri Lanka (ITDG South Asia). Country offices are ITDG Nepal, ITDG Bangladesh and ITDG Sudan. Regional offices are headed by Regional Directors while country offices are headed by Country Directors.

There is a Board of Trustees based in the UK that directs the affairs of the group. There is no separate Board of Trustees at the country or regional level. The Chief Executive, Country and Regional directors and four directors at head office (operations, finance, marketing and policy) constitute the group management team. They meet three times in the UK each year to discuss strategic and resource issues.

ITDG's programmes in Southern Africa are run entirely by local staff headed by the Regional Director. The regional office is largely autonomous and only consults head office on key investment decisions and strategic issues that have implications on the group as a whole. Subject specialists based at head office provide inputs to local staff in an advisory capacity. They also assist in the design of new projects and fundraising.

LEP is run as one of the many projects under ITDG Southern Africa's project portfolio. In August 1999 it was decided to create a company limited by liability to take over the operations of the project. The aim is to ensure financial and management sustainability of the project. The company is called IT Manufacturing (Pvt) Ltd. It is headed by a general manager who reports to a Board of Directors. The Board consists of five members (three from ITDG and two external). The general manager is one of the three ITDG board members.

LEP is expected to be financially and institutionally sustainable before the end of the second phase in 2002. The business units are already largely self-sustaining as they already meet all their operating and overhead costs with no subsidy from donor funds. The current donor funding is used to meet monitoring and impact assessment costs, further capitalisation of the company and, at most, 10% of the salary of the programme

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manager and project manager. The level of support received from ITDG head office is very low and largely advisory. Its termination will not make any significant difference to the viability of the project.

The business units are breaking even and all indications are that they will operate as fully-fledged and viable commercial entities in the next year.

The LEP has been turned into a commercial company that is wholly owned by ITDG as a subsidiary. Ultimately other players such as artisans and development institutions will be invited to join the company as shareholders. ITDG will continue to maintain some representation on the board of directors in order to safeguard the development thrust and interests of the company.

### 3 SUMMARY OF RECENT IMPACT ASSESSMENTS UNDERTAKEN

The LE Project was set up to achieve a number of developmental goals which are:

- to create employment
- to facilitate access to technology and equipment
- to promote the quality of production
- to promote entry into more lucrative/profitable markets
- to improve income earning capacities of both entrepreneurs and their businesses.

The project was intended to facilitate the work and performance of small scale entrepreneurs by enabling access to sophisticated machine tools through hire. This way, hirers of the equipment would be able to;

- Save costs while having use of up to date technology
- Be able to manufacture more sophisticated goods
- Be able to service the needs of customers who require higher level capital goods and would have a higher capacity of paying for good prices on time.
- Support hirers with technical assistance in terms of design and marketing of some of their products
- Make working space available to hirers of equipment

The first major review of LEP was carried out at the end of the first phase of funding in 1999. It was aimed at assessing the impact LEP had on those who have been hiring tools/machinery from the Service Centres, as well as those who have purchased business machines from the Business Shops. Through the interviews, ITDG wished to measure the extent to which all the goals mentioned above were being achieved. A sample of 400 clients (30 - 35%) was randomly selected for this purpose.

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The review found that the LE Project has achieved all its set goals as outlined above and furthermore it had created ripple effects on the economy in general. This resulted in development of a second phase, to expand its operations in targeted rural areas with growth potential; one such identified growth point is Gokwe in the Midlands Province of Zimbabwe.

## 4 IMPACT ASSESSMENT APPROACHES & METHODOLOGIES

Ongoing assessment of impact is viewed by ITDG staff as critical to gaining an understanding of their work and for developing further services that are appropriate to their target group. IA is therefore embedded throughout the organisation's operations and the project management cycle.

There are three levels at which ITDG believes it is having an impact, and it is using different methods to assess this impact.

- The project managers have set up a reliable and effective MIS system to capture all the routine project data which is easily retrievable and very user friendly. At this management level, for example, records of Artisans' registration forms and joining fees are computerised and can be accessed for analysis and comparison purposes at any time, and sales of various type of machinery eg, peanut butter making machines, dehaulers, freeze-it making machines, etc can be monitored on a daily basis.
- In addition there is ongoing regular and random Impact Assessments of a 30 - 35 % sample of buyers of the equipment that is manufactured and sold in the Business Shops. This gives an indication of the impact and success rate of the equipment bought in terms of jobs and wealth created as a result. These Buyers are followed up in order to assess the number of jobs created and impact on incomes levels. This ongoing assessment also tries to measure changes in the quality of life that may have taken place subsequently in the entrepreneurs' households.
- It is believed the success of the buyers of equipment in terms of jobs created and increased income can have a downstream effect, for example on the small scale farmer who in turn will increase output of certain crops for which there will be an increase in demand resulting from the increased number of food processing businesses, eg sunflower for pressing cooking oil, groundnuts for making peanut butter, and sugar purchases for freeze-it manufacturing. A survey has recently been commissioned to assess these wider impacts on artisans' and buyers' livelihoods, and their local economies.

The Terms of Reference for this survey are to:

- 1 Determine the number of jobs and incomes created in the production of two capital goods by artisans. Income for both the artisan and people employed by the

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artisan should be determined. Also assess changes on livelihoods of project beneficiaries brought by the project.

2 Assess jobs and incomes created downstream per machine sold. Income for both the entrepreneur who buys the equipment and people employed in the business should be determined.

3 Assess level of participation by artisans in technology innovations and the design and manufacture of new products as a result of access to precision engineering equipment.

4 Assess impact of project on artisans' access to credit, business training and networking.

5 Assess impact of project in terms of economic change brought about by small enterprises created in a selected locality through the project.

6 Assess if project has influenced the development of clusters of artisans and the impact this has on innovation, productivity and growth of artisans' businesses.

7 Using data from at least three enterprises per capital good, develop an investment prospectus for use by entrepreneurs interested in starting new businesses in a) maize milling; b) freezite making and c) peanut butter processing.

8 Carry out a detailed comparative analysis of the investment costs and returns of the project (economic, financial and social).

9 Determine the contribution of the project to creation or reduction of market distortions.

10 Assess the contribution of the project to the creation of a vibrant small-scale light engineering sector – reduction of barriers to entry, innovation, risk taking, etc.

In addition, the survey should collect data to determine the impact of incomes on the above three groups of beneficiaries (artisans, entrepreneurs who buy capital goods and employees of these two categories). Specifically, the survey should determine the impact of incomes on skills, education and health of beneficiaries, access to credit, access to improved infrastructure like housing and networks created as a result of the project.

In terms of methodology, ITDG have appointed external consultants who will randomly interview a sample of:

- artisans using the hire facilities and/or the business shops
- buyers/users of the manufactured capital goods
- suppliers of raw materials to users.

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The report is expected to be completed in April 2001.

In addition to the quantitative and qualitative, ongoing and periodic monitoring and surveys described above, LEP also uses **participatory approaches**. In the early 1990's, participatory approaches to development were only just being introduced in Zimbabwe. ITDG took up the challenge at a time when the country was going through its worst drought of the century and introduced the concept in its agricultural work with communities in dryland areas. Participatory approaches are now used in conjunction with all other methods and at all stages of data collection.

## 5 INFORMATION DISSEMINATION

Findings and recommendations from annual and periodic impact assessments are listed and analysed. Strategies aimed at reducing shortcomings and exploiting opportunities are then developed, and progress against reducing weaknesses and exploiting opportunities is then listed, monitored and followed up.

Although several evaluations and reviews of the project have been carried out and printed reports have been produced, no published output has yet been produced for wider dissemination and sharing. Nevertheless, work on producing publishable outputs has started and at least two will be available in the near future. A case study on the project has been prepared and will be published soon in a book on best practices in Business Development Services. Preparations for this book are at an advanced stage by the Institute for Development and Research Canada (IDRC). Another case study will be prepared and submitted to the Small Enterprise Development Journal for publication in 2001.

The LE Project has been represented at two regional workshops, arranged by IDRC, and held in Nairobi, Kenya, in February and December 2000. It was also represented at another regional workshop in Nairobi in December 2000. IDRC's aim for these workshops was to bring together examples of projects that are focusing on cost-effectiveness, sustainability, and outreach.

## 6 NETWORKING

Due to the impact it has had on many lives of the marginalised, LEP has become a high profile project in development circles in Zimbabwe. As a result it networks extensively with similar organisations, and currently it is participating in a Joint project with GTZ Mutare on setting up trial Manufacturing centres. It also co-operates with the Small Enterprise Development Corporation on joint service centres and is in collaboration with UNIDO on their clusters project. The LEProject is also currently discussing with the Ministry of Industry and International Trade on how to adapt and replicate the project Service Centres and Business Shops in the designated Rural Growth Points.

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### 7 CONCLUSION

The Light Engineering Project is a typical example of a project that has impact assessment built in at all stages of the Project Management Cycle. Staff capacity has been a critical ingredient to the success of institutionalising impact assessment as part of the management function.

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APPENDIX 1: RENTAL AGREEMENT

Between IT Service Centre and \_\_\_\_\_  
Business  
Address: \_\_\_\_\_

Home Address: \_\_\_\_\_

Tel: \_\_\_\_\_ FAX: \_\_\_\_\_

I.D. Number \_\_\_\_\_

I, the undersigned agree to the conditions of tool hire set out below:

The tool hired will be signed out by me and will not be considered returned until it is signed in by an IT Service Center staff on the \_\_\_\_\_

I agree that it is my responsibility to ensure that the machine is signed in as proof of return.

I will indicate on hiring the machine when it will be returned or when it can be collected. If I am unable to return the machine on this date I will notify the Service Centre Staff on or before the return date and agree on payment arrangements with the Service Centre staff.

If the machine breaks down I will notify the IT Service Centre immediately. I will not be charged for any breakdown caused by normal wear and tear, however if the machine is damaged from negligent or careless use I may be required to pay for repairs. I will not attempt to repair the machine myself.

I will pay costs incurred by the Service Centre in recovery of late returned machines. I will not hold IT Service Centre responsible for any injuries sustained by me within the service Centre premises or during the use of any equipment owned by the Service Centre. I agree that rental of the machine by me indicates that I am able to use it in a safe and responsible manner.

I agree that payment for hired equipment should be made in advance, failing which IT Services Centre has the right to repossess the same equipment at a cost of \$150, being recovery cost.

There shall pay for consumables such as diesel oil, sieves and belts if broken or oil. Demonstration shall be done once only on delivery if we have to visit. If we are to visit your premises to make another demonstration we would have to charge.

Delivery is to be done the first time you hire a portable machine from us, after that you would have to provide your own transport.

Registration fee of \$250 is going to be paid before hiring. This is not refundable.