SSACI NEWS

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

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In this issue

- Update on Learnerships
- Micro-Financing in South Africa
- Focus on a Project: the Pelindaba Skills Institute

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

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

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

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Bright Spark

One of the SSACI-funded tecbicians in training at the Pelindaba Sklls Institute (see story on page 3)

Update on Learnerships

Learnerships have taken over from apprenticeships as the principal form of certificated in-service vocational training in South Africa. Currently, 26'500 learners are enrolled in 124 active learnerships, while another 425 learnerships have been registered with the Sector Education and Training Authorities (SETAs) but have not yet enrolled any learners. This compares with just 10'000 apprentices presently in training, a significant decline from the average of 50'000 apprentices registered throughout the 1980's and 1990's.

Learnerships are central to the National Skills Development Strategy. At the National Skills Development Conference in October, the Minister of Labour reaffirmed his intention to enrol 80'000 learners by March 2005. This has led to increased pressure on SETAs to fast-track the registration of learnerships.

Unlike a workplace skills programme, which may be of any level or duration, a learnership must lead to a recognised qualification on the National Qualifications Framework (NQF). This means that, before a learnership can be registered, the South African Qualifications Authority must approve unit standards, i.e. a description of the competencies that the learner will acquire through a combination of theoretical and practical training. Only when the unit standards are in place can curriculum-development begin.

Learnerships typically last a year, of which at least eight months must be devoted to on-the-job training in the workplace. Most learnerships registered to date are at levels 2 and 4 on the NQF, approximately equivalent to grades 10 and 12 in the academic school system.

The rush to register learnerships has raised concerns about relevance and quality. Over 400 registered learnerships have attracted no learners at all while in others learners were kept waiting for up to two months before training commenced because their curricula had not yet been finalised.

Microfinancing in South Africa

Microfinance is broadly defined as the provision of finacial services to poor, self-employed people. With its large low-income population, South Africa certainly needs such services. This is evidenced by the fact that more than half the adult population is “unbanked” because banks generally consider lending to the poor to be unprofitable, especially since Absa and Saambou banks lost money in recent forays into the low-income market.

The gap in the financial-services market is filled by thousands of moneylenders willing to lend small sums of ready cash to poor households. Unfortunately, over 90% of these loans go to wage-employees for the purchase of consumer goods and not to micro-enterprises for development. Microfinance in the internationally-accepted sense of providing loans for enterprise-development is the domain of only a handful of institutions – mainly non-profits – who collectively disburse less than 1% (in number and Rand amount) of all micro-loans made annually.

Yet microfinance for development is a declared political priority. In October 2001, the New Partnership for Africa’s Development (NEPAD) published a policy document on promoting the private sector in which it lists the ‘development of micro, small and medium enterprises, including the informal sector, through technical support and improved access to capital by microfinane institutions’ as one of three key objectives.

Prior to that, in 1996, the Department of Trade and Industry (DTI) established Khula Enterprise Finance to provide venture-capital to small, especially black-owned, start-up businesses. Khula’s effectiveness since then has been the subject of much dispute. Khula says that, to date, it has assisted 190’000 South Africans, 72% of whom are women, through business loans, credit guarantees and capacity-building grants to other microfinance institutions. Critics, on the other hand, claim that frequent administrative logjams within Khula have led to a widespread loss of faith in its sevrices amongst entrepreneurs and microfinaciers alike. A dedicated “Micro-Credit Service Provider” that DTI was supposed to have created by the end of 2002 has not yet materialised.

The regulatory environment has not encouraged microfinance. Lending small amounts at rates higher than those allowed by the Usury Act only became legal in 1992. Currently, interest on loans of over R10’000 is capped at 24%. Registered microfinance institutions may lend smaller amounts at higher interest rates but are still prohibited from accepting deposits or offering revolving-credit or overdraft facilities. These regulations promoted stability and public confidence in the formal banking sector, but also had the effect of excluding the majority of the population and almost all micro-enterprises from access to even basic financial services, despite their willingness to pay for them.

Constructive changes are in the offing. In 1999 government set up the Micro-Finance Regulatory Council (MFRC) with a mandate to raise professional standards within the industry, curb abuses by “loan sharks” and promote development financing of micro-enterprises. Since 1 July 2002 it has been compulsory for registered microlenders (of whom there are 1300 nationwide) to operate according to the rules of the National Loans Register (NLR), which require lenders to:

- Submit details of all loans to the NLR database
- Make enquiries on the database before approving any loan
- Inform borrowers about their current NLR records
- Follow prescribed processes for verifying data to be stored on the NLR and for resolving any disputes with borrowers
- Discourage reckless borrowing and over-indebtedness

The NLR currently contains records of over 5-million loans, averaging R1’250 in size, made by 396 lenders. The total loan book of the registered microlending industry stands at over R15-billion.

The MFRC will certainly bring much-needed norms and standards to the industry. However, its primary focus remains on lending for consumer spending. Micro-enterprises continue to be neglected. Such financial services as are available to them come from fewer than twenty non-profit, non-governmental organisations that were set up with donor money and mostly remain subsidised in some way. This has the double disadvantage of skewing the market in the short term and being unsustainable in the long term. Moreover many of these NGO-type institutions have weak accounting and information-management systems, resulting in high failure rates even when repayment of loans by borrowers is high, as it often is (frequently exceeding 80%). Yet, in the absence of any alternatives, the limited and uncertain services offered by the NGO-type institutions remain in high demand, especially by community groups that have organised themselves into self-help or poverty-alleviation projects.

The cost of micro-loans, whether for consumer spending or enterprise-development, remains high. Borrowers can expect to pay 40-50% interest per annum.

Focus on a Project: the Pelindaba Skills Institute

"Engineers Alarmed at Shortage of Skills" reported a national daily newspaper on 17 November this year. The article went on to quot the executive director of the South African Association of Consulting Engineers as saying that the number of new entrants into the engineering profession was at an all time low. He predicted that "in less than a generation, South Africa may no longer have a skilled engineering base capable of maintaining its current infrastructure or of developing new infra-structure."

One reason for the inadequate supply of engineers is that technical training institutions, at both secondary and tertiary level, do not provide students with sufficient practical experience to fulfil all the requirements of the certification authorities. Thus, a substantial number of engineering students who have completed all the theoretical components of their courses are unable to graduate because they lack the required practical experience.

With financial support from SSACI, the Pelindaba Skills Institute is addressing this problem. Situated on the grounds of the Nuclear Energy Corporation of South Africa at Pelindaba, near Hartebeestpoortdam, PSI is a nationally-recognized training facility that aims to boost the number of qualified engineers and ICT professionals from previously-disadvantaged communities in accordance with the needs of the economy. PSI was established in 1983 as a training centre exclusively for the needs of the Atomic Energy Corporation (now NECSA) but in 1993 repositioned itself to serve a broader constituency in the light of the growing demand for skilled personnel from the engineering industry at large. Since 1998, PSI has operated as a non-profit educational trust.

In terms of its agreement with SSACI, PSI is providing 50 trainees who have completed their their

theoretical training at technical college with 6-9 months of practical training in selected disciplines, including:

- Electrical (heavy and light current) engineering
- Electronic Engineering
- Food Technology
- Instrumentation and Control
- Mechanical Engineering
- Welding, Plate, and Structural Engineering
- Chemical Engineering

On successful completion of their practicals, trainees are placed in industry for internships and experiential training as required by the relevant curricula. PSI provides on-site monitoring, evaluation and support throughout the training and work experience. Thereafter, graduates are assisted to find jobs. Regular monitoring and support is provided for up to twelve months post-training.

Special consideration is given to gender-equity throughout the programme, with PSI endeavouring wherever possible to recruit female candidates into fields of study and employment that have traditionally been dominated by men.

SSACI ended 2003 on a high note by winning the *Mail & Guardian's* prestigious annual "Investing in the Future" Award for companies and trusts that have made a significant contribution to the nation's social and economic development

Find out more from our website:

www.ssaci.org.za

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