

PACT/USAID

EVALUATION REPORT

BLACK ENTREPRENEURSHIP AND ENTERPRISE SUPPORT

BEES PROJECT

- PILOT PHASE 1993-95 -

Braamfontein

November 1995

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PROGRAMME EVALUATION  
'BLACK ENTREPRENEURSHIP AND ENTERPRISE SUPPORT' (BEES)

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REPORT ON THE EVALUATION OF  
BLACK ENTREPRENEURSHIP AND ENTERPRISE SUPPORT

BEES PROJECT

PILOT PHASE 1993-95

SUMMARY AND CONCLUSIONS

Braamfontein

November 1995

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## SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

### Introduction

From 15 October to 9 November 1995, an international team carried out an independent evaluation of the Black Entrepreneurship and Enterprise Support (BEES) project. The main findings of the evaluation and the recommendations put forward are presented below.

The agreement for the BEES project was started in September 1993 and the project became operational when the directors took up their post in February 1994. Its mandate is, essentially, to build and strengthen the capacity of local organizations that provide services to micro- and small enterprises (MSEs) in South Africa. In the present pilot phase, which is funded by USAID, BEES is particularly tasked to experiment with new approaches to MSE-development within the context of South Africa and to expose the South African MSE-practitioners to models and experiences from other countries.

The evaluation took place barely 16 months after the start of actual implementation of project activities following the approval of the Work Plan by the donor. It, thus, is clearly too early to assess the actual impact of these activities. Moreover, it should be noted that many of the parameters in MSE-development in South Africa changed following the change to majority rule, affecting a straightforward implementation of the initial project document. The Evaluation Team therefore concentrated mainly on an assessment of the project structure, strategies and implementation performance rather than on impact of project's interventions.

It collected information through interviews with the project team, representatives of donors' staff of the BEES' client organizations and other key informants. To this end, the Team visited Gauteng (Johannesburg and Pretoria), Kwazulu-Natal (Durban), Eastern Cape (Stutterheim) and Western Cape (Cape Town). It would, however, be pretentious for the Evaluation Team, and especially for its international members, to believe that within the short period of their visit they have grasped all the intricacies of the complex and still rather fluid political situation and environment in which MSE-development is taking place in the country and the exact role that BEES is and should be playing. However, they do feel comfortable that they have managed to get an adequately overall picture of the BEES project and the activities it has undertaken.

During their work, the Evaluators have become most impressed with the network of contacts that BEES set up in the short period of time, as well as with the type and range of activities which the project has succeeded to initiate. There can be no doubt that the project has succeeded to become an important player in supporting MSE-development organizations in South Africa. The project staff is to be commended for its commitment, dynamism and creativity, as a result of which the project has, in its rather short lifespan so far, crafted a name for itself in the area of MSE-support in South Africa.

The main conclusion that stands out from the evaluation exercise is that BEES is providing services that are both addressing crucial needs of the MSE-support organizations and that are being generally appreciated by the project's clients

### MSE-support organizations in South Africa

The institutional framework that is emerging in the country, requires a clear division of labour between the government, the private sector, non-governmental organisations and other parties interested parties in the MSE-sector. The government should to play a facilitation role to enact enabling policies and coordinate appropriate MSE-programmes that are designed and implemented by those organisations which have the necessary the expertise to deliver suitable services and accomplish goals within a given set of time

The non-government MSE-support organizations in South Africa have gained an immense experience on the ground, and are best suited to be implementors of programme designed to promote the MSE-sector. They have a comparative advantage over other organisations, since they, for instance, have a certain credibility as they listen and react to the needs of the sector. Still, at present, most of them lack the capacity to deliver services appropriately and effectively. Their internal organisation is in need of improved management and operational systems, their outreach is severely limited by ineffective approaches and unsophisticated instruments. They need to better understand the dynamics of the MSE-sector and they need to learn from each other as well as guide each other in their efforts to develop the sector.

After the plethora of international funding in the 1980s, many NGOs that are supporting the MSE-sector are now facing dire financial times as most donors have signed bilateral agreements with the government by-passing the NGOs. This places NGOs in an awkward position as only a few donors would want all their assistance programmes implemented by the GoSa while at the same time they do not want to have direct relationships with NGOs. Still, NGOs will have to play an important role in the implementation of MSE-programmes for which they are well-placed as they are closer to the ground and trusted by their clients. To play this role well and effectively deliver relevant services to the micro-entrepreneurs, the MSE-support organizations require substantial institutional strengthening.

### Project design

The design of the BEES project is based on the premise that the empowerment of Blacks in the new South Africa in part depends on intensified efforts to accelerate the development of the micro- and small enterprise (MSE) sector and that this requires the provision of relevant and good quality services to this sector. The project design documents correctly identify a crucial lack of capacity in the existing organizations supporting the MSE-sector. The design of the project is in particular vested on the notion that MSE-practitioners and policy makers in South Africa have been relatively isolated and that they can learn from the experiences that in the recent past, have been gained in other countries, in Africa as well as elsewhere (eg USA). The pilot phase of the BEES project was therefore *inter alia*, meant to introduce new approaches

and mechanisms for MSE-development, drawing on international experiences, and also to expose local MSE-support organizations to new models and methodologies for the development of the MSE-sector

This basis has been proven both accurate and fertile. Indeed most of the MSE-support organizations in South Africa are institutionally weak and in need of more effective approaches to MSE-development. At the time when the BEES project was designed, almost all of them were in the non-government sector, ie NGOs, CBOs and industrial associations. They were generally small, relying heavily on one or a few leaders, lacking internal management systems and wanting practical instruments for MSE-support. There was not at that time, nor is there now, any other organization, in the country, providing such assistance to these MSE-organizations.

If anything, the need for such institutional consultancy services has increased since the time of the BEES design: more and more MSE-support organizations come up all the time, while international funding for the non-government sector has drastically declined now that donors tend to channel their assistance through the government sector, bringing some of the NGOs in a desperate financial situation.

Even with its generally correct framework, the original design of the BEES project was found to have some flaws which contributed to some of the subsequent difficulties in project implementation:

- the mandate that follows from the objectives in the project document is too wide
- the project design lacks a clear operational framework
- the project structure lacks middle management staff to assist the project directors in the implementation of project activities

It should furthermore be observed that the direction set out in the BEES project document was severely tested after the actual start of the project: as the context of MSE-development in South Africa changed dramatically since then. First the political transition and the entry of the Government of National Unity made for a greatly changed role for the government sector in the area of MSE-promotion and BEES was challenged to become involved in this process. Second and in some ways immediately related to first point: there have been instances where the donor suggested that the project deviate from the project document and the agreed project direction by loading new tasks on the project. A recent example is the NGO grant facility which the BEES project has been requested to administer on behalf of the government and which is potentially a disturbing factor in the implementation of the BEES project.

#### Implementation of project activities

##### **Overall assessment**

In general terms the project scores high marks for the activities that have been initiated. Certainly for a project with only a limited staff one must admire the dynamism and creativity of the project staff. The directors especially are to be commended for involving themselves in an extensive consultation with the -potential- clients before initiating project interventions. In

doing so, they created a large network of contacts and made many MSE-practitioners in South Africa familiar with the existence of the BEES project. It can be concluded that the BEES' activities that are undertaken are essentially demand-led as they are addressing the felt-needs of local MSE-organizations.

In addressing these needs, of a large and diverse constituency, the BEES project has engaged itself in a wide range of assistance activities. They range from moral and promotional support from the project staff, to making available consultants and financial resources. The project is presently serving a varied clientele, including

- primary MSE-support organizations -- mostly NGOs -- providing credit, training, counselling and other types of assistance to small producers,
- secondary 'umbrella' organizations of MSE-practitioners,
- research and education institutions, and
- policy makers in the government sector

In the short period it has been active 'on the ground', BEES has provided services which both address a need and are appreciated by the project's clients. It has filled a gap in the capacity building of MSE-support organizations, mainly because as of now no other organization in South Africa is providing this type of assistance. BEES has especially been effective in catalyzing improvements in the service delivery by the MSE-development organizations. It has succeeded in bringing together MSE-organizations and individuals, contributed to bringing about new activities relevant for the MSE-sector, and experimented with different approaches for capacity building. Although it is too early to assess the actual impact of these activities, it is clear that BEES has come to play an important role in strengthening the MSE-support system in South Africa.

The Evaluation Team found the following issues in relation to the formulation and implementation of the BEES' support activities: (i) the project has a tendency 'to spread itself too thin', as it is becoming involved in activities which are overly diverse sectorally and geographically, risking to dilute the focus of the project, (ii) the actual implementation of the assistance needs to be more tightly organized, better backstopped, and more closely monitored, and (iii) at times the pressure to produce early results occurs at the expense of ownership on the part of the project's clients, particularly with regard to the implementation of the activities undertaken.

#### Technical assistance for capacity building

The core of the BEES' activities, as it follows from the project document, concerns the rendering of technical assistance to strengthen the capacity of local MSE-development organizations, i.e. those organizations engaged in the provision of support services to the small producer (excluding the research and education institutions which are not in direct contact with the MSE-sector). Such assistance came in the form of moral support and technical advice from the project staff, technical expertise from consultants, training and financial aid.

The project gained important experience in this area. It was found that the organizations targeted

for capacity building, many of which were Black-led NGOs active in the urban areas, are indeed in need of the types of assistance offered. At the same time, their first priority currently tends to be to solve the acute financial problems which they are facing since the re-channelling of donor funds. It was found that training for fundraising as well as strategic planning should form part of the capacity building assistance at the early stages.

An interesting area in which BEES has become actively involved is the creation of secondary 'umbrella' organizations of MSE-practitioners. The project is, for instance, driving the formalization of the Alliance of MSE-practitioners based in Gauteng, and the grouping of Micro-Enterprise NGOs (MENNGOS) in Cape Town. In the longer term, such organizations will become important for a more self-reliant support for the MSE-sector in South Africa.

#### **Exposure visits and networking**

BEES has organized a number of exposure visits for South African MSE-practitioners and policy makers. The visits were mainly to the USA and Kenya. These visits are very enthusiastically received by all, and should continue and maybe even be expanded. They make up for the lack of international contacts and travel of most South African MSE-practitioners, and provide inputs for a change of attitudes towards MSE-development in South Africa.

The exposure visits have proven to be an effective way for the participants to get up-to-date on policies and programmes for MSE-promotion in other countries. In addition to the gathering of information, the visits are instrumental for networking, foremost to get international contacts which subsequently can be approached for further documentation, etc. Participants also appreciated the opportunity to get to know their South African counterparts, as linkages between organizations had been limited by the previous political system.

The visits to Kenya had aroused particular enthusiasm, as the Kenyan context seemed immediately relevant for MSE-development in South Africa, and the country has some worthwhile experiences in this area (eg formulation of MSE-policies and micro-credit). The importance of the international contacts that BEES has for the organization of such visits is generally acknowledged.

#### **Information dissemination**

Information is one of the integral parts of the micro-enterprise development in South Africa. BEES has set up a Resource Centre whose main function is to provide technical material for practitioners. However, the centre has collected material that could inform researchers as well as entrepreneurs. The lack of marketing from BEES part has somehow reduced the impact of this facility. A further issue here appears to be the location of the facility.

The source of collection of material is limited primarily to the USA. BEES needs to explore other institutions that could serve as their source of material such as K-REP in Kenya which has a similar facility for its sector. Other forms of dissemination information in addition to sending catalogues by post need to be explored.

The centre has immense potential to be used as reference point for micro-enterprise information. For this activity to be focused and coordinated with other BEES activities would require the centre to house information for practitioners, BEES' own commissioned research as well as documents reporting lessons learned from exposure visits. In this way, the centre can enable others to learn from BEES' various activities.

The Centre's potential is at present not being fully exploited. For instance, many of the persons interviewed by the Evaluation Team were fully aware of the services of the Centre. The original idea to link the Centre via e-mail with similar Centres elsewhere is still under consideration, clearly the impact of such e-mail facilities would depend on how widely available they are.

### Policy research

Although not mentioned in BEES' original programme design, the need for improving MSE research capacity was almost immediately recognized and incorporated into the project activities. Despite the existence of a fair amount of research on South African SMMEs, BEES was correct in pointing both to gaps in research content and to the "limited capacity, especially among Blacks, to undertake MSE sector research" (*Initial Two-Year Workplan*, pg. 4). BEES took a three-pronged approach to the research problem. For certain immediate data needs, BEES commissioned studies. It introduced new research methodologies. And for its longer-term capacity building effort, BEES attempted to form a research consortium or network of young, mostly Black researchers based in university small business institutes.

A cursory examination of the existing bibliographies suggests that much of the research in South Africa has been conducted by a relatively small group of scholars. When the examination of the bibliographies is undertaken from an institutional, rather than an individual perspective, a similarly small list of institutions responsible for SMME research emerges. The main institutions are the Department of Geography at the University of Witwatersrand, Rhodes University Institute of Social and Economic Research, the Development Studies Unit of the University of Natal, and the Urban Problems Research Unit of the University of Cape Town. University small business institutes have not been active in SMME research.

### Project structure

#### Staffing

It was already noted that the project is seriously under-staffed. Also due to unfortunate initial recruitment, there has only recently been some minimal critical mass within the office, especially with the arrival of an expatriate programming officer with knowledge of USAID and PACT procedures. Because the project previously lacked the capacity to actually implement the large number of activities that were being continuously conceptualized by the project directors, it risked disappointing its clients.

The dual-directorship which was decided upon has by and large worked well, even though consultation and consensus building has made the decision-making process more time-consuming. Internal management has benefitted from a Team Building Workshop last April.

### Project Advisory Committee

There is a need for an increased accountability in the project, as at present, the at times strained relations with the donor do not make for effective steering, while the executive agency appears to take only a limited interest in the project. In this respect, as well as in others (eg project planning and reporting) there is room for a greater role of the Project Advisory Committee (called "BEES Support Network"), which is not yet being used to its full potential.

### RECOMMENDATIONS

The pilot phase of the BEES project has proven beyond any doubt that there is an enormous demand for the type of support services which it is providing. BEES has come to understand the dynamics of MSE-development in South Africa and has created a large network of contacts. It has created a clear momentum, as it has succeeded in initiating a process to change the mind-set of the MSE-practitioners and policy makers in the country. It has gained credibility with its clients as it has shown to be capable of delivering the services agreed to. It is now important to build further on this foundation and to capitalize on the investments made. *The Evaluation Team therefore strongly recommends the extension of the BEES project for a second, implementation phase, to last at least 3 years and if possible 5 years.*

The Evaluation Team suggests maintaining, in general terms, the project design and implementation as it has evolved up to now. However, the graduation from its pilot to the implementation phase presents an opportunity to introduce needed changes.

#### Institutional development

BEES original Program Design (O'Regan *et al* 1993) provided for a more or less permanent organizational structure, including professional and support staff and an advisory committee that would evolve towards a policy board. The collaborative agreement signed with USAID however provided only for a five-person Project Management Team. The structure has proved to be inadequate even for a pilot project and would certainly be so for a more permanent organization.

#### Staffing

Changes in personnel and structure that were made between February and August 1995 have strengthened the project's management; however, we believe that further changes are necessary if activities are to be implemented and monitored effectively. The office also appears to have insufficient clerical support. *We therefore recommend that*

- *additional middle-management staff in the person of 2 Senior Technical Officers (in addition to the 1 existing Program/Policy Officer who should also become a Technical Officer) each responsible for one major group of activities be recruited*
- *BEES recruit a qualified -and permanent- secretary/receptionist who could relieve the office manager of routine work*
- *BEES consider hiring another clerical person to serve as secretary for the technical officers*

## BEES Advisory Board

The Evaluation Team *recommends*

- *that BEES strengthen the role of its existing Advisory Board (ie "Support Network") by involving it more fully in the overall formulation and implementation of project activities*
- *that the BEES Advisory Board consist of two components a full Advisory Board which is to advise the project team on general technical issues, and an Executive Committee from among the Board members who are to be more closely involved in the design of the project strategies and who will be accountable for project activities in a technical sense*
- *that the project undertake the following actions required to improve the functioning of the Advisory Board and its Executive Committee, such as a regular distribution of progress and other project reports to the members, and a better planning of Board and Committee meetings, so as to ensure adequate inputs, the project may want to consider appropriate incentives, at least for the members of the Executive Committee*

If BEES is to continue beyond the life of the present two-year project, an appropriate legal entity will have to be formed. The co-directors have begun exploring possibilities. We encourage them to continue this exploration so that roles and responsibilities of board members can be defined before they assume legal responsibility for the organization. One possibility that might be considered is the establishment of a broad based policy board with a smaller executive committee to assist the director(s) in policy implementation. The Evaluation Team *recommends that BEES enlist the expertise of its present support network in the development of an appropriate legal framework for the organization*

## Operating Systems

Effective programme implementation and monitoring require a functioning management information system which, in turn, depends on well designed subsystems in finance, personnel, general management, and activity monitoring.

The financial officer appears to be handling the day-to-day financial tasks generating timely management information, maintaining financial controls suitable for a small organization and producing the required reports on time. She has streamlined the operations and introduced a number of new procedures for financial and budgetary control. We assume that the auditors will review accounting procedures and internal controls in much greater detail than was possible in this evaluation. We therefore are not making any recommendations in the area of finances.

Staff recruitment and the resulting staff turnover have been serious weaknesses in BEES. Here the directors have been limited by the co-operative agreement while early experiences with recruitment agencies have not been favorable. *The Evaluation Team recommends that*

- *the organization take the experience of this two-year period to develop its personnel systems including task and responsibility allocation, recruitment and hiring procedures, a compensation system, a human resource development programme and a system of performance evaluations*
- *in developing and implementing such a system BEES pay particular attention to the recruitment process*

BEES is to be commended for recognizing the need for improved communication and team work. Nevertheless, it appears that the combination of the co-directors' preference for an outward focus and the likelihood that the project will end in February has made organizational development a low priority. Given the changes in personnel that have already occurred and those that would probably happen in a new BEES, *we recommend that*

- *a second team-building workshop be held in March 1996*

Monitoring of all BEES activities is of critical importance. Several of the BEES clients indicated problems, not with the monitoring itself, but with the initial process of setting expectations. At times, expectations only became clear in the monitoring process. The directors' style is, by their own description, "process oriented." While a certain fluidity is useful in a rapidly evolving SMME sector, our interviews suggest that clients would appreciate a little more clarity about BEES' mandate, its expectations of them, and the procedures for accountability. *The Team therefore recommends that*

- *the entire process of implementing activities, including broad programme formulation, developing the scope of work, translating activities into "log frames," and establishing the process for monitoring, be reviewed and documented*
- *BEES establish a procedure for communicating this process to clients and consultants*
- *increased monitoring of project activities, eg requiring regular progress reports from the consultants contracted for particular tasks so as to ensure quality results*

The Evaluation Team found that the BEES reporting process was not very useful as a tool for monitoring the overall achievement of goals. The reports are not clearly structured, making it difficult to determine the status of the various activities. There is a need to link the reporting much more clearly linked to the strategic planning (see below). *We therefore recommend that*

- *the reporting process be redesigned to follow the activities specified in the relevant workplan, and*
- *deviations from the workplan be fully explained in the reports*

### Strategic planning

In its pilot phase BEES was expected to come up with a 'model' for capacity building of MSE-support organizations. It has indeed experimented with different approaches including ones which have been used in other developing countries and elsewhere. This testing of approaches has recently led to a certain 'winnowing' in which the project has decided to pursue the more successful support mechanisms for capacity building while dropping less promising ones. Still further elaboration and more testing of these mechanisms is required.

There is an enormous demand for the type of services that BEES is providing. Since BEES resources will be relatively scarce under (almost) any scenario, the activities it intends cannot be decided upon by the needs for assistance as they are continuously communicated by the MSE support sector. Rather, the project interventions are to be strictly governed by a clear strategy in terms of 'what are the project priorities to be achieved?' 'who is to be served?' and 'what strategies will be followed?'

In its implementation phase, BEES needs to build on the experiences of its pilot phase and clearly define its focus and determine its core activities. It has to make careful choices, based on the comparative advantages built up during the pilot phase. An efficient use of project resources dictates that projects, like any other organization, seek to specialize their services. Certainly a small project such as BEES will benefit from concentrating on a limited number of methodologies and a degree of standardization of instruments used (eg assistance needs assessment, strategic planning for capacity building, monitoring and management systems, etc). This will maximize the impact of project interventions and reduce the risk of failures. The focusing of BEES' activities and the design of a strategic framework for a cohesive and mutually reinforcing set of project activities clearly constitutes an important challenge for the implementation of the project.

The Evaluation Team feels that the strong points of the BEES project foremost lie in the provision of services for the capacity building of non-government MSE-support organizations. *It therefore recommends that all activities which are not directed towards this aim be phased out, even though they may address important needs of the MSE-support sector. Rather they should be left to others who, at least in medium term, are better poised to take on such services.*

In this respect, it is recommended that the activities which BEES has initiated in the area of policy research and sensitization should not be further pursued. Now that 'White Paper' has been adopted and government MSE structures and activities have been designed to start in the near future, there would appear to be no longer an urgent need for BEES to be involved in policy research, which would provide a good opportunity for the project to concentrate on capacity building for the MSE-support sector in a more direct sense. Similarly, *the Team recommends the project to reconsider the activities in the area of Entrepreneurship Development*, as it feels that BEES has not gained important comparative advantages in this area.

The exposure visits are without doubt one of the main comparative advantages of the BEES project. *The Evaluation Team recommends that they be continued and even expanded. Care needs to be taken that such visits as well as dissemination of information, provide optimal support for the core activity of capacity building as their impact as separate areas of assistance is limited.* It is important for the project to enhance the internal cohesion of project activities.

### **Provincialization**

Some of the most important issues identified by the Evaluation Team concern the need for a clear strategic framework, concentration on a limited number of intervention areas and enhanced ownership for the activities undertaken on the part of the project's clients. A major recommendation to address these issues in a coordinated way refers to the organization of strategic planning workshops at provincial level.

As the needs of the MSE-sector can differ significantly for the provinces in South Africa, the determination of the assistance provided by BEES can best be done at provincial level. At the same time, BEES would want to ensure adequate local ownership for its activities. By engaging potential client organizations in strategic workshops at provincial level, both these objectives will be served.

*BEES is recommended to further facilitate the project's activities at provincial level, by posting "BEES Provincial Liaison Officers" in the provincial centres. So as to remain fully neutral, these officers should preferably not be lodged with existing MSE-organizations except when these are indeed seen as independent and neutral, an alternative option would be to hire independent persons (eg working in a one-staff consultancy firm). Their role would be to represent the BEES project at provincial level, be a communication point for those who want to discuss matters with the project team, provide (limited) backstopping for the on-going activities, and be involved in the monitoring of project activities.*

#### **Monitoring and evaluation**

*It is recommended that in its implementation, BEES pays due attention to proper monitoring of project activities so as to have early warnings of instances of sub-standard performance, and to regular evaluation of the impact of its interventions.*

*The project should also consistently document the projects research findings and experiences, so that they become available for other MSE-support programmes and organizations to use them.*

#### **Special areas of BEES activities**

##### **Technical assistance for capacity building**

The BEES activities for the building and strengthening of MSE-support organizations should continue to focus on improving the internal operations (eg management information systems, debtor management control systems, etc ), as well as on enhancing the effectiveness of the effectiveness of the service delivery to the ultimate clients.

In the implementation phase, BEES should concentrate on non-governmental MSE-support organizations. Special attention should be given to MSE-development organizations in the rural areas. BEES should continue to foster the formation of second-tier 'umbrella' organizations of MSE-practitioners, there is a particular need to bring together MSE-organizations at regional level. Some observers feel that as credit organizations have traditionally received assistance there is a case to focus more on MSE-support organizations which are engaged in the provision of training and counselling services to MSEs.

*BEES is recommended to consider adopting a phased approach in covering all the provinces in the country. It would move into a province, establish itself and initiate support services to relevant MSE-organizations. When such support structures are in place, and there is less need for massive delivery, or when an 'umbrella' organization has started to take over some of the functions of the project, BEES could phase out its involvement and move to another province.*

*In any case, BEES is recommended to adopt careful procedures for the selection of the organizations with which it will work. They need to fulfil minimal standards of institutional development, secured funding at least in the short run, critical mass of staff, and an initial capacity for the delivery of relevant services.*

From now on, BEES needs to put increasing emphasis on the sustainability of its services and indeed make it into the core of its concerns. This means a gradual adoption of a market-commercial approach in which (increasing) cost-sharing will become the rule rather than the exception. In addition to generating useful revenues, it will also force BEES to provide high quality services which continue to be fine tuned with the felt-needs of the clients. This in turn will automatically ensure adequate ownership of the BEES' assistance by its target group.

#### Exposure visits and networking

Even though the exposure visits have been rather successful, a few pointers can be given so as to further increase their impact.

- *the trips should be carefully planned and organized to visit countries and organizations which have immediate relevance for the development of the MSE-sector in South Africa, in general terms this would mean visits to countries which have a comparable context for MSE-development, in particular cases it might even be useful to organize exposure visits within South Africa itself*
- *BEES should strive for an enhanced transparency in the selection of the participants, in which the subsequent use of the information gathered would be an important criterion (eg the participants could be required to prepare a workplan in which they outline what information they would look for during the visit, where they expect to find it and how they will use it within their own organization), BEES should also consider publicizing the visits so as to attract the best participants by announcing them through umbrella organizations with which BEES has contacts (eg AMEP), provincial SMME desks, BEES Advisory Board*
- *BEES should look into the possibility of cost-sharing for the exposure visits, it would seem that this would be no problem for some of the stronger -parastatal- organizations (eg SBDC IDT CSIR) whose staff have been included in the BEES' exposure visits*
- *there is need to improve the organization and especially the preparation of the participants before departure, also, more attention should be given to the follow-up of the visits eg through public debriefings at provincial/local level*

Whenever convenient the visits should be organized for small groups of participants which are relatively homogeneous with regard to the technical area which stands central in the tour such as in the case of the "entrepreneurship education" visit. Other topics could be support for women in the MSE-sector, provision of credit to MSEs, formulation of MSE-policies, technical training for micro-entrepreneurs, MSE-business counselling, MSE Resource Centres, etc. Some interesting and relevant places to visit may be Ghana (technology dissemination), Latin America (various organizations providing micro-credit), and Asia (experiences in MSE-development in India, Thailand, Philippines).

In addition to short exposure visits, BEES may want to look into the possibility of organizing staff exchange programmes between MSE-organizations in South Africa and elsewhere.

### Information dissemination

The Resource Centre has primarily collected three sets of information. One for researchers, another for practitioners, and a third for individual entrepreneurs. We recommend that

- BEES keep the material relevant to service the needs of the practitioners, as well as copies of studies that they have commissioned
- documents and other materials serving the needs of individual entrepreneurs be located in the LBSCs about to be established at a local level, BEES could play a role as central facility to backstop these LBSC-information units, for which an e-mail linking may be suitable
- the rest of the material either be transferred to NEPA, or to other institutions dealing with MSE research
- BEES engage in a more active strategy to disseminate its findings and experiences. For instance, the numerous papers which are being prepared by consultants and others could be organized in a series of BEES Working Papers and distributed to its main contacts. Furthermore, it could organize workshops and seminars to promote the new approaches which it has pilot-tested and found to be relevant to the SA context
- information and dissemination activities be monitored by a senior technical officer within BEES

### Policy research

BEES is to be commended for recognizing the importance of a solid empirical base for NGO interventions and for taking steps to build research capacity. Their three-pronged approach to the research effort also seems reasonable and appropriate. To a large extent, immediate data needs was taken care of by commissioning particular studies. This method often results in studies of uneven quality -- as the experience with the "Best Practices Study" shows -- but it is often the only way to get data on a timely basis. To ensure consistently good quality in commissioned reports the *Evaluation Team* recommends that

- consultants and researchers be carefully selected on the basis of a well-designed scope of work and
- research activities be monitored by a senior technical officer within BEES

The third approach i.e. BEES efforts to build research capacity seems not to be warranted. It is not fully sure if the research consortium based in university small business centres will continue as planned because two of the three key researchers have indicated that they may be leaving their institutions and the institutions themselves seem to have limited the capacity and/or interest in pursuing SMME research. Furthermore we believe that BEES is not equipped to support research activities. The *Evaluation Team* therefore recommends that BEES discontinue its research capacity building activities.

## Gender

Gender issues are not issues to be taken in isolation. If they are seen that way, there is danger of compartmentalizing women. We agree that they do face unique constraints, but women are entrepreneurs just like male entrepreneurs. They need the same attention but with greater focus.

The team urges BEES to be gender sensitive across all their activities. In particular we recommend that

- *in offering technical assistance to NGOs, they should ensure that women-led organizations receive optimal attention. They should also ensure that in organizations where women are not leaders, some space through training is made available for them to graduate to higher positions within the organizations*
- *BEES should ensure that women fully benefit from the exposure visits*
- *the Resource Centre be used to bring in what was learned in other countries about how women have been given support to help them grow their businesses. Lessons from Ghana and Kenya would be a starting point for South Africa*

## Affirmative action

Targeting blacks for affirmative action may be the right policy. However, caution has to be applied in terms of how this investment will be utilized later. Affirmative action should be targeted to areas where maximum gains will be visible. *The Evaluation Team therefore recommends BEES (and other organizations applying affirmative action) to*

- *develop criteria for selecting candidates earmarked for capacity building. They should possess at least some potential and interest to take that particular activity further without any help. This means that race should not be the only criterion used to select institutions and individuals. Other factors should be considered as part of the selection process, especially when direct assistance is provided*
- *establish links to enhance capacity. SA is known for its imbalances - people with skills and knowledge especially Whites should be encouraged to transfer their skills to help build capacity of their black counterparts (this model was tried without much success in the case of Mangosuthu Technikon and Natal University but closer monitoring may go a long way in producing better results)*

Affirmative action should be a policy that cuts across activities with some form of criteria to ensure that results are achieved. BEES should be careful not to lock itself in a tight corner by compartmentalizing affirmative action policy.

## BEES PROJECT FUNDING

The BEES project is currently funded by USAID, which is known to have provided important inputs for the development of more effective and efficient support for the micro- and small enterprise sector in a large number of countries. It has funded widely known MSE-programmes such as PISCES, which greatly contributed to the development of relevant and sustainable models for micro-credit lending, ARIES which looked at different institutional models for MSE-development, and GEMINI which introduced the "sub-sector analysis". As the BEES project is aiming to develop innovative mechanisms and instruments for the building and strengthening of the capacity of MSE-support organizations clearly falls within this illustrious tradition.

In its pilot phase over the past two years, BEES has experimented with different approaches. It has come to understand the -changing- context of MSE-development in South Africa. It has made contact with an impressive number of organizations and made a name for itself as an important player in the market of MSE-support. For the funds invested in these efforts to bear fruit, and achieve maximum impact of the activities initiated, more time as well as follow-up is needed.

There is no doubt that there is a continued need for a project such as BEES. The Evaluation has concluded that indeed BEES fulfills a gap, as presently no other organization or programme is providing institution building services similar to BEES. This is all the more important as new MSE-development organizations are sprouting up in large numbers, and they are clearly in need of organizational development. Without any exception, all the observers contacted by the Evaluation Team feel that there BEES should remain an important actor in this area, especially since the MSE-sector is expected to provide many more job opportunities in the immediate future. Now that Government policies and structures are emerging, it is necessary to build up an effective capacity in MSE-support organizations outside the government sector. This will enable them to play their roles as partners in fostering the development of the MSE-sector, and to adequately deliver relevant services, according to the 'White Paper', the GoSA sees its role merely as a facilitator.

Moreover in the longer run the BEES project can be expected to provide important lessons and models for the building and strengthening of MSE-development organization in countries neighboring South Africa, where the MSE-sector will possibly be called upon as a major employment provider for a long time to come.

In view of these arguments *the Evaluation Team strongly recommends USAID to (re)consider further funding for the BEES project.* The Team is confident that in case it is decided that such a project does not fit within the new framework of its activities, other interested donors will be found to enable the project to carry on the job it has started to do so well.

## PREFACE

Project evaluations require a concentrated effort and the active support of many

The time allotted to project evaluations is usually short relative to the large number of parameters within which the project has been designed and implemented, and to the effort that the project staff have put in to getting to know the right people, establishing working relations with counterpart organizations and initiate the various project activities. Certainly in this case, the evaluators, especially those from abroad, are bound to feel modest as to their success in understanding and appreciating the complexities of the context in a country which has changed so radically over the past years. At the same time, it has also been a fascinating time, to get acquainted with the 'new South Africa'. Indeed, it is only fair to say that for the Evaluation Team, the BEES evaluation has also been a very interesting exercise, while it has also been a learning experience.

The Evaluation Team wants to express its gratitude to the project team for all their support and frankness. Special thanks go to both the BEES project directors, Martin Manala and Kevin Kane, for their stamina in trying to answer all our questions, Bob Richards foremost as "the organizer of the last resort", to Peta Qubeka for sharing her ideas on the Resource Centre, and to Miriam Kondowe who had the difficult task to tailor-make the programme for the Evaluation Team.

We also want to record our deep appreciation to all the practitioners working with MSE-support organizations, and the micro-entrepreneurs whom we have interviewed. The Team would like to acknowledge that we are very impressed with the dedication, expertise and vision, and collaboration shown by all of you.

Project evaluations are an interesting phenomenon. They are an exercise in which stock is taken of the progress is made in the application of one of more methodologies for technical assistance. A moment to indicate some 'lessons learned'. However, it is common knowledge that all too often the results of project evaluations are felt to be sensitive and not be made available to others. In this way, valuable experiences that have been gained cannot be used in other projects and as a result technical assistance is progressing unnecessarily slow, often seeming to 'reinvent the wheel'. The authors of this evaluation report feel that the BEES experience is relevant to many others and hope that indeed the 'lessons learned' will be disseminated in one way or another to a broader audience.

BEES Evaluation Team

Braamfontein  
14 November 1995

## 1 INTRODUCTION

From 16 October to 10 November 1995, an international team contracted by PACT carried out the evaluation of the 2-year pilot phase of the Black Entrepreneurship and Enterprise Support (BEES) project in South Africa. The project, which is funded by USAID, aims to build and strengthen the capacity of local organizations to support micro- and small enterprises (MSEs). It formally started in September 1993 with the signing of the agreement between PACT and USAID, in the meantime the project has been extended by 6 months, to end in February 1996.

The key questions given to the evaluators for review cover the following areas: the design of the project, the 'institutional development' of the project itself, BEES' service provision, and the project's interactions with the Government of South Africa (GoSA). The 'Evaluation scope of work' clearly indicates the interest of BEES to be evaluated from both the perspective of how BEES was designed and has performed in the -changing- circumstances, and from the perspective of how a support facility as BEES should be structured (eg. what services should it provide, how and to whom) in the future, assuming that it will be needed. Please refer to ANNEX-I for further details on the Scope of Work of the Evaluation.

The Evaluation Team consisted of the following members:

- Hans Christiaan Haan (TOOLConsult, Amsterdam), service delivery and team leader,
- Prof Karega Mutahi (Ministry of Research, Technical Training and Technology, Kenya), relationship between BEES and the South African national and provincial government,
- Ms Angela 'Pinky' Mashigo (MSE consultant), nature and constraints of the MSE-sector and MSE-support organizations in South Africa, and
- Dr Dorothy McCormick (Senior Research Fellow at the Institute of Development Studies University of Nairobi), development and functioning of BEES as an institution.

For its work, the Team adopted the following methodology:

- review of design documents <sup>1/</sup> (see ANNEX-II)
- repeated discussions with BEES project team and representatives of donor (USAID)
- interviews with persons representing designers, clients and implementors, first in Gauteng, subsequently in Durban, Eastern and Western Cape (see ANNEX-III for a list of persons met by the evaluators and ANNEX-IV for the interview guidelines used)
- field visits to contact some of the ultimate beneficiaries, ie. micro- and small entrepreneurs.

The work of Evaluation Team was somewhat hampered by the fact that not all the members were available for the full period of the evaluation, as a result, the team paid visits to the

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<sup>1/</sup> In the Scope of Work of the Evaluation Team a dual approach to the evaluation of the BEES project is announced in which the assessment of the Team is complemented by an institutional case study of the BEES project to be carried out by the staff of James E. Austin & Associates. Unfortunately this study was not finalized at the time when the Evaluation Team was in the country.

provinces of Kwazulu-Natal, Eastern and Western Cape in different compositions (see ANNEX-V for a detailed itinerary)

At first sight it would seem prohibitively early to effectuate an evaluation of the BEES project which has been active 'on the ground' just some 16 months the project directors only started their work in February 1994 and the Two-year Work Plan was approved by the donor in mid-July, only after which the project activities could start in earnest. Obviously in such a short time span little impact (if any) can be expected and it is understood that it is particularly the formal obligation to have an external evaluation two years after the signing of the project agreement that prompted an evaluation exercise to be organized at this time.

While it would be indeed be premature to assess the impact of the BEES' interventions - especially since it is an institutional development project so that impact results may take some time to actually show, there are two more factors which make an early evaluation of the BEES project convenient. First, it is prudent indeed to reflect on the structure and strategies of the BEES project, now that the political context for MSE-development has changed drastically with the transition in government in South Africa in 1994. The new Unity Government set out to actively promote the MSE-sector, and prepared a 'White Paper' as a start for the formulation of policies towards the sector. It is now setting up structures at national and provincial level, which were not envisioned at the time of the design of the BEES project. Moreover, the formation of a legitimate government meant at the same time that the international donors, which before collaborated mainly with non-government organizations, had to review their funding programmes in the country.

These socio-political developments in South Africa, secondly, also affected the operational strategy of USAID, especially as they coincided with a major change of personnel in the Private Sector Division. The combined effect of this was a different attitude towards the BEES project, which was no longer perceived to be fully in line with the new Private Sector Strategy. In fact, at some point the staff of the project were rather brusquely informed of the impending close down of the project.

Such an *a priori* insecurity for the funding of a pilot project before even its results have been assessed, is a somewhat awkward setting for a project evaluation. In this situation, the BEES' Evaluation Team decided to focus on an assessment of the activities and progress of the project 'on their own', ie foremost related to the assistance needs of the MSE-sector in South Africa. And if the project would indeed be found to provide services relevant for the changed conditions in the country, the Team would want to pay special attention to ways, if any, in which these services could be made more efficient and effective. It would seem that working in this way, provides the best assurance that the labours of the Evaluation Team may be useful to the project and, hopefully, to the Black micro- and small entrepreneurs in South Africa.

## 2 MSE SECTOR AND MSE-SUPPORT ORGANIZATIONS IN SOUTH AFRICA

### 2.1 Economic setting

After years of struggle against apartheid in South Africa, a united democratic, non-racial society is a reality in South Africa. However, political rights on their own do not ensure that people, especially victims of apartheid, will thrive and prosper. Rarely does economic growth filter down to the poor or to the people it is aimed for.

The South African economy is faced with a series of challenges one of which is a labour force that received very little education and is predominantly unskilled. It is an economy that embraces an extreme structural mix. Its make up ranges from the "first world development" (formal large scale enterprises), through the "third world" (informal micro-enterprise economy), which is typical of most developing countries, to the squalid shanty towns and primitive rural subsistence agriculture which ranks among the worst in the third world. With the wealth of natural resources, advanced spread of mining and manufacturing activities, sophisticated financial services and long established entrepreneurial culture, SA is in the position to strike economic success over the next decade. However, the uncertainty emanating from the transition from white rule to a democratic rule, serves as an inhibitor to both local and foreign investors. The key concerns are the violence that has reached ungovernable levels and the expectations that the black population will exert pressure on a post-apartheid government to implement excessive expansionary macro-economic policies.

It was easier during the 1970s when there was world demand for SA metals and minerals and the country was able to achieve substantial economic growth, in spite of all kinds of policy deficiencies. But as growth in major Western countries was disrupted by oil shocks and belated anti-inflation drives, SA slumped to an average real economic growth rate of less than 2% in the 1980s, below the rate of population growth, therefore causing a decline in per capita living standards. This compelled the government to change its economic thinking. A consensus emerged that fundamental restructuring was required to put the economy on a higher growth path. By the late 1980s, privatisation and deregulation were words often used by policy makers and business people in SA, as was the case in other developed countries. It seemed SA had no choice as political turmoil within the country and official and unofficial foreign sanctions were applied. Other occurrences were the disappointing gold price in the 1980s and 1990s and a number of poor agricultural seasons saw the average annual rise in real GDP slumped to 1% for 1981-1990. Real GDP declined by about 0.4% in 1991 and 2.1% in 1992. This growth rate of the economy was matched by growing unemployment in the modern sector of the economy as it soared to uncontrollable levels. Retrenchments have since become the order of the day.

The general shrinkage of employment opportunities and declining economic growth rate, force people to eke out a living elsewhere, in most cases starting a micro-enterprise. However, these attempts rarely generate enough income, therefore cannot be a viable alternative as most

enterprises tend to be survival in nature rather than successful businesses (Hirschowitz, 1994) This situation is exacerbated by the fact that SA, unlike other African economies, does not have agriculture to fall back on, such that unemployment has become a serious problem both in urban and rural areas. In the 1940s about 36% of all employment was in agriculture, but by 1980s this was down to a little more than 12%. By 1991 it was less than 10% and subsistence agriculture is actually non-existent. This has consequently led to growing poverty at all levels in SA and to a growing social unrest and unacceptable levels of violence. The sad truth is that these trends manifest themselves particularly in those strata of society in which people have no qualifications, no employable skills and are currently flocking to the cities in search of employment, housing and welfare. It therefore makes sense that entrepreneurial activity is seen as the essential source of economic growth and social development within the marginalised strata of the society, and the informal sector is relied on as a panacea for unemployment problems.

## 2.2 Micro-enterprises in South Africa

The argument to support the development of micro-enterprises stems from the fact that micro-enterprises have rudimentary forms of specialisation and division of labour. They rely on household labour, simple and direct methods of production, with limited use of complex machines and sophisticated technology. It has been argued that these enterprises make positive contribution to economic development, because they

- i) have the capacity of absorbing labour, as their method of production tends to be labour intensive, where more labour is employed per unit of capital than in large enterprises,
- ii) provide inexpensive inputs and outputs that the large scale enterprises cannot produce profitably,
- iii) are capital generating,
- iv) use scrap material thus saving on raw material which is often imported, and
- v) serve as a training ground for skills and entrepreneurship through apprenticeship development.

It is difficult to collect precise data on the informal sector, because of its unrecorded nature of the micro-enterprises in this sector. Different approaches are used by different researchers as they all start from a different premise, hence estimates vary. However, the statistics above show the importance of the micro-enterprise activity in SA. They contribute approximately 17% to the country's GDP and they absorb at least 31% of the economically active people of SA. These figures will undoubtedly increase as retrenchments in the country are the order of the day and people have to eke out a living elsewhere. Informal self-employment seems to be the immediate solution for survival.

Contribution of MSE-sector to economy in South Africa

<u>Employer</u>	<u>Number</u>	<u>Percent*</u>
State	2,0 mil	14%
Large enterprises	3,4 mil	23%
Informal sector	3,5 mil	24%
Subsistence	1,0 mil	7%
<u>Unemployed</u>	<u>2,0 mil</u>	<u>14%</u>

\*Percentage of 1993-estimates of Economically Active People

Contribution to GDP

State	16%
Public Corporations	13%
Large enterprises	25%
Small enterprises	29%
<u>Informal sector</u>	<u>17%</u>

Source SBDC Annual report, 1995

One of the most striking features of the informal sector in South Africa is the relative absence of manufacturing activities. Liedholm's (1991) study on micro-enterprises in SA found that 16.9% of the enterprises surveyed in Kwa-Zakhele (Port Elizabeth) and Mamelodi (Pretoria) were manufacturing micro-enterprises and the Women's Health Project (1992) study of micro-enterprises in Griffiths Mxenge Town 3 Khayelitsha, counted 124 informal activities, of which 5 were only manufacturing activities. These statistics compare poorly with statistics from other developing countries, where small-scale manufacturing dominates the activities in the informal sector. For example, manufacturing activities comprises the following percentages: 36% in Maseru (Lesotho), 45% in Kenya, 32% in Abidjan (Ivory Coast), 47% in Freetown (Sierra Leone), 32% in Niger City of Maradi (Manning and Mashigo, 1994 - quoted from Charmes 1991 and Lubell, 1991).

The numerically significant components of the South African black informal sector are street traders, spaza shops and hawkers. These activities have limited potential for expansions and are overwhelmingly undertaken as survival strategy in order to earn a living in the face of extensive unemployment. This relative absence of productive activities may to a certain extent be the result of the restrictive policies of the apartheid regime, which did not create an enabling

environment for the micro-enterprises. Policies of "One Bantu One Business"<sup>2/</sup> as well as "Moneyed Bantus"<sup>3/</sup> to be relocated to the homelands if they are engaged in productive activities, had serious consequences to the growth of micro-manufacturers in SA.

The same can be observed in rural areas, although the problem is more acute. People in the rural areas were deprived of educational opportunities, which has resulted in the lack of creativity and self-confidence to embark in any activity that will alleviate their poor status. This has caused them to earn a living by engaging in informal retailing of finished goods, instead of manufacturing the goods themselves. This is being exacerbated by the lack of interest and support from the government, donors, private sector as well as NGOs - who are primarily perceived as being on the ground. Therefore, there are no support systems in place to assist emerging entrepreneurs, hence there is a death of informal activities in the rural areas.

The history of black business in South Africa reflects political and economic repression of blacks and the contradictory processes generated under South Africa's racial form of capitalism. The government attitude towards the sector has been a plethora of laws ensuring that black enterprises do not compete with white businesses on an equal footing. It was only at the Carlton Conference in 1979 that the government changed its attitude towards the SMME sector. The then Prime Minister P W Botha and representatives from the private sector convened a meeting to find common ground in their approach to socio-economic and political development in South Africa. The result of this conference was the commitment to the development of the SMME sector as a whole, specifically to promote black manufacturers in the township.

### 2.3 Constraints facing MSEs

Reasons for the underdevelopment of the sector can be grouped into two categories, the internal (those that the entrepreneurs can control) and the external (those that the entrepreneurs cannot control) constraints.

#### *Internal constraints*

It is said that lack of management competence amongst the micro-enterprises in SA, stems from insufficient educational background and other basic needs. Estimated per capita expenditure on white pupils in 1980/81 was R 1 021 compared to R76 for black school pupils. From these figures implications are clear. There was inadequate training, knowledge of business and management expertise and skill. This in turn led to a limited knowledge and insight into various important aspects of business such as marketing skills and production skills. Therefore education

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<sup>2/</sup> In the 1950s the Ministry of Bantu Administration was given exclusive rights to grant permission for issuing or renewal of any business licenses. At this point they embarked on a strategy of "one man one business".

<sup>3/</sup> Circular Minute A2/1 A8/1 of 1963 issued by the Department of Bantu Administration and Development to local authorities explicitly forbade (Bantu) blacks from participating in any form of productive activity in the urban townships. Those termed as "moneyed Bantus" had to be given incentives to relocate to homelands.

in SA needs to introduce entrepreneurial education, which will sensitize the young people to business possibilities within the economy of South Africa

In other countries informal sector studies argue that a majority of self employed people in the informal sector enterprises acquired their skills on the job, as workers in the formal sector or as apprentices in the informal sector rather than in formal vocational training centres. They have voluntarily left their employment to set themselves up. SA has not been in this fortunate position. Most participants within this sector were pushed to it as a survival strategy dictated by poverty, rather pulled by entrepreneurial ambitions. Although skills deficiency is an internal constraint, the forces affecting the entrepreneur are external, hence locking micro-entrepreneurs in a vicious circle

#### *External Constraints*

In general, South Africa's economy reveals an oligopolistic pattern of market control and a concentration of ownership among conglomerates. The SMMEs sector find it difficult to compete with the conglomerates and barriers to entry are high for them as there are few market niches for them to explore. There is a clear need for the economy to be restructured, to pave way for the development of SMMEs

Other than being squeezed by the economic structure, a number of impediments face the micro-entrepreneurs in South Africa. These impediments come in different forms, referring to adverse regulations and laws, a lack of access to crucial services such as, for instance, credit, and a lack of information about how to run businesses. These constraints can be summarized as follows

- State policies have prevented blacks from gaining access to property rights. It was only in 1985 that blacks were able to own property, at first restricted to the townships, and only later opened to all areas. Lack of this security, to a large extent, prevented blacks from accessing loans, as they could not meet the collateral requirements set by the financial institutions
- Black urban areas were regarded as dormitory towns and not as areas where industrialisation or commercial growth should take place. As a result there is a glaring shortage of adequate business facilities such as workshops, factories and telephones. Soweto, for instance, was only electrified in the early 1980s, as compared to the metropolitan white towns that were electrified as early as 1910. Telephones for ease of communication are still not widely installed in the townships compared to the white suburbs. In some townships, roads have not been built at all or they are not adequately maintained. This makes communication for entrepreneurs in the townships impossible
- To improve the quality of production, the micro-enterprises need to adapt to available technology, therefore information on technology need to be channeled to micro-enterprises. In South Africa there are no channels set up to transfer technical knowledge to micro-

enterprise and technology is mainly developed with the large scale enterprises in mind <sup>4/</sup>

The constraints outlined above are by no means the only ones affecting the MSE-sector. Only those perceived as major have been highlighted, to give an indication of the constraints facing MSEs in South Africa. They point to a need to develop programmes that will assist the micro-enterprises to grow into sustainable businesses, as well as creating an enabling environment for them to thrive. The challenge then is to identify specific programmes that will begin to address the problems of the sector. Such programmes should begin by preaching the word of entrepreneurship, diagnosing the problems and identifying bottlenecks, and designing meaningful interventions that help micro-entrepreneurs to overcome the constraints. These programmes have to be clear on what are effective strategies and instruments for the development of entrepreneurship within the sector.

#### 2.4 Services provided to MSEs

To nurture the development of entrepreneurship, certain services need to be provided. Experience has shown that if the operating environment is hostile to the development of micro-enterprises, it makes little sense to mount costly programmes. To aid the development of the sector, in 1981 an initiative sponsored by the State and the private sector was established, known as the Small Business Development Corporation (SBDC). Its responsibility was to stimulate SMME amongst all racial groups. The two parties pledged R60 million each to kick start the process, but the SBDC became a primarily private sector controlled company <sup>5/</sup>. During this decade the state embarked on a process of relaxing all restrictive laws and regulations, barring the growth of African SMME development and it was known as the "Deregulation Process". As this process was on-going, a range of institutions were introduced in an attempt to foster black business development.

The proliferation of such institutions was to resuscitate the development of black businesses. Reasons for these institutions being established ranged from a need to create jobs, a belief that the micro-enterprises sector has a potential to stimulate the South African economy, and a notion that black entrepreneurship had to be promoted and a platform provided for black business people to lobby. The translation of these commitments into actual activities proved to be a difficult process. These organisations work primarily in an uncharted territory and need constant monitoring and evaluation before further activities are developed.

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<sup>4/</sup> It is only recently that CSIR has taken a different stance and is starting to look at developing technology for this sector in collaboration with the Business Development Programme (BUDS), which is in the process of developing Local Business Services Centre (LBSCs) and Manufacturing Technology Centres (MTCs).

<sup>5/</sup> The government was the silent partner in this initiative. It only channeled funds to this organization without any conditions attached. Therefore the directors who primarily came from the corporate world had a free hand in operating this corporation.

Diagram 4 Outline of MSE-organisations in the townships (Pre 1994)

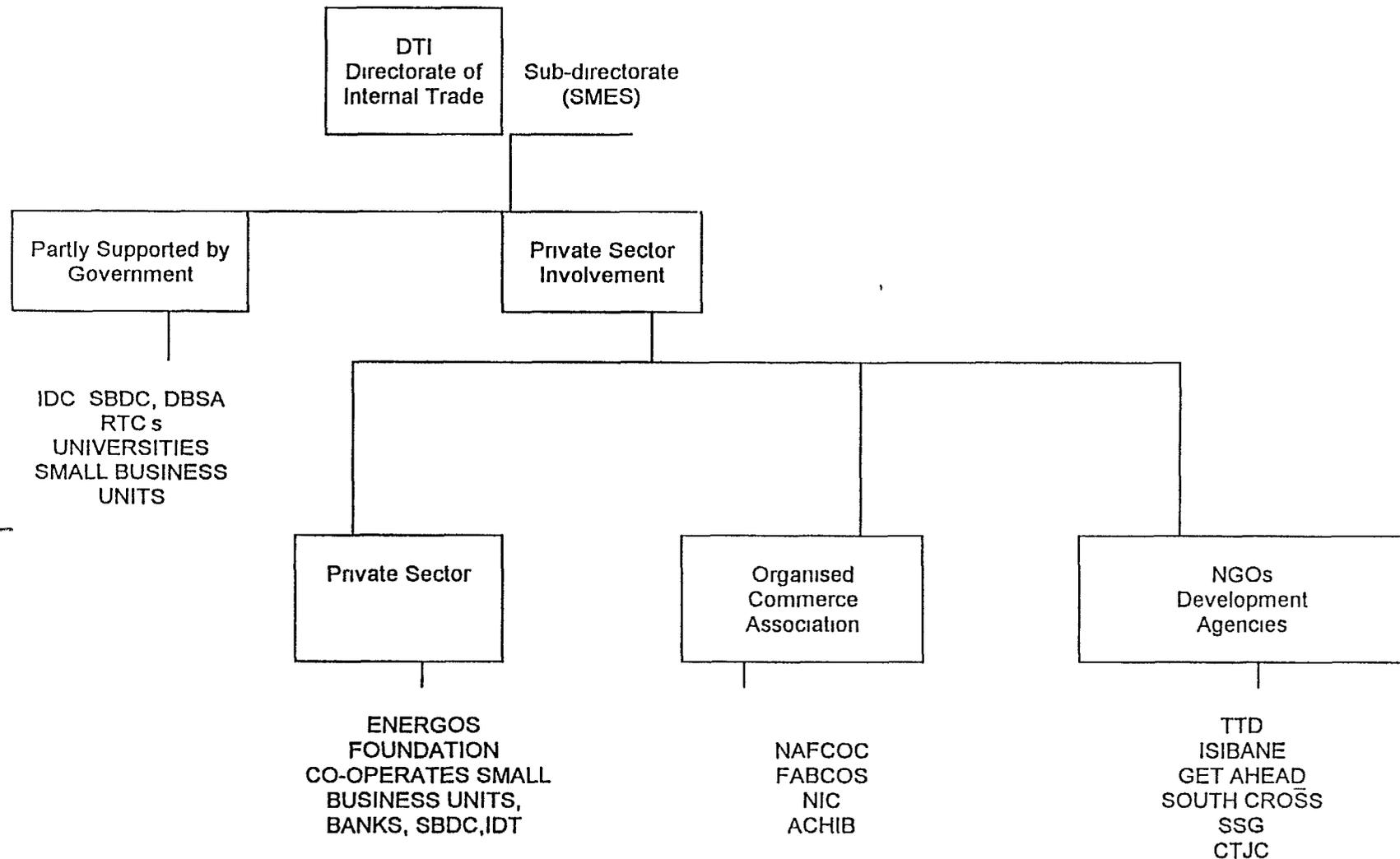
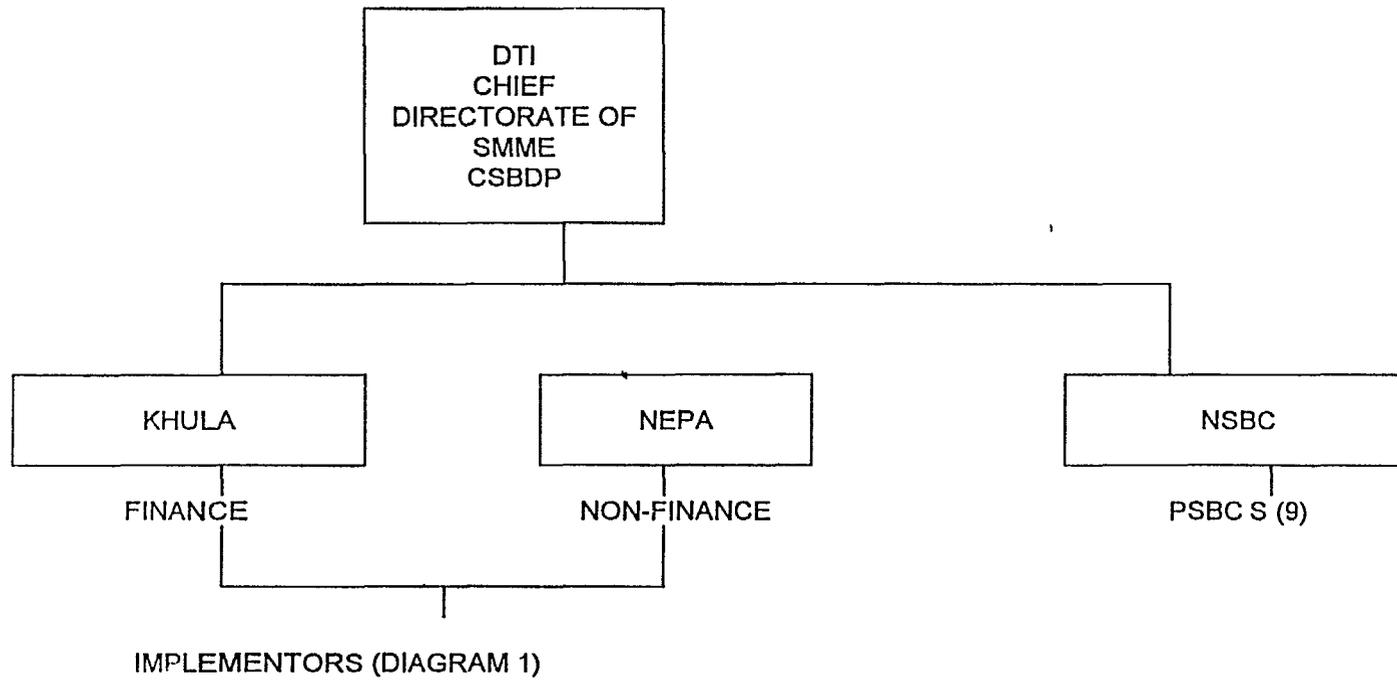


Diagram 2 DTI organigramme (from 1994 onwards)



These institutions then provided a variety of services, such as loans to entrepreneurs, training in both technical and business skills, access to business information, and business counseling and mentoring services. Diagram 1 shows how these organizations were organised before 1994 when the Department of Trade and Industry (DTI) was largely ineffective. Since then, the Department has committed itself to the development of the SMME-sector and important changes have been effectuated in its organization (see diagram 2). Its re-newed commitment can be seen from the formalisation approval of the White Paper, the establishment of KHULA Finance Facility, Ntsika Enterprise Promotion Agency (NEPA) and the National Small Business Council (NSBC).

The structure of these organisations is impressive and seems highly developed. Governing this structure is the Department of Trade and Industry, which at first did not play a dynamic role. Its function was mainly to channel funds to the organisations that were government funded. Today, this institutional framework (as shown in diagram 2) has changed and the Government of National Unity has now committed itself to play a more active role to support and promote the MSE-sector. It is therefore faced with a formidable task of building a micro-enterprise sector from a very weak base, and all eyes are now on the newly created government organisations, NEPA, KHULA and NSBC to deliver.

A warning needs to be sounded here with regard to the activities of these organisations, which should be based on a clear division of labour, in which the government is the facilitator while NGOs and other private sector organizations are responsible for the design and the implement of MSE-support programmes (see also chapter 6). Within such a situation, both the GoSA and the NGOs/ private sector should carefully monitor the progress in developing the MSE-sector (eg both should conduct internal and external evaluations of their own activities).

## 2.5 Problems facing non-governmental MSE-organisations

These support organisations have in most cases clearly defined areas of interventions within the micro-enterprise sector. They are, however overwhelmed with need but are often sidetracked. They would do whatever is necessary to assist a client. Therefore support in most cases had to go beyond the organisation's brief in order to help the clients solve their problems. Also the fact that their objectives are broad, e.g. job creation, tends to lead them to act in varied ways thus deviating from their initial intended purpose.

An analysis of the institutional framework points to a common problem across different types of support organizations: limited capacity to effectively implement their programmes. They have few staff who often possess inadequate skills. Operational systems are very basic and need to be updated, often they are unable to support the organisations in delivering efficient and effective services to its clients. This unfortunate situation puts clients in a precarious position where lucrative business opportunities are lost due to delays in processing assistance, such as, for example, loan applications.

Further analysis show that programmes are designed from different perspectives. Sometimes the intervention, in an attempt to look business-like, is pitched at a high level, such as in the case of training courses for business skills that are offered in training centres rather than on-the-job. Training modules tend to be designed in a vacuum without any necessary involvement of the micro-enterprises, and often inappropriate materials and equipment are used. Such an approach distances them from the group they are supposed to assist. In other cases, the intervention is different. The staff dedication to the sector tends to make them flexible in their work which puts them in an advantageous position to induce trust and co-operation from micro-entrepreneurs. However, their 'social orientation' often leads them to be generalists, who lack proper understanding of business management issues and other factors important in making enterprises thrive. They therefore lose the opportunity of understanding or gaining expertise on a particular need within the sector, be it training or credit.

There is little networking among the MSE-support organisations, and there is hardly any sharing of information on clients and operations. This lack of co-operation and co-ordination of activities is causing problems for both clients and organisations. Organisations do not refer clients to other organisations, even when clients require services they do not offer. They would instead attempt to help even when there is a better product elsewhere. As a result clients do not receive appropriate support to enhance the status of their businesses.

Because of these factors organisations tend to locate themselves in easier options, which Tendler (1995) refers to as 'default options'. Most of these organisations focus their support to retail activities rather than productive activities. According to Tendler (pg 1-2) they do it for the following reasons:

- Retail activities lend themselves better to a generic approach than services and manufacturing, and, for instance, marketing courses offered to retailers have less general use for manufacturers.
- retail activities by definition have to be out in the open therefore easy to locate.
- in the case of retailers, the collateral problem is more easily resolved than with manufacturing, because collateral is embedded in the firm's inventory.

In summary, what has been learnt from studies and interviews is that the micro-enterprise sector is vast and varied, covering a range of trades and incorporating a large number of people from all segments of the society. Given the difficulty and magnitude of the tasks facing these organisations, it is not surprising that they have tended to orient themselves to the relatively easier activities within the micro-enterprise sector. They are biased towards urban rather than rural, tend to focus and provide more support to retail and service activities than to manufacturing activities. Support given ranges from the provision of a full package to a single input. According to Carr (1989), a single input approach may be more simple if valuable assistance can be delivered relatively quickly, whereas provision of a whole package of inputs to a diversity of micro-enterprises, can be costly and incapable of reaching out to clients.

Other problems observed within these MSE-support organisations are

- they lack an understanding of the dynamics of the sector since their programmes are not

regularly reviewed and evaluated

- programmes are often created in isolation and are not designed in collaborative manner with the beneficiaries earmarked and are therefore unable to adequately fulfill the need
- programmes do not take into cognisance lessons learnt from other countries that have experineces in the development of micro-enterprises, even then, programmes tend to be adopted rather than adapted, thus failing to meet the specific needs faced by the South African entrepreneurs
- as a result of the attitudes of directors, the programmes often do not meet the needs of the sector - the programmes are in most cases supply-driven rather than demand-driven
- there is no sharing of information amongst all the programmes, as they tend to operate in isolation rather in a collective manner
- isolation has denied South African MSE-practitionors exposure to tested and successful ways of running micro-enterprise programmes that are sustainable and, at least to certain extent, self-reliant, covering part of their operational costs MSE-programmes in South Africa rely to a large extent on donor funds, and without such capital injections they would die an early, natural death

These problems show that many of these organisations lack the understanding of the sector, as well as a capacity to design and run successful programmes There is therefore a need to

- bring these organisations together
- expose them to other programmes and best practices elsewhere
- build the capacity of support organisation to run/deliver these services in such a way that the needs of the sector are fulfilled
- advocate more support to create an enabling environment for these organisations

The need for capacity building within the sector is a priority Non-governmental organisations are now facing new challenges The White Paper also puts immense pressure on NGOs to be able to design and implement programmes realising outputs within a given period of time Donors on the other hand are not willing to give money to NGOs, most are signing bilateral agreements with government, which means that funds for NGOs have dried up If donors are interested in NGOs they have stipulated conditions that need to be met before they consider their applications Some of these conditions are

- NGOs need to generate their own income
- NGOs need to embark on innovative strategies, translating lessons learned from other countries to meet the needs in SA, such that they are able to have a visible impact within the sector, that is, setting up goals, outputs, activities as well as indicators of success
- NGOs are required to constantly monitor and evaluate their activities
- NGOs engaged in the same activities are expected to collaborate and work together to eliminate any duplication and avoid pitfalls

Without any help in building the capacity of NGOs, they will not be able to achieve the requirements mentioned above NGOs need to have institutional capacity to run such programmes as well as capacity to be innovative in developing and delivering these programmes effectively and efficiently

### 3 PROJECT DESIGN

#### 3.1 Project history

The design of the BEES project started in 1993 when a team of local consultants recommended to USAID the creation of a "Microenterprise Development Support Facility" (MDSF) in South Africa. The main underlying notion was that existing MSE development organisations in this country, such as some commercial banks, NGOs providing credit and training, community-based organisations, and business and trade associations (eg Chamber of Commerce), which had not been in a good position to be in contact with developments elsewhere, would significantly benefit from exposure to 'best practices' and field experiences in the area of micro- and small enterprise development (see O'Regan *et al.*, 1993)

The design team felt that "the key problem at present is the lack of adequate second-level organizations to respond to the diverse array of informational, technical and training concerns of both individual service and credit organizations and the networks" (*ibid*, pg 9). It was therefore suggested for MDSF to engage in

- directly assisting South African organizations in needs assessment, planning and the promotion of networks and other self-directed upgrading processes
- developing an Information Resource Centre, with double functions as an information centre/ library on MSE development and an electronic communication system for local organisations with access to international technical information and exchange
- facilitating international travel and the establishment of external linkages by South African organizations, through study tours and specialized/international work experiences
- facilitating staff interchanges and forums, as well as locally-based and international consultancies for training and technical assistance

The institution building assistance was to be provided at three levels: (i) specific techniques and methods, (ii) strategic planning and critical reflection, and (iii) organizational development.

Furthermore it recommended that MDSF should

- both in structure and in staffing evolve into a supportive partner in the SA context
- maximize its impact and establish its credibility by focusing on early results and therefore work through existing organisational networks, and focus on the areas of the provision of credit and training

#### 3.2 Project document and agreement

In the proposal which PACT submitted to USAID (see PACT 1993), all the elements from the 'design paper' discussed above were taken up. Emphasis was put on the innovative character of the project which was "to test-out strategies and approaches that show promise for stimulating

and promoting Black-owned MSEs in South Africa while upgrading the capacity of existing South African MSE-support programmes, or the encouraging of others" (pg 1) It was felt that "a two-year pilot project is an appropriate and cost-effective means for identifying the issues that are unique to South Africa that USAID would need to address in a multi-year MSE-support project"

In the analysis of the project proposal, the main problems of MSE-development in South Africa were

- Blacks were historically actively prevented from starting businesses
- as a result, no pervasive "business ethic" has been developed in the country
- the Bantu education system further impeded the development of a Black-business sector
- the major impediment to a widespread development of Black-owned MSEs is formed by a crippling credit gap
- only a handful of MSE support agencies (parastatals, private sector banks, business support organizations, NGOs and community-based organisations) have emerged, many of which are facing constraints, some of the NGOs have a mixed reputation for being able to provide the type of support Black entrepreneurs and enterprises need
- Black entrepreneurs at times regard these organisations with a certain degree of cynicism or distrust

The goal of this Black Entrepreneurship and Enterprise Development (BEED) project would be to empower Blacks to create wealth and jobs through micro- and small enterprises by identifying promising approaches for stimulating Black-owned MSEs. The purpose of the project would be to address the national Black unemployment problem, and in doing so deliver services that benefit Black women as well as men

The objectives of the pilot project were then formulated as follows

- 1 To strengthen existing MSE-organizations that provide technical and financial services to emerging Black micro- and small businesses and entrepreneurs
- 2 To identify and document new effective approaches to empowering Blacks through the development of MSEs
- 3 To strengthen linkages between Black MSEs and community-based organisations (CBOs) as well as other entities (such as churches, etc )
- 4 To develop an ethic and awareness within the Black community that will result in Blacks starting new and viable businesses
- 5 and 6 To expand access to credit and capital sources, especially from Black-led financial institutions, major commercial banks, and NGOs, for Black entrepreneurs and business (wo)men

- 7 To expand access to international models of, and expertise in, MSE development, and to technical resources that will support the formation of Black-owned MSEs in SA

To this end the project would undertake activities in three "primary areas of programmatic operations" (i) expanding organizational capacity of MSE-support organizations and commercial banks, (ii) establishing a Resource Centre that will cater especially to the needs of the Black-owned MSE-sector in South Africa (including business support organizations, researchers and commercial banks), and (iii) expanding the links that support organizations have inside the country and externally to build a strong knowledge base of innovations, approaches, and lessons learned which could strengthen the South African MSE-sector

The organization and implementation of the BEES project is government by the agreement that was concluded between the donor, USAID, and the contractor, Private Agencies Collaborating together (PACT) in September 1993. The Agreement largely follows the project proposal, creating a two year pilot project with a budget of US\$ 3,490,569. The agreement foresaw the immediate recruitment, and, within a period of two months, the preparation of Program Management and Implementation Plan, the core feature of which would be an annual institutional development strategy

### 3.3 BEES Initial Two Year Workplan

The start-up of the project was delayed by some 4-5 months as the project staff only came on board only in February 1994 (as is actually foreseen in the Project Proposal). The first months were spent on the preparation of the Work Plan, during which discussions were held with over 70 MSE-organizations and practitioners. The Work Plan which was presented in June 1994 and approved by USAID one month later.

The main thrust of the Work Plan are 4 elements which refer back to the Project Proposal and the Project Agreement, and are now formulated as

- 1 Increasing the programme effectiveness and impact of key types of MSE-development organizations, such as advisory centres, training organizations, credit providers, university Small Business Development Centres, membership associations, alliances of MSE-practitioners, "best practice organizations", and "promising organizations operating at a limited scale"
- 2 Institution building through the development of management and operation systems
- 3 Sector capacity building for advocacy and research, together with the development of innovative activities in MSE-support in areas that so far have received little attention, such as entrepreneurship education, technology adaptation and development, in-service skills training, squatter communities, and detailed knowledge of sub-sector needs and potentials in the manufacturing and service sub-sectors

- 4 International interaction, such as exposure to MSE-practices and approaches that elsewhere have been proven successful, pilot activities based on those practices/approaches, collaboration between specialized agencies, especially in Africa, and staff exchanges, again particularly in Africa

The Work Plan furthermore adopted a number of themes

- a regional priority areas, which will be selected on the basis of poverty and the greatest needs for economic empowerment and employment creation (Northern Transvaal, Eastern Cape and Kwazulu/Natal), and for population concentration, and economic and employment creation potential (Guateng, Western Cape/Cape town, and KZN/Durban)
- b preparation of blacks for senior management positions
- c increased gender equity in staffing and programme beneficiaries
- d development of black-led organizations
- e national exchange of resources and expertise

### 3 4 Assessment

The designers of the BEES project correctly identified capacity building of MSE-support organizations as an important area for technical assistance in South Africa to further develop the sector of micro- and small enterprises. The MSE-sector is expected to contribute towards the creation of a large number of jobs in the coming years, and is to provide an effective vehicle for the empowerment of the black population. The documents leading up to the project are indeed accurate and consistent in their analysis.

The strategy in the project design, which is not always made explicit, appears to be to bring MSE-support organizations together and to improve their internal and external effectiveness, by providing them with various sorts of technical assistance and also by exposing them to international experiences. During the two-year pilot phase, BEES would experiment with different approaches, it was expected that after this period, in which the project would find its feet and experiment with different approaches, an implementation phase of 3-5 years would follow.

This overall framework has been proven correct and effective. As a legacy of the apartheid era the MSE-sector in South Africa is particularly under-developed (eg relative absence of manufacturing activities), while at the same time there is a serious lack of relevant services available for the MSE-sector (see Chapter 2). Especially in the last decade, a large number of MSE-support organizations have come up, but they tend to be small and weak. In particular they are in need of exposure to information and first-hand experiences of approaches that have been tried in other countries. Again as a result of the recent past, very few of the MSE-practioners have been in a position to travel and get acquainted with the successes and failures of MSE-policies and programmes outside the country.

Moreover, the socio-political situation under apartheid led to an increased level of distrust even among non-government organizations. There is little inter-action and exchange of experiences.

and even less collaboration. In such a situation an external force is often in a better position to break down walls, initiate relationships and suggest ways to work together.

The positioning of BEES within this context was indeed such that it is generally seen as unique in South Africa, as no other organisation or programme is providing technical support to MSE-development organisations in the country. It can be said that the project fills in a void by building and strengthening local capacity for the delivery of services that are crucial for the future development of micro-enterprises and -entrepreneurs.

At the same time it should be noted that the project design has a number of deficiencies:

- the Project Proposal and Agreement suffer from an overdose of objectives (some of which rather concern 'means' rather than 'ends'), resulting in a mandate that is way too wide for a technical assistance project with only a limited timespan and few staff.
- there is a certain ambivalence in the project design as the project is to be both "innovative", introducing new models for MSE-promotion, and to provide more "regular" assistance for capacity building of MSE-organizations, these two aims are not necessarily overlapping.
- there is a serious flaw in the design of the project when it comes to staffing: while there are two directors, there is no 'middle level' operational staff to implement and monitor the assistance activities that they have designed.
- the design of the project is insufficiently operationalized. For instance, no criteria are given for the selection of the MSE-support organizations that will participate in the pilot phase of the project (they "will be developed by PACT with input from advisors and USAID, as appropriate"), similarly the way in which the operation of the Resource Centre is foreseen does not become at all clear.
- the project document has no instrument built-in that would ensure an adequate level of 'ownership' for the BEES' activities among its clients.

Unfortunately, the project did not use the occasion of the preparation of its Two-year Work Plan to rectify the design errors and especially to dress down the objectives and activities to be undertaken, it integrally includes the objectives and expected outcomes from the project document. In fact, in a way the problems of diversity and work load are aggravated, as the Work Plan adds new concerns (eg. the themes) without limiting the scope of work.

This can be seen clearly in the listed projected outputs. For instance, it is envisioned that

- 35 MSE-organizations have been assisted in at least 2 areas, such as institution building, programme improvement/expansion, operation systems development, sustainability analysis/ planning, human resource development, and 20 of them have documented improvements and/or expansion in client/member services.

- 10 small-but-promising MSE-development organizations have been provided with mentoring, technical and development assistance to rapidly improve and expand their services, 6 of them have achieved this objective
- 3 MSE Practitioners Alliances have been formed at national and regional level, and are operating effectively

These are only some of the outputs listed in the Work Plan, all of which would probably be heavy task to achieve for a project with twice as much staff as BEES in period considerably longer than the two-year pilot phase of BEES. Referring to the objective of the pilot phase to experiment with different approaches, the Work Plan may have well decided on far lower expected outputs

In sum, BEES, rather than one straightforward project, would appear to have become an umbrella under which activities take place that easily could have been the object of 3-to-4 separate technical assistance projects, such as (i) research to support the government in the formulation of MSE-policies, (ii) technical assistance to strengthen local MSE-organizations, (iii) organization of study tours to expose policy makers, researchers and MSE-practitioners to experiences gained elsewhere, and (iv) the setting up of an MSE Resource Centre

The next chapter will take a closer look at the services provided by BEES in these areas. Also, some other issues which are in some ways linked with the design of the project, such as strategic project planning, role of the Advisory Committee, and monitoring & evaluation of project activities, will be taken up later on

### 3.5 Changes project context

Since the BEES project was designed in 1993, a number of dramatic changes have taken place with regard to the context in which the project operates

A first change concerns the area of MSE-policies and support structures. Following elections in April 1994 and the entry of the Government of National Unity, the Government of South Africa (GoSA) has taken a much more active interest in the development of the MSE-sector. It prepared and had discussed a 'White Paper' on a National Strategy for the Development and Promotion of Small, Micro and Medium Enterprises (SMME) in South Africa and is now in the process of putting in place structures to implement this strategy (see Chapter 6 for a discussion of government policies). All this meant that for BEES there was an unexpected need and opportunity to extend its capacity building activities to include the government sector, this was in fact, at particular moments actively encouraged by the donor. In the end, project indeed delivered a number of services in relation to the formulation of MSE-policies: policy research carried out at WITS, contributions to the DTI-workshops on the 'White Paper' and the formulation of submissions by MSE-organizations, and, finally, the secondment of one of the BEES' directors to NEPA.

A second diversion to the straightforward implementation of the project document, was constituted by changes in the staff and the policies of the BEES' donor, USAID. With the exit of the persons involved in the design of the BEES project and the change to new policy objectives by the new staff, the relations between the project staff and the donor changed significantly. It became clear from (public) statements from the officials from the USAID Private Sector Division that the project would probably not be extended into the expected implementation phase. In fact, at one point the BEES project team was made to understand that the project would have to 'unbundle' and give off its activities to other organizations as it would be closed, at other times the idea emerged that BEES would be re-located in NAFCO or merged with NEPA. In addition to causing severe job insecurity on the part of the project staff, these noises from the donor tended to distract from regular project implementation.

The latest example of interference from donor politics in the implementation of the BEES project is formed by the request for BEES to temporarily administer a US\$ 2.5 million NGO Grant Facility on behalf of the GoSA. Even though it can be appreciated that practical solutions need to be found when the appropriate funding channels are not yet in place, and it even can be taken as an indication of the trust that the donor has in the administrative capacity of the BEES project, it still has to be observed that this additional function may disturb normal BEES operations. For example, the Evaluation Team was already informed that this grant facility, even though BEES will not be involved in any way in approving the grants, will probably make it easier for BEES to suggest to its potential client organizations to engage in Strategic Planning sessions, as they will -incorrectly thus- assume that this will increase their chances to benefit from the grant facility.

## 4 BEES' SERVICE DELIVERY

In the 16 months during which BEES has been active 'on the ground', the project has succeeded in initiating a large number of activities that directly or indirectly are to support local organizations engaged in the promotion of the MSE-sector. In the light of the terms of reference given, the Evaluation Team set out to make an assessment of these activities by looking at the following aspects

- the original design of the activities
- the changes in the context and the adjustments needed and/ or made in the activities
- the quality of the service delivery

The activities undertaken by BEES are of a diverse nature, covering various areas of technical assistance, and involving different types and quantities of resources. To fully understand the essence of the support that the project is offering, the Evaluation Team decided to cluster BEES' activities to build and strengthen the capacity of local MSE-development organizations in South Africa in 5 areas <sup>6/</sup>

- i) provision of technical assistance to local MSE organizations
- ii) exposure of practitioners to international models and experiences
- iii) dissemination of information
- iv) introduction of entrepreneurship education
- v) MSE-policy research and sensitization

These clusters will be first described, followed by an assessment of each of these areas and, finally, by a discussion of BEES' service delivery as a whole

### 4.1 Technical assistance for capacity building

#### Services provided

As one would expect on the basis of the project document the strengthening of the capacity of local MSE-development organizations (ie those directly involved in the provision of services to the MSE-sector, thus excluding research and education institutions removed from the 'informal sector') has been BEES' core business. BEES adopted a two-pronged approach and focused activities in this area on i) improving the internal operations of MSE-development organizations, and ii) enhancing the effectiveness of their programme outreach.

From the interviews with clients, consultants and observers, it became apparent that BEES has adopted a very flexible approach, to a large extent driven by the needs as they were communicated by the MSE-organizations to the project staff. The actual technical assistance

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<sup>6/</sup> Cf. the five elements which are distinguished in the BEES work Plan and Progress Reports. Here the elements 1 and 2 are considered together while with the title also the nature of the clusters have been changed

activities which were undertaken therefore took various shapes and colours, including encouragement and mentoring, technical advice, staff training and financial assistance

Many practitioners indicated their appreciation for the *encouragement and mentoring* they received from the BEES project staff. This would come, for instance, in bilateral meetings with the project directors, discussion ways to improve the efficiency and effectiveness of the organization, or through attendance by BEES' project staff at larger seminars and workshops. Especially noted was the ability of BEES' to bring together people and organizations, improve their communication, and initiate forms of coordination and collaboration between them.

The forms in which BEES gave *technical advice* similarly cover a whole range of possibilities. At one extreme it could be 'informal', such as in the form of observations made during encounters with the project staff, at the other, BEES would make available expert consultants to undertake a specific advisory task. In such cases, the client organization and BEES would draw up together terms of reference and select a suitable consultant from among the candidates available. The direct monitoring of the work of the consultant would be done by the receiving organization.

On various occasions, BEES sponsored the staff of MSE-organizations to attend seminars or follow *training* courses. It also organized special training events itself. The 'Human Resource Management' training given in Western Cape, for instance, was well received.

A final element, which actually already runs across the types of support listed above, concerns *financial assistance*. The BEES project has contributed funding for operational expenditures, including the hiring of staff, and particularly meetings, workshops and seminars to bring together MSE-practitioners, on occasion it even has -at least temporarily- financed the operational costs of local MSE-organizations.

#### **Client organizations**

The BEES project staff played a pivotal role in the overall design of the assistance. The project directors would select the organizations to receive technical assistance, showing great flexibility in offering support to address needs of organizations that emerged in meetings or workshops, and also by consenting to requests received. Most of the actual technical assistance that required substantive involvement was contracted out to (local) organizations or consultants.

BEES has provided capacity building services in this way to a large number of organizations. From the project reports it can be seen, albeit with some difficulty, that the clients receiving the main thrust of the institution building services of the project cover a wide array of different service providers, covering different areas and include both primary and secondary MSE-support organizations.

With regard to *services provided*, BEES is involved in the capacity building of MSE-organisations rendering assistance in the areas of credit, technical and management training, business counselling and others. Most of them are NGOs, although recently BEES has initiated

### *BOX 1 - Stutterheim Development Foundation (SDF)*

The Stutterheim Development Foundation is an interesting case of an organization working for the development of rural MSEs. SDF started in the early 1990s on various activities to initiate a process of working together for socio-economic development in Stutterheim (Eastern Cape), which is an urban area of some 30,000 people divided over 6 racially and spatially separated communities. It has now succeeded in turning around the negative thinking in the area and initiating a process in which the crucial issues of unemployment, living conditions and crime are being addressed. As part of this approach towards reconciliation SDF established a Business Advice Center (BAC) to promote and provide support for micro- and small entrepreneurs in the area. The BAC is aiming to promote small firms using local materials, such as timber, wool, hides and milk. To this end, it provides technical and business management training, although the number of people who have been trained is still small, and also engages in counselling and assistance in business plan preparation. It tries to link local entrepreneurs up with financial institutions.

BEES views the Stutterheim Foundation with its BAC as a potential model to be replicated for the support to rural MSEs in South Africa. It has therefore engaged in two kinds of activities with SDF: (i) documentation of the 'Stutterheim Experience' (see Dewar 1994), and (ii) technical assistance to further strengthen the capacity of especially the Business Advice Center (see eg Morrison and Monji 1995). This support is *inter alia* provided through the services of a short-term consultant on institutional development from Tanzania and a 4-month assignment carried out by the manager of a Business Advice Centre in Kenya. Interestingly he was made available at the specific request of Stutterheim, after the SDF participant on the exposure visit to Kenya had met him there. BEES has also agreed to temporarily fill the financial gap left by IDT and is presently funding 75% of BAC's monthly operational budget.

It is obviously not easy to improve the effectiveness of an organization while at the same time using it as a model for replication. The SDF has an interesting, holistic vision of development and has come a long way in having the community join hands for employment creation and social progress. At the same time the BAC is showing some of the particular difficulties in supporting more rural MSEs. They are especially constrained by a lack of demand for the goods and services produced, as there is wide spread poverty and no 'external' source of demand, such as large industries, tourism, etc. Another major problem that is being encountered is the lack of creativity and self-confidence when it comes to business, that often results in a lack of interest in the self-employment option (eg the BAC has seen itself forced to open a production unit to absorb the carpenters whom it had trained as they did not succeed in setting up a business for themselves). The people from the townships are only engaged in very few 'informal' activities, mostly hawking. There is no small manufacturing tradition (as before Blacks could not engage in manufacturing outside the homelands), there is an enormous lack of technical and entrepreneurial skills, and the potential customers have only limited buying power. Moreover, the MSEs in the rural areas receive little attention from the government or the donors: there are no support systems in place to assist emerging small businesses.

collaboration with the (semi-)government organisation Business Development Services (BuDS), which is formally a unit of NEPA under DTI and responsible for setting up a national network of Local Business Service Centres (LBSC)

As for the *areas covered*, most of the BEES' client organizations are serving MSEs in urban areas. Realizing the importance of rural MSEs, which arguably face a different set of development constraints implying that the organizations serving them would also have to differ from their urban counterpart, BEES has also been searching for model(s) of relevant rural MSE-support organizations. In this respect it has been working with the Stutterheim Foundation (see box-1), which is one of the few organizations in the country that provide support services for more rural MSEs.

### ***BOX 2 - Alliance of Micro-Enterprise Practitioners (AMEP)***

The Alliance of Micro-Enterprise Practitioners presents an interesting case of an upcoming apex organisation of MSE-support organizations, in this case mostly credit providers

AMEP started as an informal last-Friday-of-the-month-get-together of MSE-practitioners at the premises of CDB-WITS. At the time when BEES became involved, discussions had started on the (dis-)advantages of formalizing the activities of the Alliance. In this situation, BEES provided assistance in the form of funding for particular activities (including for secretarial services to prepare minutes of meetings) and offered persons related to AMEP the opportunity to attend a seminar on micro-credit in Harare and to participate in the BEES' exposure visits to the USA and Kenya. It is now considering contributing to the funding of the first, full-time executive director for the Alliance (and has become involved in the selection process itself). In the perception of one AMEP-member, the assistance provided was "financial and promotional, not technical". One of the BEES' co-directors is a member of the AMEP board of directors.

It is still too early to fully assess the impact of these endeavours. Already it is becoming clear that it is slow-going, as the MSE-organizations are still hesitant to come forward and share their experiences, others see 'personal agendas' playing too prominent a role. Some people involved with the Alliance feel that it is still too much of a discussion forum, while it does not provide as yet any tangible services. One even commented that the Alliance is "going nowhere" - as a result the members do not really identify with the organization. Opinions also differ on the role that BEES is playing while most of those concerned give the project credit for bringing (and keeping) people together in an effort to improve the services they provide to the MSE-sector, others feel that the role of BEES is too dominant and parenting.

One of the most important lessons learned is that the process is almost agonizingly slow, as the members, while agreeing to the general notion that collaboration is necessary, are still rather hesitant to show their weaknesses and to share information.

Most of the MSE-organizations that receive technical assistance for capacity building from BEES are to *primary organizations*, ie they are engaged in the direct provision of services to micro- and small enterprises. Interestingly, BEES has also involved itself in the creation of *second-tier organizations*, ie groupings of primary MSE-organizations that are formed for advocacy reasons or as a way to organize common services. It would appear that BEES has been a rallying point for such groupings, which in rudimentary form existed, it played a crucial role in driving the formalization process of at least two of such 'umbrella' organizations: the Alliance of Micro-Enterprise Practitioners (AMEP) in Gauteng (see box-2) and of the grouping of Micro-Enterprise NGOs (MENGOS) Cape Town.

The process through which the technical provision for capacity building activities of BEES has gone during the past 8 months, which according to one of those involved has been mainly "a period of learning". An, a-typical, example of this process can be summarized as follows:

- a consultant was hired to carry out a quick-and-dirty needs assessment (through one-morning interviews) of 14 MSE-organisations which were suggested by IDT and DBSA, it was found that these organizations were in need of assistance in fundraising, staff training in various areas and with specific technical problems (eg some of the organizations that wanted to link MSEs with larger enterprises were unfamiliar with tender procedures)
- subsequently assistance programmes were prepared for the skills upgrading of the staff of these organizations, however, this was not found to be very successful, as (i) relevant staff of these organizations, ie directors and managers, is not always keen to participate in such training as they are usually responsible for fundraising activities and are already involved in many organizational development activities (it is estimated that they on average spend more than one-third of their time on human resource development<sup>1</sup>), and (ii) the training programmes that were proposed, such as existing programmes at CBD-WITS turned out to be less appropriate as their level tends to be unnecessarily high and they are not always immediately relevant for the organizational problems that the MSE-organizations face
- at the same time it became apparent that most of the MSE-organizations were not always clear on their own mandate, often drifting time and gain into new areas, losing operational focus and ending up without distinct indicators to measure their own success, a new strategy was therefore adopted in which the clients were to participate in strategic planning workshops so as to have a unambiguous framework against which better insights on the need for assistance could be gained, after which organisational development experts would be sent to the individual organisations to elaborate tailor-made staff training and assistance programmes
- again it was found that interest was low (only 4 out of the 14 organizations indicated willingness to participate), and it would appear that the present funding crisis in which most NGOs have fallen mean that such workshops are only accepted when they are perceived to lead to financial assistance, realizing the imperative need for MSE-support organizations to find new sources of funding, BEES has now indeed initiated training programmes for proposal writing and fund raising (the first programme has been recently conducted)

## Assessment

BEES is to be given high marks for the initiatives it has taken to strengthen the capacity of local MSE-organizations. The project has certainly filled a gap which otherwise would have remained open, as there is no other organization active in South Africa in the area of capacity-building for the MSE-sector. Institutional strengthening of MSE-support organizations is indeed an important area. There are probably more than a hundred of them in the country<sup>7/</sup>, and more come up all the time. Many of them are weak, understaffed and using rather rudimentary management and financial/administrative systems. They tend to rely on the fund-raising and technical capacities of one or a few leaders. The outreach of such organizations is not very effective, *inter alia* because they have not been exposed to the experiences of similar organizations elsewhere. In fact, many of their management staff readily admit that there generally is a problem with sharing information and learning from each other at local level, sometimes they do not even know other South African MSE-organisations providing similar services.

This is also an important moment to provide assistance to MSE-support organizations. After the relatively abundant funding, even without strict ties attached, many of them are now in a dire financial situation, since the donors, who before the transition used them as the main funding channel, have shifted their funding activities towards the government sector.

BEES has succeeded in inter-acting with a large number of these MSE-organizations, mostly in the non-government sector. It has identified a number of common weaknesses and has started to develop approaches to remedy these. The project has provided relevant and at times tailor-made assistance in the form of consultancy services, staff training programmes, and finance. Already BEES has been instrumental in exposing many MSE-support organizations to 'new ways of doing things', and it has been pivotal in fostering the formalization process of some second-tier MSE-organizations.

## Some comments

- one of the lessons learned appears to be that care needs to be taken to base the selection of the MSE-organizations on objective criteria which show them to already have some minimal institutional capacity and secure funding
- in addition to the one-on-one approach suggested in the original project design, the BEES project decided to also follow a sector-wide approach, as a result the project has not entirely escaped the risk already noted in the Two Year Workplan, i.e. that the project at times is spreading itself too thin and having a negligible impact on the individual organizations
- there is an obvious trade-off between ensuring maximum 'ownership' of the project activities with the local organizations by having them in the driver-seat and securing rapid results through more direct steering by the project staff, it would seem that the increasing pressure felt by the project staff to deliver concrete project results before the end of the pilot

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<sup>7/</sup> Cotter and Aptane (1995) estimate that there are 30-100 MSE support organizations in South Africa, but the MENNGOS alliance indicates that it has already registered some 30 of such organizations interested to become a member in the Western Cape alone.

phase has at times affected the involvement of local organizations in the design and implementation of project activities

#### 4.2 Exposure visits and networking

##### **Description of activities**

A second area in which BEES has been very active is networking among MSE-organizations at national and international level. The former would take the form of specially organized workshops, where local MSE-practioners would be invited to discuss relevant topics and meet colleagues, the latter is mainly done through the organization of special study tours or 'exposure visits' for the staff of MSE-organizations, policy makers and researchers.

##### *Exposure visits*

BEES has organized the following "exposure visits" to other countries<sup>8/</sup>

- Kenya-I South Africa to Kenya (12-18 February 1995)
- USA-Ia and Ib Gauteng to Chicago and KZN to New England (13-27 May 1995)
- USA-II Eastern and Western Cape to Southern USA (26 May - 10 June)
- Kenya-II Entrepreneurship Education visit (24 Sept -1 October 1995)

There was a third trip to the USA, which was a visit by a delegation of the Department of Trade and Industry to White House Conference on Small Business (11-16 June 1995), a special research study tour was organized to Tanzania, while there were specialized visits, for instance to attend a Conference or to pass by the ILO in Geneva. The BEES staffmember in charge of the Resource Centre made a study visit to Canada.

The main objective of the visits was 'to expose' the participants to relevant organizations engaged in the promotion of micro- and/or small enterprise development, and their experiences. There was attention for the delivery of various support services for MSEs, research and policy formulation. The organizations visited included NGOs, universities and government officials.

The trips to the USA were coordinated by PACT (Washington), while the visits to Kenya were organized by K-REP together with the Ministry of Research, Technical Training and Technology in Nairobi. In Kenya, the -relatively large- group of participants, was first brought together in a local hotel for a 2-day briefing session on MSE-policies and different services delivered to the MSE-sector before they split up in sub-groups which followed specialized programmes.

The participants for the tours were selected by the project team. One of the obligations was that upon return they were asked to prepare a report for BEES and to infuse the knowledge gained in their organisation.

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<sup>8/</sup> The project overview on exposure visits which is reproduced as ANNEX indicates 10 such visits but this does not taking into consideration the overlapping dates of some of them and the one person visits

### *Networking*

The BEES project, seen as a 'neutral' party, is in a particularly good position to bring people and organisations together. It has indeed embarked on an active networking strategy, for the project as well as for the MSE-sector in general. One of the focal points in this respect has been the grouping of service providers in second-tier organizations such as AMEP and MENGGOS, the project directors, for instance, even personally participated in a membership drive for these organizations. Another example of conscious networking is the research partnership between the Small Business Centres of 3 Universities and the collaboration between Technikons and other education institutions in the area of Entrepreneurship Development.

Networking is also an important secondary objective of other BEES activities, such as for instance, training workshops. Even the exposure visits often had as an important additional effect that South African MSE-practioners from different organizations and regions, got to know each other and started to exchange knowledge and experiences.

### **Assessment**

The study visits are (almost) unanimously hailed as very interesting opportunities to see first hand how the support for MSEs is organized in other countries. They are hailed as the first opportunities for many MSE-practioners to travel ("the first time that I flew a jumbo plane and crossed time zones") and see for themselves how MSE-promotion is done in other settings. The participants generally feel that the visits have been very useful in their work, they indicate that have not only benefitted personally, but that they have also shared the experience with others.

The exposure visits essentially serve three purposes: (i) they give the participants first-hand knowledge on the actual experiences in MSE-development in other countries, (ii) they serve as the starting point for international networking with relevant organizations, and (iii) they give the participants a chance to collect relevant documents, training materials, etc. The participants were especially enthused by the trip to Kenya, which provided them with information on the policies which have been formulated to promote the 'jua kali' (informal) sector, and made them familiar with the workings of local MSE-organizations (eg K-REP).

Indicators of success of the BEES' exposure visits are formed by the contacts which have been made and are maintained (eg requesting technical advice), documents which are being exchanged and follow-up visits. A very interesting example is formed by the follow-up exposure visit that the IDT-Alternative Finance participant of the BEES visit to Kenya, is currently organizing for branch managers, again to Kenya.

It has thus become quite clear then that 'exposure visits' is indeed one of the areas in which BEES holds an unquestioned comparative advantage. Even so a number of participants informed the Evaluation Team that the technical and especially the administrative preparation for the trips was rather poor: some left without knowing what organizations they would visit and name various logistical problems (eg visa, departure dates). Fortunately, once in the country of destination, the problems would disappear, as the organization at the receiving end would seem better, especially in Kenya.

While some participants indicated that the visits to the USA were indeed interesting and yielded some good contacts, the trips to Kenya seem to have generated more enthusiasm as this country provided a more recognizable context and information and contacts of more immediate relevancy. Indeed some elements of the programmes of the exposure visits to the USA were markedly less appreciated, such as the visits to universities which were not in any way involved in MSE-activities (but rather interested in their MBA-programmes)

An important matter concerns the selection of the participants, which in all situations and even much more in the South African context is difficult to do to the complete satisfaction of everybody. Although BEES generally succeeded in selecting very suitable candidates, some observers questioned the lack of transparency in the selection process. They wonder why some of the people with whom they collaborate frequently have been invited while others are not even informed about the trips. The participants would appear indeed to have been hand-picked on a personal basis, sometimes at very short notice. It was suggested that the opportunity of the exposure visits be announced together with the criteria for participation.

It would seem that still more could be done to maximize the impact of the exposure visits, for instance by linking it to activities in the other areas of BEES' assistance. For instance, the visits could form part of a specific programme for capacity building of some MSE-organizations, such as a study tour of credit organizations in Kenya for loan officers of South African credit NGOs. Also, more attention needs to be paid to the follow-up of the visits. Clearly more can be done to spread the knowledge and information gathered by the study tour participants. Written reports may not be the most suitable way for further dissemination (and especially civil servants appear to be slow in preparing them). Small seminars or public de-briefings, could be more effective.

Some of the 'lessons learned' would be

- the trips should be carefully planned and organized to visit relevant countries and organizations, in general terms this would mean visits to countries which have a comparable context for MSE-development
- although larger and mixed groups make for more 'internal learning', it would appear that the impact of the visits is greater when they are organized for relatively small and homogeneous groups and focus on a particular technical topic, it was found very effective to start the visit with a one- or two-day introductory programme highlighting some of the main features of MSE-promotion policies and programmes in that particular country (cf. the Kenya visit)
- the visits have aroused considerable interest with MSE-organizations as a way to expose their staff to MSE-experiences in other countries and it would appear possible to cash in on this interest by suggesting for future trips forms of cost-sharing, in particular to the stronger MSE-organizations
- there are also some useful organizations and experiences in South Africa itself which would make for interesting exposure visits

#### 4.3 Dissemination of information

##### **Project design**

The project design document alludes to the establishment of Small and Micro-enterprise Resource Centre to cater to the needs of Black-owned enterprises and South African small and micro-enterprise support organisations and institutions. However, the project workplan did not mention this activity. This, according to the project directors, was an oversight on their side, and on realising their mistake they prepared for the establishment of the micro-enterprise Resource Centre.

It was envisaged that this Centre would contain up-to-date MSE-information, and constitute a library of technical material, case studies and other documentation designed specifically for MSE-sector. This information would be mainly sourced from organisations in the USA. On the basis of this notion in the project document, BEES employed a librarian to set up the Resource Centre at BEES' offices. It was argued that BEES was best positioned to house the centre as the project's core business would be to strengthen the capacity of local organisations supporting MSE-development in South Africa. MSE-practitioners could then be referred to the Centre for further information about programmes mounted in other countries that provide lessons for South African organizations.

However, the Resource Centre did not take off as expected. Although the skills of a librarian suited for cataloguing the documents, they did not ensure the relevance of the material to be collected. Since it was to be a resource centre serving practitioners, specialised information had to be collected, which meant that the Centre's information manager should be not only familiar with information collection and dissemination, but also with the operation of the MSE-sector. A more knowledgeable resource information manager was finally brought on board in October 1994, nine months after the inception of the project.

As there were no similar MSE-Resource Centres in the country, BEES arranged for contact with resource centres elsewhere. A contact was initiated with Calmeadow in Toronto, Canada, which eventually led to a visit to Canada to learn from their experiences. Calmeadow possibly was not the ideal choice, especially since it is more of a library than an information centre and it focused on organisations providing credit to the micro-entrepreneurs. It nonetheless served as a starting point for a BEES MSE-Resource Centre. Unlike Calmeadow, BEES does not specialise in collecting information around one activity, but serves all practitioners, irrespective of their specialisation.

##### **Description of activities**

The Resource Centre collects a mix of information for the micro-enterprise sector. For instance, PACT-USA flyers are used for collection of material for the Centre. Through PACT, World Bank, GEMINI, SEEP, AED Exchange and ACCION International, information flyers are made available to the BEES Resource Centre to order documents that are of interest to the sector. So far the Centre has had the tendency to collect rather general documents and other information about MSE-sector (eg sector studies), even though the material collected should be more geared

towards fulfilling the needs of the practitioners in the sector. The result is a wide range of materials which is not specifically geared towards MSE-support organizations but mainly for researchers and, in some cases, for individual micro- and small entrepreneurs.

The collection includes 15 journals on subscription, 300 books, 50 micro-enterprise organisations publications, 10 audio-visual of micro-enterprise programs particularly credit programs and 10 bibliographies. The material includes programmes on women and micro-enterprise, studies undertaken in South Africa about the needs of the sector, and magazines providing current information about the state of the economy and the local and international political situation. This information is kept in a catalogue that is regularly updated.

### **Users of the Resource Centre**

To the surprise of BEES, the Centre is being used by researchers more than practitioners. The researchers are academics, students and consultants studying issues pertaining to the needs either of individual entrepreneurs or organisations providing services to the sector. Other users of the centre are individual entrepreneurs many of whom seem to misunderstand the nature of BEES's Resource Centre and even BEES' activities in general. Perceiving BEES as a funding organisation, entrepreneurs come seeking money to start or to expand their businesses. BEES' information manager has to listen to these entrepreneurs' constraints and refer them to relevant organisations.

On average, the centre receives 5 to 10 visitors weekly, 108 telephone inquiries per week and 15 correspondence requests per month. Given the large and varied needs of the sector, and the number of MSE-organisations operating, these figures reveal a marketing problem. The resource centre is not well marketed and many MSE-practioners are not really aware of what it can offer.

### **Assessment**

BEES is to be commended for this initiative of establishing the resource centre. They have indeed filled a glaring gap within the micro-enterprise sector needs in South Africa. Since BEES is providing assistance to organisations to build their institutional capacity, there is a need for them to learn from others who have walked the same path. As more and more MSE-support organisations are being set up, many of them weak, this type of information would indeed help them understand their needs and how to offer services in the most effective and efficient way.

A library seems not to be the most effective way of providing such information. A more user friendly, less formal place would be more appropriate, and a library is by itself not enough especially for people who are not accustomed to using such a facility. Therefore other means of housing such material should be explored.

The type material collected by the centre that is most relevant and user friendly to South African practitioners are the GEMINI publications, and particularly the audio-visuals. They use simple language to describe experiences that the practitioners can identify with. Books and journals on the other hand, are perceived to be for academics rather than practitioners.

The project design emphasised that the material for the Centre should be mainly collected from development organisations in the USA that have experiences in linking small and micro-enterprise development. The Evaluation Team wonders whether there has not been an overreliance on US-based information. There are numerous agencies, organisations and programmes in other parts of Africa and elsewhere, that have gone through similar experiences, and it would therefore make sense to use multiple sources of information, such as ODA, ILO, UNIDO, ITDG, Technoserve, GTZ, IRRI, etc. Networking with other MSE-Resource Centres, especially those located in Africa (eg K-REP)<sup>9/</sup> and other developing countries (eg TechnoNet Asia) would be another way to inquire about relevant documents.

The BEES Resource Centre would possibly also be more fully used if the local MSE-practitioners would have a clearer 'stake' in it. They could be given a say in which documents are to be collected, so far, the BEES' project staff and especially the information manager, are solely responsible for the procurement of the materials. Even charging 'commercial rates' for the provision of -relevant- materials may make them more aware of the value of the RC.

It would appear that documents collected during official missions and exposure visits, are not seen as part of the information in the Resource Centre. Still, one could argue that such visits are meant to expose practitioners to other programmes, and that these experiences would form a welcome supplement to other documents in the Centre.

In the opinion of the Evaluation Team, the BEES' Resource Centre has certainly potential, but optimal use of it would require some careful planning, its present state is somewhere in-between a minor project library and a full-fledged MSE Information Centre. It certainly does fill an important gap for information on MSE-development, but more ideas need to be explored to see how it can best be turned into a well-functioning Centre. For instance, the BEES Resource Centre could be linked with the grid of Local Business Service Centres which is being set up by BuDS, the Centre could then be linked by e-mail to the LBSCs and function as a central documentation facility. Also, the Centre could be used more actively for processing the research and other reports prepared on behalf of the project by consultants, so that they become more easily accessible to interested parties (or even send to the main contacts of BEES). It could even organize workshops and seminars to actively disseminate the new approaches which BEES has pilot-tested and found relevant for the South African context.

#### 4.4 Building research capacity

##### **Background**

Although not mentioned in BEES' original programme design, the need for improving MSE research capacity was almost immediately recognised and incorporated into the project activities. Despite the existence of a fair amount of research on South African MSEs, BEES was correct

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<sup>9/</sup> In fact it would seem that the trip to Calmeadow (Canada) could have been complemented with a visit to KREP in Kenya which for the past 2-3 years has also been in the process of setting up an MSE Resource Centre.

in pointing both to gaps in research content and to the "limited capacity, especially among Blacks to undertake MSE sector research" (*Initial Two-Year Workplan*, p 4)

BEES took a two-pronged approach to the research problem. For certain immediate data needs, BEES commissioned studies. For its longer-term capacity building effort, BEES attempted to form a research consortium or network of young, mostly Black researchers based in university small business institutes. Our assessment of the organisation's efforts to improve research is best understood in the context of the existing research base.

### Existing MSE-Research

A fair body of academic research on micro and small enterprises exists in South Africa. One of the academic researchers interviewed indicated that he has assembled a bibliography of over 200 items. A study commissioned by the European Union (Hirschowitz and Orkin 1994) drew on much of this literature and supplemented it with additional field research designed to reveal gaps between the requirements of micro-entrepreneurs and the services and policies that presently support microenterprise development. The research picture may, therefore, not be as bleak as BEES has painted it.

Despite the existence of many studies, BEES was and is correct to recognise the need for MSE research. The research base has significant gaps, and it appears that few Black scholars are undertaking MSE research. A comparison of BEES objectives with research needs outlined by one of South Africa's most experienced MSE scholars yields a lengthy list of topics needing investigation.

- \* broad quantitative surveys yielding nationwide and regionally comparable data
- \* subsector analyses
- \* studies aimed at identifying core constraints that could be addressed by government or NGO interventions
- \* internationally comparative research that would enable BEES to assess the relevance of experience elsewhere
- \* research on rural and small-town MSEs
- \* gender analysis of MSEs and NGO support programmes
- \* research on formal and informal networks and linkages, including associations, spatial agglomerations, and ethnic networks

A cursory examination of the existing bibliographies suggests that much of the research has been conducted by a relatively small group of scholars. Christian Rogerson, K S O Beavon, J Nattrass, A McIntosh, and V Watson have each written or co-authored at least five papers or articles on small enterprise development in the 1980s and 1990s. Rogerson is by far the most prolific, with over 40 works on South African SMMEs written over a 15-year period. Most others appear in the bibliographies once or twice only. Very few of these have recognisably Black names.

When a similar examination of the bibliographies is undertaken from an institutional, rather than an individual perspective, a similarly small list of institutions responsible for SMME research

emerges. The largest number of theses, dissertations, and post doctoral research studies have come from the Department of Geography at the University of Witwatersrand. Other institutional sources include Rhodes University Institute of Social and Economic Research, the Development Studies Unit of the University of Natal, and the Urban Problems Research Unit of the University of Cape Town. University small business institutes have not been active in MSE-research.

#### **BEES research activities**

The BEES project undertook a number of research activities in the past period. Gleaning from their six-monthly reports, the research work carried out includes the following:

- \* Commissioned an analysis and documentation of the Stutterheim Foundation experience,
- \* Arranged for the preparation of four papers describing relevant US small business experiences,
- \* Commissioned a study of SMME sector graduation and vertical linkages,
- \* Commissioned a study of highly cost-effective South African organisations serving the SMME sector (the so-called "best practices" study),
- \* Entered into an agreement with the ILO and the University of Natal Economic Research Unit to participate in the ILO's Global Urban Informal Sector project,
- \* Opened discussions with EDA about using the sub-sector analysis methodology for microenterprise studies
- \* Some background research was apparently also done as part of the effort to support the preparation of the "White Paper" of SMME policy.

Some of these commissioned studies, notably the report on the Stutterheim experience and the linkages study, produced material that should prove useful to BEES and/or client NGOs. Unfortunately at least one potentially useful research effort -- the "best practices" study -- was poorly done and is of little value. We recommend that consultants and researchers be carefully selected on the basis of a well-designed scope of work and that their activities be monitored by a senior technical officer within BEES.

Perhaps more important than particular studies or methodologies has been BEES' attempt to build capacity for future MSE research. The process used to decide how to do this is not clear, but the end result was a linkage of individual researchers in university-based small business centres in three different parts of South Africa. In each of the three centres -- The Economic Research Unit of the University of Natal, The Center for Developing Business at the University of Witwatersrand and The Centre for Entrepreneurship at the University of Stellenbosch -- a young researcher was identified who, it was hoped, would spearhead the research effort.

#### **Assessment of the research activity**

BEES is to be commended for recognising the importance of a solid empirical base for NGO interventions and for taking steps to build research capacity. Their two-pronged approach to the research effort also seems reasonable and appropriate. To a large extent, immediate data needs can be taken care of by commissioning particular studies. This method often results in studies of uneven quality -- as the experience with the "Best Practices Study" shows -- but it is often the only way to get data on a timely basis.

Researchers from the three institutions have had one or two meetings, but according to one of them, "essentially the research consortium hasn't happened." Furthermore it is not fully certain if the consortium will continue, at least in the form originally envisaged. Two of the three researchers are preparing to leave their institutions. Neither of them believes that his Centre has or is likely to hire anyone else interested in taking up MSE research. This means that only one-third of the consortium is proceeding as expected.

The instability of the research consortium offers BEES an opportunity to re-examine its research capacity-building objective. BEES could continue with a university-based network approach or explore other structures. Alternatively, it could simply drop the research activity altogether.

The evaluation team recommends that the last course of action be followed. Although the need for more SMME research certainly exists, we believe that BEES is not equipped to support research activities. Furthermore the strength of the calls for BEES to focus its activities makes some prioritising necessary.

#### 4.5 Overall assessment of BEES' services for capacity building

When taken together, the following observations can be made regarding the services provided so far by the BEES project to build and strengthen the capacity of local MSE-support organizations in South Africa.

##### **Commitment**

The BEES' staff is to be complemented on the strenuous efforts it has made to get BEES involved in MSE-development in South Africa. Especially the two project directors have, through frequent travelling, numerous meetings (even at odd hours) and a very dynamic and creative approach, succeeded in making 'BEES' a household word in the MSE-promotion business in the country. Everybody knows them or has at least heard of the project, and the project's activities are widely appreciated.

##### **Addressing a need**

It is clearly still too early to express a well-founded opinion about impact of the service delivered by the BEES project. The project has been in operation for only 16 months, exactly at a time when important changes occurred in many of the parameters in MSE-development in South Africa. In fact, the project is to be commended for its flexibility in making use of the opportunities that emerged, and steering some kind of recognizable course, withstanding to some degree the repeated pressures on the part of the environment in general and the donor in particular, for sweeping changes in project mandate and strategy.

Still, it has become quite clear that BEES is addressing an important need for assistance. Even in this short time of operation, the project has made critical contributions to capacity building of MSE-support organizations in South Africa. Its role has been particularly crucial since at this time no other national or international organization or programme was providing similar services. BEES

## 5 INSTITUTIONAL DEVELOPMENT OF BEES PROJECT

BEES original Program Design (O'Regan *et al* 1993) provided for a more or less permanent organisational structure. The collaborative agreement signed with USAID, however, provided only for a "five-person Project Management Team". BEES' project status and its stormy relations with USAID have been major factors in its institutional development.

### 5.1 Organisational Structure and Staffing

#### **Key Functional Needs**

The original project document (June 1993, p. 15) states that BEES must be able to analyse, interpret and respond to the needs and issues facing South African organisations providing both financial and non-financial assistance to the sector. The document further specifies that BEES must be structured to facilitate transparency as well as the maintenance of close contacts with local and foreign microenterprise experts.

The same document specified the two main elements of the organisational structure: Professional and support staff, and an interim Advisory Committee, later to give way to a Policy Board. The final document was much less complete in its description of the organisational structure. A notable lack in this regard is the omission of any mention of a board.

#### **Staff Structure**

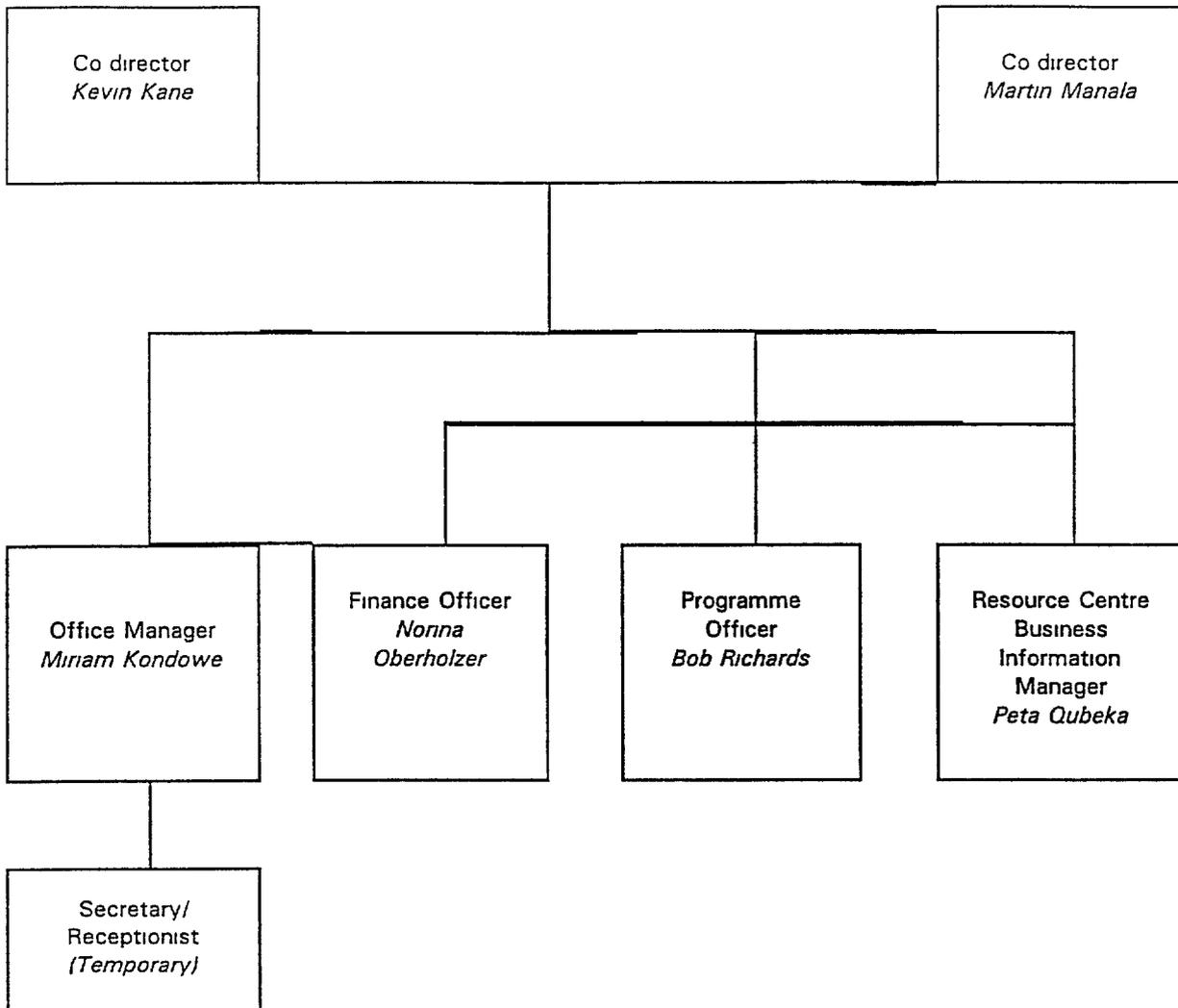
The day-to-day operations of BEES are managed and executed by a staff initially composed of five persons, later expanded to seven. The BEES Team Plot contained in the report of the May 1995 Team Building exercise depicts a flat organisational structure and suggests that authority and responsibility are broadly shared. In reality, except for the co-directorship, the organisation has a fairly traditional structure as shown in Figure 5.1.

The project document also specifies that "a part-time four-person support staff in the U.S. will be assembled from among PACT's headquarters staff." The main functions of this headquarters staff are to identify and make available appropriate small and microenterprise technologies, to provide direct program and administrative services, and to provide financial and administrative support to the program.

The co-directors make programme decisions jointly, but within the office Kevin is responsible for general administration and Martin for finance. Miriam (Office Manager) is secretary to both Kevin and Martin, but she feels that Kevin's work consumes the bulk of her time. Miriam supervises the secretary/receptionist. Norina (Finance Officer) is directly accountable to Martin, though it is Kevin who must sign financial statements going to Washington. Both Miriam and Norina often consult Bob (Programme Officer) when questions come up. Bob, originally part of the PACT headquarters staff, joined the project in South Africa in June 1995. In addition to

handling many of the details of programme implementation, Bob is responsible for all the consulting contracts because of his knowledge of the PACT/USAID requirements

Diagram 3 BEES Organisation Chart



The structure of the staff has been problematic from the beginning. Three issues of staffing structure have emerged from our discussions with clients and BEES staff: the co-directorship, middle management, and support staff.

Although the original project document called for a traditional top management structure with an experienced expatriate director understudied by a South African deputy director, the two principals have from the beginning preferred to share authority and responsibility equally. The co-directors argue that this structure allows their complementary skills to be used effectively. They argue further that the structure is particularly appropriate for the present South African situation which is characterised by lack of awareness of world events, suspicion of outsiders, and an emphasis on consensual decision-making. In such an atmosphere, they believe, an expatriate director would have been unacceptable.

Several of the BEES clients indicated problems, not with the monitoring itself, but with the initial process of setting expectations. At times, expectations only became clear in the monitoring process. The directors' style is, by their own description, "process oriented." While a certain fluidity is useful in a rapidly evolving MSE-sector, our interviews suggest that clients would appreciate a little more clarity about BEES' mandate, its expectations of them, and the procedures for accountability. We therefore recommend that the entire process of implementing activities, including broad programme formulation, developing the scope of work, translating activities into "log frames," and establishing the process for monitoring, be reviewed and documented. We further recommend that BEES establish a procedure for communicating this process to clients and consultants.

The Evaluation Team found that the BEES reporting process was not very useful as a tool for monitoring the overall achievement of goals. The reports are not clearly structured, making it difficult to determine the status of the various activities. There is a need to link the reporting much more clearly linked to the strategic planning. Especially the deviations from the Work Plan that occur need to be fully explained in the reports.

## 6 INTERACTIONS WITH GOVERNMENT

### 6.1 Introduction

Black Entrepreneurship and Enterprise Support (BEES) Project was designed at a time when the South African political system marginalised the Black Community both politically and economically. Given such a situation, the designers did not envisage any role for government. This was natural since the apartheid system had deprived the Blacks of access to adequate education, skills formation and capital.

Not surprisingly, therefore, neither the project agreement nor the initial two year work plan identified government as a key actor. Between the design period in 1993 and the end of 1994, drastic changes occurred within the South African political scene. A Government of National Unity replaced the apartheid system. This Government in its effort to address the urgent problem of unemployment identified Small, Medium and Micro-Enterprises (SMME) as both the main strategy and solution to South Africa's growing unemployment problem. This, unfortunately, was an area in which both the politicians and the civil servants were, and are still, ill equipped to handle. They, therefore need the input of those who have worked in this sector in South Africa or have gained experience from elsewhere.

Available experiences from other countries show that national governments are major actors in SMME sector development. The roles that governments can effectively play include the following:

- Creation of an enabling environment through appropriate policies
- Facilitating sector development through mobilization of both financial and human resources.
- Co-ordination of sector activities
- Provision of non-financial and other services that no other agencies provide
- Facilitating the provision of financial and other business related services by the private sector and other Non-Government service providers

In order for the new Government of South Africa to come up with an appropriate National Strategy for the SMME development it needed support and inputs from its partners in the sector. The key among the then existing partners were NGOs, private sector agencies and individual projects designed to assist sector development. BEES was in a position to assist the Government in that it was a capacity building project that had already started work in SMME development.

In addition to the above, BEES was directed by people with long experience in this sector who were also well connected both locally and internationally. Apart from this human resource, the project design and goals allowed it to provide the necessary support in a relevant and timely manner. The rationale for BEES to extend support to the Government is to be found in the goal of the project which was "to empower Blacks to generate wealth and create employment". The project agreement also allowed PACT to "identify promising approaches for stimulating Black owned Small and Micro-Enterprises".

- (ii) "Not all Provinces have the capacity to develop their own programmed and effectively control their implementation" - (5 6 2)
- (iii) "The Provincial SMME Desks, which have been proposed in the Discussion Paper and which are likely to evolve from now on, will remain small, with their main focus on the effective linking of National or Sectional Programmed and Local or Regional implementation bodies" - (5 6 4)
- (iv) "It will probably take another two years for an efficient support structure to evolve in each region. In this process one or other organizations - the Provincial SMME Desk, one of the evolving co-operations or broadly based NGO - may crystallize as the most effective co-ordinating instrument for SMME support in the province" - (5 6 5)

Here we notice serious lack of clear guidance as to what the Provincial Government will do and how they will do it. It is being suggested that NGOs could become the co-ordinating instruments "of SMME Support Systems at Provincial level". Unfortunately this is not the view of those currently manning SMME Desks at this level! The views of some of those manning the Provincial SMME Desks are that they should determine who does what within their Provinces.

On Local Authorities the White Paper is even more unclear. While the Paper correctly notes that "there is increasing realization that the most effective level of promotion of SMMEs is the village, town, city or metropolitan area" - (page 45) It goes on to state that

- (i) "This White Paper cannot prescribe to Local Authorities how they should structure support for SMMEs"
- (ii) "Where Local Authorities or Local Institutions like community development corporations or business chambers play a productive facilitatory role in this co-ordination process, they can be of great help to Provincial Desks as well as the SBDA. Where no such inclinations exist, the Provincial Desks, the SBDA and other Local, Regional or National Agencies have to play a more productive role in those local areas at least until attitudes change" - (page 45)

As can be seen from the above, the Central Government has doubts about both Provincial and Local Governments in the development of the MSE-sector. This is worrying given that it is the Local Authorities who will need to provide MSE-operators with access to urban land (plots) for safe working places, water, power and roads. If this policy fails to even advise the Local Authorities on the types of services they should render to this sector, it is likely that their response to MSE-needs will be very varied. This is not a healthy beginning for the MSE-sector in South Africa.

In a situation like the above it is advisable for BEES and other projects to concentrate on capacity building in membership and other support organizations so that they may be able to make their cases before Local Authorities. If these organizations are weak or disorganized they

will not be able to speak for their members. This state of affairs could easily lead to MSE-operators being assigned working places in such areas as next to rubbish dumps, cemeteries, sewage outlets, and other undesirable locations. These are the experiences from other countries in which MSE Policy left the Local Authorities out as main players in sector development.

In the Evaluation Teams' judgement MSE-operators belong to the mainstream economy. That is where they should be taken and not in the city backyards, sewerage sites, or rubbish dumps. In view of this situation South African MSE-support organizations need capacities to prevent their members' needs in all levels of the Government. Once they acquire this capacity they will be able to engage in advocacy and in Local Government Policy issues so as to address matters related to sector development. This is why BEES and other partners should spend their resources in developing the necessary skills and capacities.

#### 6.4 Conclusion

This chapter has discussed past interactions between BEES and the Government. These interactions have played their part in facilitating dialogue between MSE-partners at a time when dialogue in matters of sector development were unknown. Therefore linking MSE-organizations, the Government, university researchers, and possibly private sector supporters was of great value. What remains to be done is to develop the necessary capacity for future partnerships.

Now that the MSE-Policy is in place we think that time has come for serious division of labor between the various players. In this process BEES should concentrate on assisting MSE-support organizations to overcome their current weakness. This will enable them to stand on their own and to face their other partners on equal footing. We hope that BEES will be able to continue with the work it has started.

SCOPE OF WORK  
BLACK ENTREPRENEURSHIP AND ENTERPRISE SUPPORT (BEES) |  
CASE STUDY AND EVALUATION

**I PROJECT BACKGROUND**

The BEES project design exercise, conducted by a team of South African and American specialists at the request of the USAID/Pretoria Private Sector Division, was intended to develop a support facility approach for post-apartheid assistance to South Africa's micro-small enterprise (MSE) sector. The team carried out its assignment in early 1993.

Based upon a concept paper previously submitted by PACT, an American PVO already active in South Africa, PACT was invited to prepare and submit an initial pilot project proposal. PACT's pilot project proposal did not differ significantly from the design team's approach, but, in keeping with circumstances, it also stressed the intention to make the project approach and objectives as Black oriented as possible.

The PACT proposal was accepted and funding of US \$3,490,569 was provided in the form of a Cooperative Agreement signed on 15 September 1993. In late 1993, the Co-Directors (American and South African) were chosen. Work plan preparation and office development activities began in February 1994, and the finalized work plan approval was received from USAID in mid-July, 1994.

The work plan preparation period was probably the most momentous in South Africa's history, resulting in the radical change to a Black, majority rule government. While aware that changes in government's approach to the sector were inevitable, work plan preparation was guided by the original pilot project design and broad consultation on the overall post-apartheid needs of the MSE sector. This led to a comprehensive pilot project approach with five basic action elements, which, it was felt, would form the basis of MSE organisations' interaction and development.

The five elements resulting from broad and in-depth sector dialogue are as follows:

- Improving programme effectiveness of South African MSE development organisations such as advice centres, training organisations, credit providers, university small business development centres, member associations and practitioner alliances,
- Developing administrative and operating systems for MSE organisations,
- Building sector capacity for public awareness, policy formulation, research and innovation,
- Facilitating MSE organisation interactions between South Africa, other African countries and the rest of the world, and,
- Sectoral information collection, dissemination and networking through an Information Resource Centre

- To expand access to credit and capital sources for Black entrepreneurs and business (wo)men
- To expand access to credit and capital sources from Black-led financial institutions, major commercial banks and NGOs for Black entrepreneurs and business (wo)men
- To expand access to international models of, and expertise in, small and micro-enterprise, and to technical resources that will support the formation of Black-owned small and micro enterprises in South Africa

#### C End of Project Status Indicators

BEES expects that the following End of Project Status Indicators will be met during the two years of the project

- Documented increase in the number of Black-owned small and micro enterprises started
- Expanded and strengthened South African small and micro enterprise support organisations
- Demonstrated improvements among South African small and micro enterprise organisations, in quality of services and/or effectiveness in delivering service, or appropriateness of their services as they relate to the needs of Black-owned small and micro enterprises
- South African small and micro enterprise support organisations with documented organisational and programmatic growth
- Technical and advisory contracts successfully completed with South African support organisations to strengthen Black small and micro business people
- The transfer of successful technologies from the U S or elsewhere to South Africa
- Formal links established South African small and micro enterprise support organisations and new networks or associations (national and international)
- One small and micro enterprise resource centre established

### IV EVALUATION SCOPE OF WORK

#### A Key Questions to be Answered

##### Design

- 1 Given the national and sectoral context at the time of the project design and the results achieved to date, in what ways was or was not the **original pilot project design** an appropriate means to address the project goal and objective? For any inappropriate aspects, what impact has this had on project implementation?
- 2 Given the current national and sectoral context, in what ways is or is not the **original pilot project design** now an appropriate means to address the project objective? What revisions would be recommended?
- 3 In the context at the beginning of the pilot project, in what ways was the **project workplan (with its five elements and themes)** an in/appropriate means of translating the original design into implementation? In what ways is the workplan in/appropriate in the current context? How might this approach be changed to better implement the project design

- 4 In what ways are the key clients/partners for BEES activities/initiatives appropriate for implementation of BEES activities? How might the selection and development of these relationships be improved?

#### Institutional Development

- 5 Are project activities being adequately monitored, documented and reported upon? How might these activities be improved?
- 6 In what ways are or are not the existing BEES administrative and management systems adequate? How might they be made more effective and efficient for future service delivery?
- 7 What has been the role and contribution of the key project partners (including USAID, PACT, Clients and Government)? What has been the nature of the relationships between these partners? What has been their impact on project implementation and impact? How might these relationships and impact be improved?

#### Service Provision.

- 8 To what extent has BEES established credibility among the organizations with which it is working? Do these organizations see the project as useful, appropriate and meeting their needs? Is BEES accepted and seen as a credible partner? How might these perceptions/relationships be improved?
- 9 Are BEES' clients making full use of the project's resources? If not, what are the inhibiting factors and how might they be addressed?
- 10 In what ways does or does not the project's approach in assessing client institutional needs and responding to these needs appear to be effective toward long-term institutional strengthening of clients? What modifications might increase effectiveness?
- 11 In what ways does or does not the project's ongoing assessment of sectoral needs and response to these needs appear to be effective toward strengthening the MSE sector as a whole? If not, what modifications in approach might make the project more effective?
- 12 To what extent has the project been able to address affirmative action and gender issues? How might the project better address these issues?
- 13 In what ways has BEES appropriately and effectively accessed and utilized the expertise, models and programs elsewhere in Africa, the US and the rest of the world to enhance the institutional capacity of clients and to enhance the MSE sector as a whole? How might the project better utilize these resources?
- 14 To date, to what extent has the project made progress towards addressing project objectives, delivering on the project outputs, and achieving the End of Project Status Indicators as detailed in project documentation? What are the constraints and how might they be overcome? What strategies or approaches could be used to improve the potential for the project to achieve the logframe requirements?

## B Methodology

Guided by this Scope of Work, the evaluation team will be responsible for the evaluation methodology, which will include the following

- 1 Review project documentation, including
  - a Cooperative agreement between USAID and PACT, the project's initial two-year workplan and other descriptive documentation about the background and approach of the project
  - b The project's two semi-annual reports, and the project management plan and the management information system which detail all project activities to date and those activities planned for the next six months
  - c Activity documents (grant project descriptions, consultant scopes of work and reports, workshop documentation and reports, and exposure visit reports)
- 2 Interview BEES staff, advisory committee members and USAID staff
- 3 Conduct interviews and/or questionnaires with, gather program information from, and potentially interview beneficiaries of all the major BEES partners/clients, and with a sampling of the other organizations which have participated in BEES activities
- 4 Interview the service providers which have served as trainers, facilitators and advisory consultants under the project
- 5 Interview key sector players (whether or not they have been involved in the BEES project) which can provide perspective on the MSE sector and the type of activities/programs necessary to support it
- 6 Site visits, if and when appropriate, to activities which have been affected by BEES efforts

The actual interview format and questions will be developed by the evaluation team. To the extent possible, interviews should be conducted in person. This will necessitate travel in the areas of Johannesburg, Pretoria, Durban, Cape Town and the Eastern Cape.

## C Evaluation Team

The evaluation team will consist of a team leader and two additional evaluators. Please find their curriculum vitae attached.

The evaluation team leader will focus on the role of BEES as a service provider to organizations in the MSE sector. Mr. Hans Haan will fill this role.

One evaluator will focus on the development and nature of BEES as an institution and compare it to other USAID-funded (and other) support facility projects in the MSE sector. Ms. Kim Craig will fill this role.

The third evaluator will focus on the nature of the South African SME sector, how it has changed during the project life, and the impact of these changes on project implementation, as well as the role of BEES in supporting MSE sector research and policy expertise. Ms Angela (Pinky) Mashigo will fill this role.

The fourth evaluator will focus on the relationship between BEES and South African government, and the services BEES has provided to government or on government's behalf.

#### D Level of Effort

The evaluation will be conducted for four weeks, from October 16 through November 10. The team leader will devote up to 30 work days. The other evaluators will commit up to 24 days. The final report will be submitted by the team leader by November 15, 1995.

#### E Report Format and Contents

- 1 Table of Contents
- 2 Executive Summary
- 3 Program Background and Current Context
- 4 Statement of Findings and Conclusions based upon examination and analysis of current project service provision, institutional development and design
- 5 Recommendations for USAID, BEES and BEES partners/clients to identify possible ways to change the project design and strategies in order to increase relevance and be more effective and efficient in meeting project goals and objectives and to fulfill the project's purpose. Recommendations should be practical, action-oriented and prioritized.
- 6 Statement of Findings and Conclusions based upon an analysis of the MSE sector and consideration of the project design, institutional structure/processes, and service provision necessary to support and develop the sector
- 7 Recommendations for USAID, BEES and the sector as a whole to identify and implement relevant strategies and activities to efficiently and effectively strengthen the MSE sector and its support organizations
- 8 Body of the Report. The report should discuss the evaluation methodology, results of interviews and the evaluators' analyses which support and expand on the findings, conclusions and recommendations
- 9 Appendices
  - a Scope of Work
  - b Bibliography of documents reviewed and analyzed
  - c List of persons/agencies interviewed and their relationship to the project
  - d Copies of any questionnaires used for data gathering

#### F Logistics

The evaluation team will be responsible for its own typing, clerical and other necessary secretarial support, including access to computer, printing and reproduction services. The BEES staff will not be available to provide secretarial or clerical support. However, BEES staff will be available to meet with the evaluation team during the evaluation as pre-arranged with Martin Manala.

G Presentation

The evaluation team, to the degree that presence is possible, will make two presentations of the draft evaluation report (including providing a copy of the draft) prior to departure of South Africa the first to BEES staff, and the second USAID Feedback will be provided by both BEES staff and USAID to be taken into consideration/inclusion in the final version of the evaluation

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ANNEX - II

DOCUMENTS USED

BEES project,

June 1994, Initial two-year work plan PACT/BEES (final draft)

[1995], Six month report for period 18 July 1994 - 17 January 1995

[October 1995], Six month report for period 18 Jan - 1 Aug 1995 (working draft)

[October 1995], Evaluation notes (internal document)

BUDS,

Oct 1995, Local Business Service Centre accreditation kit (BUDS, Cape Town)

Jim Cotter and Simone Aphone,

March 1995, SMME support services organization viability factors management review ("best practices" fieldstudy prepared for the BEES project)

David Dewar,

Oct 1994, The Stutterheim experience a review and appraisal (consultancy study carried out for BEES)

GoSA/Dept of Trade and Industry,

February 1995, "White paper" National strategy for the development and promotion of small business in South Africa (DTI, Pretoria)

Harvard Business School Bulletin,

Feb 1995, Beyond the bottom line the initiative on social enterprise at HBS

Ros Hirschowitz and Mark Orkin (eds ),

April 1994, Micro-enterprise development in South Africa (European Union/CASE)

Kevin Kane and Bernard Fisker,

Oct 1993, Assessment of 5 grantees funded by Private Sector Division, USAID/Pretoria (consultancy report)

Brian Levy,

Nov 1994, Strengthening business services for South Africa's MSMEs (World Bank, Cape Town)

Ncedi Mkhaliphi,

April 1995, Report on Teambuilding and Strategic Planning Workshop conducted for BEES (internal report)

Peter Morrison and Romanus G. Monji,

Jan 1995, The Stutterheim Business Advice Center a review of its performance and replication strategy (a consultancy report presented to BEES)

Fred O'Regan, Jim Cotter, Sam Montsi, Simon Aphane and Ian Clark,

June 1993, Program design Microenterprise Development Support Facility (draft report, USAID/RSA)

PACT,

July 1993, Black Entrepreneurship and Enterprise Development (BEED) a proposal

Small Business Development Corporation,

May 1994, Small and Medium enterprise development and job creation, in *SBDC Courier*

1995, Annual Report 1995

Judith Tendler,

Nov 1994, Strengthening the capabilities of (largely informal) manufacturing micro/small enterprises, in *Brian Levy*

ANNEX - III

PERSONS MET

**Guateng**

BEES Project Team

Mr Martin Manala, director

Mr Kevin Kane, director

Mr Bob Richards, program officer

Mrs Peta Qubeka, Resource Centre

Mrs Lenora Oberholzer, financial administrator

Mrs Miryam Kondowe, office manager and executive secretary

USAID

Mr Bruno Cornelio jr, chief Private Sector Division

Mrs Margot Biegelson Ellis, Private Sector officer

Mrs Dawn Storrom, Private Sector Division

Centre for Developing Business (University of the Witwatersrand)

Mr Ian Clark, director

Mr Barney Tsita

Mr Septi M Bukula

Mr Simon Aphone

Department of Trade and Industry

Mr Alroy Dirks

Small Business Development Corporation

Mr Jo' Schwenke, Senior General Manager

National Industrial Chamber - Business Advice Centre

Mr Cleo E Mtshali

Independent Development Trust

Dr Len Konar, director

Alternative Finance (previously Independent Development Trust Finance Corporation)

Mrs Thoko Moja

National Scientific Research Council

Mrs Sharda Naidoo

Get Ahead Foundation

Mr Siswe Tati, deputy managing director, also chairman of Alliance of MSE Practitioners

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INTERVIEW GUIDELINES  
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The BEES Evaluation started on October 15, 1995 when three of the team members met in Johannesburg to discuss modalities of how to conduct its work. By that time, the team had already read all the initially submitted documents which included, project agreement, initial work plan, briefing notes, etc. The team discussed key issues of the evaluation and agreed on how to proceed. They also agreed on the methodology for information gathering and key questions to be asked to both BEES team and their clients. Key questions to the staff included:

- (i) the division of labour amongst the staff members
- (ii) the total number of agents they worked with
- (iii) where each agent was
- (iv) what they were doing
- (v) all reports and documents produced by the project either directly or through consultants
- (vi) all activities sponsored by BEES, etc

From then on for more than three weeks, the Evaluation Team, in different composition, interviewed representatives from the organisations with whom the BEES project interacts, government officials and other key informants.

The key questions to BEES clients included the following:

- (i) what they were doing in the MSE-sector
- (ii) where their activities were taking place
- (iii) how and when they came to know of BEES
- (iv) what they were doing with BEES
- (v) the strengths and weaknesses they had detected in BEES
- (vi) whether they thought BEES had made any contributions to their work in SMME
- (vii) whether they saw any need to continue with the activities sponsored by BEES
- (viii) what changes they would like to see in a future BEES phase
- (ix) any other comments they wished to make on BEES and its activities, etc

In all, the BEES Evaluation Team talked to representatives of more than 30 organisations all over South Africa. Their time and interest has been very much appreciated.

## ACRONYMS

AMEP	Alliance of Micro-Enterprise Practitioners
BAC	Business Advice Centre (Stutterheim)
BEES	Black Entrepreneurship and Enterprise Support project
BOC	Business Opportunity Centre (National Economic Initiative)
BuDS	Business Development Services (DTI/NEPA)
DBSA	Development Bank of Southern Africa
DTI	Department of Trade and Industry
CBO	Community-based Organization
CDB	Centre for Developing Business (University of the Witwatersrand)
EU	European Union
FES	Friedrich Ebert Stiftung
GoSA	Government of South Africa
IDT	Independent Development Trust
ILO	International Labour Organization
K-REP	Kenya Rural Enterprise Promotion
K-MAP	Kenya Management Assistance Programme
KZN	Kwazulu Natal
MENNGOS	Micro-Enterprise Network of NGOs
MSEs	micro- and small enterprises
NAFCOC	National Federation of Chambers of Commerce
NIC	National Industrial Chamber
NSRC	National Scientific Research Council
NBI	National Business Initiative
NEPA	Ntsika Enterprise Promotion Agency
NGO	Non-governmental Organisation
ODA	Overseas Development Agency
PACT	Private Agencies Working Together
SBDC	Small Business Development Council
SDF	StuTterheim Development Foundation
SMME	Small, Medium and Micro-Enterprises
UNDP	United Nations Development Programme
USAID	United states Agency for International Development
WITS	University of the Witwatersrand