



SSACI NEWS

The newsletter of the Swiss-South African Co-operation Initiative

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This newsletter aims to keep SSACI's partners informed about what the Initiative is doing, and why.

It seeks to give sponsors and project implementers a better understanding of one another's perspectives.

It highlights issues in the fields of education, training and skills development that effect SSACI's work.

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Skills for Tomorrow

These children at Forest Town School for handicapped children are learning practical skills that will enable them to earn a living in a few years' time. SSACI funding will help them to do so (See report inside on p2)



How Important are SMMEs to South Africa's Economy?

In 2000, acting on the belief that "a society with a vibrant entrepreneurial spirit is an economically healthy society", the Department of Trade and Industry (DTI) commissioned research into the role of the one million or so small, medium and micro-enterprises (SMMEs) in the South African economy.

The research showed that SMMEs contribute a total of 35% of the country's GDP, with micro-enterprises accounting for 6%, small enterprises 14% and medium enterprises 15%. SMMEs were found to be especially active in agriculture, construction, trade, transport and services.

Their contribution to employment is even more important. Together, they account for 55% of all workers in formal private-sector enterprises, more or less evenly spread between micro-enterprises (18%),

small enterprises (16%) and medium-sized enterprises (21%). Significantly, annual growth in employment averages 3,4% in micro-enterprises and 1,2% in small enterprises, but only 0,9% in both medium and large enterprises.

If one includes the informal sector, where there are presumably no large businesses, then the importance of SMMEs as employers becomes all the more evident. Indeed, the DTI notes in its 2000 *Annual Review of the State of Small Business in South Africa* that: "The role of SMMEs as an agency for employment in the country cannot be over-emphasised, especially within the context of a developing nation".

The *Review* concludes that "the development and promotion of SMMEs are of the utmost importance to the South African economy".

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Progress With Some Current Projects

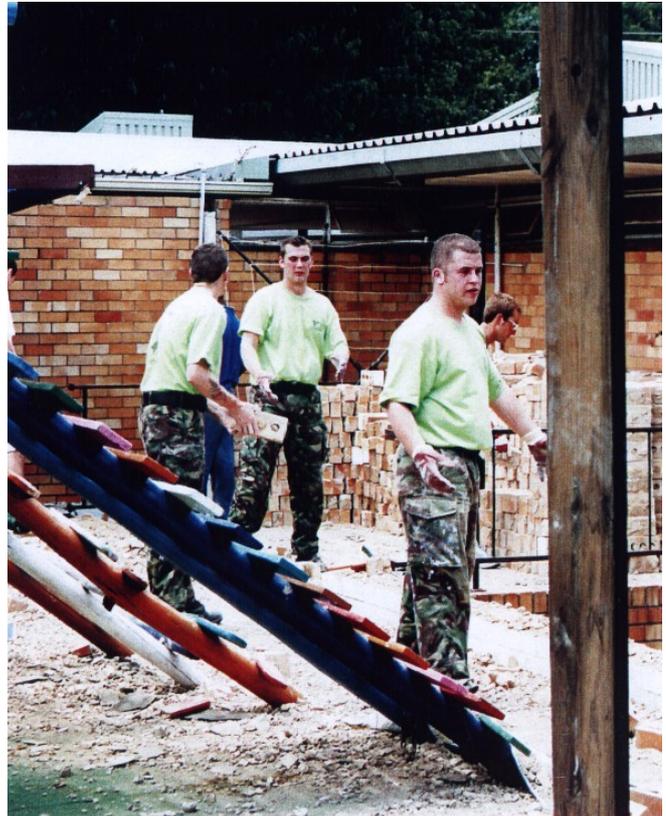
1. Forest Town School

SSACI has contributed R350'000 to the establishment of a vocational skills training centre for senior learners at this school for handicapped children. The need for such a centre is indicated by the fact that only 10% of the half-a-million disabled children in South Africa are in care or educational facilities. And, despite the stimulus provided by the Employment Equity Act, only 10% of disabled adults are employed.

In January the school was widely featured in the media when it was “invaded” by members of the motor-cycle display team of the British Army’s Royal Signals Corps, who took leave from their military duties to come and help with the renovation work. Virgin Atlantic Airlines provided them with free air tickets and the Gauteng Department of Education paid for their accommodation at a nearby hotel.

The signallers’ labour helped to offset some of the building costs. For example, they recovered over 5000 bricks from walls that had to be demolished, cleaned them and prepared them for re-use. The photo on the right shows the team at work on the bricks.

The soldiers also removed old partitions, along with disused plumbing and electrical fittings. They inadvertently demolished an unsafe wall simply by leaning on it!



The signallers proved to be ‘tough guys with soft hearts’, finding time in their busy schedule for some rough-and-tumble games with the learners. This was especially appreciated by the boys at the school, who too often are excluded from the games of their able-bodied peers. The photo on the left shows one of the schoolboys receiving what the soldiers called army-style “occupational therapy”!

Work on the skills centre is almost complete and equipment should be installed before the end of April. Thanks to the willing participation of many helping hands, this project looks set for a happy ending.

2. Business Skills and Development Centre

The first group of thirty-three SSACI-sponsored students who were enrolled for a business administration course in September 2001 are due to complete their course at the end of March. Thereafter, they will be placed in jobs with local companies. The job-placement officer within BSDC hopes to have them all placed by June.

In January 2002, a second intake of fifty students was enrolled for a business administration and entrepreneurship training programme which will run until July, after which successful students will either be placed in jobs or helped to start their own micro-businesses. Some have already shown a talent for the latter. The students' first task after registering for the course was to take R10 from the college's petty cash, do business with it for a week and then return the loan and keep the profit. Several students doubled or trebled their money within a week through baking, selling sweets and even micro-lending. First prize went to a young lady who made R107 over a weekend selling home-made ginger-beer. Assuming that all fifty current students complete the course, BSDC will have exceeded its quota of seventy-five SSACI-sponsored trainees. It also looks as though they will do better than their promised placement rate of 50% of graduates. The real challenge will be in getting thirty graduates into their own small businesses, as required by the agreement with SSACI. However, early indications are very positive.

3. Youth Empowerment Network (YEN)

Three groups of twenty-five youths each from Alexandra, Thokoza and Joubert Park have completed the nine-week life-skills training programme. The training sessions observed by the SSACI Programme Manager were very professionally organised and presented, and the participants evinced great enthusiasm for, and confidence in, their ability to "make a success of things" after the training. The remaining three programmes will run during February-May 2002, whereafter as many of the participants as possible will be tracked for six months to determine how well they are able to implement lessons learned and skills acquired - especially job-search skills - during the training programme. In April, Khulisa Management Services will conduct an evaluation of attitude changes wrought by the programme, using pre- and post-training interviews and a psychometric test.

New Projects Getting Under Way

In March, SSACI undertook to support three new projects:

1. **Technical, entrepreneurial and life-skills training for 100 youths from Westbury and Coronationville, Johannesburg.** This project will be implemented by a local NGO, **Conquest for Life**, and will run from April 2002 to December 2003, at a cost to SSACI of R900'000. Each of the 100 trainees will receive training in one of three technical skills, namely detergent production, upholstery repairs or electrical appliance repair and house wiring. They will also receive training in small business management and general life-skills. After training, they will be helped either to find work in local businesses or to start up their own micro-enterprises.
2. **The provision of 50 scholarships for technical and vocational training at FET institutions (formerly known as technical colleges) in Vredendal, Vredenburg and Cape Town.** The scholarships will enable youths from the rural western Cape to study courses of up to one year's duration at colleges close to their home towns, after which they will be assisted in finding jobs or starting small businesses. This project will be implemented from June 2002 to December 2003 by the **Rural Education Access Project** in Cape Town with a grant from SSACI of R655'000.
3. **Training of 60 youths from the greater Cape Town area in general office skills and assistance in job-placement thereafter.** This project, to be implemented by the **Skills Training for Employment Centre** in Cape Town, will also run from April 2002 to December 2003. All the trainees will do a 12-month course in office administration and will be provided a further six months' post-training support. SSACI has granted R580'000 to this project.

How Does SSACI Select its Projects?

SSACI's primary objective is to alleviate poverty by providing disadvantaged young South Africans (aged 16-26) with the knowledge and skills they require in order to earn a living. To this end, SSACI selects each year a limited number of projects for funding. Each project may receive funding for up to three years, to a maximum of R800'000 per year. Grants for longer periods or larger amounts may be considered in exceptional cases. Projects which seek funding from SSACI must:

- Have clear objectives and a workable plan of action for producing measurable results
- Incorporate a strong technical or vocational training component
- Provide comprehensive post-training support to trainees that will help them set up their own micro-enterprises or find employment in existing businesses
- Be cost-effective, with an efficient management structure, low overhead costs, high levels of technical expertise and an effective means of service delivery
- Be implemented by organisations with a proven track record of success in their field
- Enjoy active support from the local community
- Have the potential to be replicated
- Be sustainable beyond the period of funding by SSACI
- Bring equal benefits to men and women
- Be environmentally sound
- Wherever possible, use local expertise to deliver services
- Operate in one or more of the geographical areas upon which SSACI is presently concentrating, namely Limpopo Province, North West Province, Gauteng, KwaZulu-Natal and Western Cape

There are some exclusions :

- SSACI operates only within the borders of the Republic of South Africa, so proposals from other countries, or for projects that will be implemented mainly in other countries, are not eligible for SSACI-funding
- SSACI does not fund projects or programmes managed or implemented by government departments or institutions. However, projects implemented by non-governmental or non-profit organisations working in partnership with government departments may receive funding.
- SSACI funds projects, not organisations as such. Thus, project budgets may not include organisational running costs such as staff salaries and infrastructure. SSACI will only cover the costs of goods and services needed to implement the project. Organisations responsible for managing a project may claim a management fee not exceeding 12% of the total services budget.
- Commercial companies may be contracted at market-related rates to provide goods or services to SSACI-funded projects, but they may not themselves be the project-holders or principal beneficiaries.

Proposals for projects are received by SSACI's Programme Manager from private or non-governmental organisations, other sponsors, current or prospective service-providers or even the potential beneficiaries themselves. From these proposals, the Programme Manager identifies those projects which most closely comply with SSACI's criteria and have the best potential for success. Within ten days of the receipt of a proposal by SSACI, the proposer is informed in writing whether his/her project falls within SSACI's scope of interest. If it does, the Programme Manager meets with the proposers to discuss their plan of action and, if necessary, helps fine-tune it for submission to SSACI's Board of Trustees at their next quarterly meeting. Within a week of the trustees' meeting, proposers are informed in writing of the Board's decision regarding their proposal. Thereafter, a formal Memorandum of Agreement is drawn up between SSACI and project-holders, specifying how and when funds will be made available, and procedures for reporting on the progress of the project.

Lessons from Micro-Enterprises in Soweto

Given the potential of small and micro-enterprises to reduce unemployment and poverty in South Africa, it makes sense for development agencies like SSACI to find out more about them, and especially about factors that help or hinder their emergence and growth. A recent survey of 820 micro-enterprises in Soweto, conducted by Ntsika Enterprise Promotion Agency, provides some useful information.

The study found that micro-enterprises cover a broad range of economic activities, including manufacturing, transport, retail trade, and business and personal services. The highest concentrations are found in the selling of food and refreshments (50% of all micro-enterprises), plumbing, welding and electrical repair services (9%) and personal services such as hairdressing and beauty salons (8%).

The demographics of micro-entrepreneurs are interesting. In common with other studies, the Ntsika survey in Soweto found that female entrepreneurs outnumber males by a ratio of 60:40. Not surprisingly, women are especially dominant in trade, food processing and clothes-making, while men are more prominent in metalworking, wood-working and transport. Businesses run by men are likely to be larger than those run by women, and thus more likely to be found in the formal sector. This may be a result of lower levels of technical skills amongst women, which often limit them to low-paying activities, or of women's greater responsibilities in the home. (Interestingly, research elsewhere in Africa has shown that women entrepreneurs are more likely to be satisfied with a subsistence-level business, while successful men typically seek continued expansion).

The age-group most likely to produce entrepreneurs is that of 34-49 year-olds (42% of all proprietors of businesses), followed by 24-34 year-olds (28%). The age-group with the fewest entrepreneurs was that of 16-24 year-olds (4%). This suggests that starting and running one's own business require an amount of life-experience and a degree of maturity that most school-leavers have not yet acquired.

Although the most profitable businesses tend to be those which offer sophisticated goods or services, the

great majority of micro-enterprises involve activities that require low levels of technical skill, and therefore operate at survival level. Almost 90% of micro-entrepreneurs say that a shortage of skilled staff is an important problem in their business and 20% want more technical training for themselves.

General business skills, too, are considered to be in short supply. Almost two-thirds of the entrepreneurs say they learned about business on the job, while only 5% received any business training during their formal education and 15% attended short courses in business skills. Despite their capacity to learn quickly from experience, 77% of micro-entrepreneurs consider themselves to be in need of training in business skills and 93% say their staff need such training.

Other problems that micro-entrepreneurs consider to be important to their businesses are a lack of start-up and operating capital, crime, inadequate equipment, a shortage of affordable premises and the high cost of transport. The most common reasons given for business failures were a bad location leading to insufficient customers, lack of capital and crime.

On the other hand, 80% of the micro-entrepreneurs surveyed said they considered their businesses to be a success and had plans for expansion. This indicates the potential of even very small businesses to provide stable employment and a liveable income. Asked to identify reasons for their success, most successful entrepreneurs cited good customer care, sound management, a good location, competitive prices and quality products. The lesson seems to be that, no matter how big or small a business may be, the same recipes for success and failure apply.

Another significant finding was that, while 48% of all micro-enterprises had been in operation for more than three years and 25% for less than one year, only 16% had existed for between one and two years. This suggests that most business failures occur in the second year of operation and therefore that advice and support might be most effective if targeted at that point.

In the next edition of *SSACI NEWS*...

- What support is available to emerging SMMEs?
- Focus on a Project: The Youth Empowerment Network
- Is entrepreneurship growing in South Africa?