

**Sustainable Employment Micro-Enterprise Development
(SEMED) Project**
(Grant No. 674-6-00-00-00064-00)

3rd QUARTERLY REPORT, FY '01
(4/1/2001-6/30/2001)

Enterprise Management & Innovation (Pty) Ltd.

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EXECUTIVE SUMMARY

On September 19, 2000, Mr. Simon Aphane, Managing Director, Enterprise Management & Innovation (Pty) Ltd. (EM&I), signed the USAID/South Africa Sustainable Employment Micro-Enterprise (SEMED) Project grant award contract. The contract was officially awarded on September 1, 2000 by the Contracts Office, USAID/South Africa, and will officially conclude on October 15, 2001. This 3rd Quarterly Report, FY '01 details the activities performed by Enterprise Management and Innovation (EM&I) on the Sustainable Employment Micro-Enterprise Development (SEMED) Project from April 1, 2001 until the end of the reporting period on June 30, 2001.

During the third quarter, a new Business Development Officer, Mr. Alphonse Dube, joined the SEMED team. SEMED Project leadership perceived a need for additional efforts focused on forming Black/White business linkages. Since there was enough money in the salary line of the budget, this position was created. Mr. Dube brings 18 years of Southern African development experience and an extensive network of entrepreneurs in the SME sector to the SEMED Project.

Third quarter Project Administration activities also included purchase of 2 additional computers, 5 SEMED staff members taking annual leave, and 2 incidents involving SEMED Project vehicles (break-in and an accident). The additional computers were purchased to enable each staff member to have computer access. The project vehicle incidents were resolved through the project's insurance coverage, with only the R1000 per vehicle deductible paid out of project funds.

SEMED Project progress is measured against several target impact indicators in five areas: 1) SMME Markets Identified and Developed; 2) SMME Capacity to Respond to Market Opportunities Enhanced; 3) Increased SMME Access to Capital; 4) Employment Opportunities Facilitated; and 5) the Number of Beneficiaries Who Received HIV/AIDS Education. Each of these areas contributes in its own way to the overall growth and sustainability of SMMEs.

Identifying market sectors, market niches and companies in and with which SMMEs can do business leads to the formation of expanded business linkages, which, in turn, leads to enterprise growth and job creation. During the third quarter, the SEMED Project identified 6 new market niches and 6 new companies open to SMME business opportunities. In addition, a total of 45 business linkages were established, bringing the total to date to 7313.

Four different activities fall under the heading of SMME Capacity to Respond to Market Opportunities Enhanced: 1) Profitable SMME products improved; 2) SMMEs linked to Public Enterprises; 3) Entrepreneurship strengthened; and 4) Business skills strengthened. During the third quarter 3 new products were developed and 1 existing product was improved, each representing a different type of product. In addition, 54 SMMEs were linked to public enterprises. The SEMED Project also strengthened the entrepreneurship of 67 existing entrepreneurs and improved the business skills of 67 SMMEs. These numbers are misleadingly low, however, because they exclude the estimated +20,000,000 beneficiaries of the Tycoon Business Adventures program. The Tycoon Business Adventures radio soap opera was broadcasted on Ukhozi FM over a 3-month period during the third quarter. Ukhozi has a daily listenership of +5,400,000. Official listenership numbers for the Tycoon broadcasts will become available only during the next reporting period. By enhancing

EM&I SEMED

3rd Quarterly Report, FY '01

SMMEs' capacity to respond to market opportunities, each of these activities contributes to the SMMEs' sustainability.

Increased access to capital allows SMMEs to venture into new markets and develop new lines of business. During the third quarter, the SEMED Project facilitated access to finance for 6 clients (US\$99,000 total). As with the first two quarters, this number is lower than it could be, due to the length of time required by financial institutions to process loan applications (on average around 3 months). Another 10 loan applications (totaling US\$1,301,875) were submitted to financial institutions during the third quarter and await approval. In addition, 25 applications (totaling US\$9,721,625) are in the process of being prepared.

As a result of the linkages and access to capital facilitated by the SEMED Project in the 3rd Quarter, FY '01, a total of 175 jobs have been either created or maintained. In addition, HIV/AIDS education has been provided to 172 SEMED Project beneficiaries. A total of 27% (US\$204,040) of project funds were spent during the third quarter, bringing total expenditure to US\$480,263 or 64% of the \$750,000 awarded to this project.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	I
TABLE OF CONTENTS	III
ACRONYMS AND ABBREVIATIONS	IV
1.0 INTRODUCTION	1
2.0 PROJECT ADMINISTRATION	2
2.1 RECRUITMENT	2
2.2 STAFF ACTIVITIES.....	2
2.3 OFFICE EQUIPMENT PURCHASES.....	2
2.4 INCIDENTS INVOLVING PROJECT VEHICLES.....	3
3.0 MARKET IDENTIFICATION & BUSINESS LINKAGES	4
3.1 MARKET IDENTIFICATION.....	4
3.2 BUSINESS LINKAGES.....	4
3.2.1 <i>Established Linkages: Summaries</i>	4
3.2.2 <i>Pending Linkages: Summaries</i>	12
3.2.3 <i>Rejected Linkages: Summaries</i>	17
4.0 TECHNOLOGICAL INNOVATION/PRODUCT DEVELOPMENT.....	21
4.1 TECHNICAL ASSISTANCE RELATIONSHIPS FORMED.....	21
4.2 PRODUCT INNOVATIONS AND DEVELOPMENTS.....	21
5.0 BUSINESS/ENTREPRENEURSHIP SKILLS TRAINING.....	22
5.1 LEARNING BY DOING	22
5.2 LEARNING BY HEARING.....	23
5.3 BUSINESS SKILLS CLASSES.....	23
6.0 ACCESS TO FINANCE.....	25
6.1: TRADITIONAL SOURCES OF FINANCE.....	25
6.2: 2 ND TIER, NON-TRADITIONAL FINANCIAL INTERMEDIARIES.....	25
6.3: SEMED-ARRANGED FINANCING.....	25
6.3.1 <i>Disbursements</i>	25
6.3.2 <i>Submitted Loan Applications</i>	26
6.3.3 <i>Loan Applications In Preparation</i>	27
6.3.5 <i>Withdrawn or Rejected Applications:</i>	30
7.0 HIV/AIDS INTERVENTION.....	32
8.0 COORDINATION	33
9.0 CONSTRAINTS AND SOLUTIONS	34
10.0 PROJECT PERFORMANCE INDICATORS	35
11.0 PROJECTED 4TH QUARTER, FY '01 ACTIVITIES	34
11.1 SMME MARKETS IDENTIFIED & DEVELOPED.....	34
11.2 SMME CAPACITY TO RESPOND TO MARKET OPPORTUNITIES ENHANCED	35
11.3 INCREASE SMME ACCESS TO CAPITAL	35
11.4 EMPLOYMENT OPPORTUNITIES FACILITATED	36
11.5 HIV/AIDS EDUCATION.....	36
12.0 FINANCIAL STATEMENTS.....	37

ACRONYMS and ABBREVIATIONS

ABSA	Amalgamated Banks of South Africa
ARDC	Agricultural Research Development Council
DAPP	Development Aid People to People to People
DTI	Department of Trade and Industry
EM&I	Enterprise Management and Innovation (Pty) Ltd.
FNB	First National Bank
GEDA	Gauteng Economic Development Agency
GSM	Global Satellite Messaging
IDC	Industrial Development Corporation
ITS	Ithute Tswelopele Solutions (Pty) Ltd.
MEEG	Midland Economic Equity Group Bank
RFI	Retail Financial Intermediary
SATOUR	South African Tourism
SEMED	Sustainable Employment Micro-Enterprise Development
SME	Small and Medium Enterprise
SMEDP	Small and Medium Enterprise Development Program
SMME	Small, Medium and Micro-Enterprise
SO5	Strategic Objective #5: Private Enterprise
SO6	Strategic Objective #6: Housing
USAID	United States Agency for International Development

1.0 INTRODUCTION

This 3rd Quarterly Report, FY 01 details the activities performed by Enterprise Management and Innovation (EM&I) on the Sustainable Employment Micro-Enterprise Development (SEMED) Project from April 1, 2001 until the end of the reporting period on June 30, 2001.

The report is divided into the following sections: Chapter 1: Introduction; Chapter 2: Project Administration, covering recruitment, procurement, advisory board development, and other administrative issues; Chapter 3: Market Identification and Business Linkages, detailing market sectors identified and business deals made; Chapter 4: Technological Innovation/Product Development, describing linkages formed for technical assistance or product development; Chapter 5: Business/Entrepreneurship Skills Training, providing information about the SEMED Project's skills-training program; Chapter 6: Access to Finance, listing the clients for whom loans applications have been prepared, as well as those for whom application preparation has been started, but is still pending; Chapter 7: HIV/AIDS Intervention, providing information about the SEMED Project's HIV/AIDS awareness and education program; Chapter 8: Coordination, detailing meetings between USAID/South Africa and EM&I and/or SEMED Project staff; Chapter 9: Constraints/Solutions, describing challenges faced during project implementation and how they have been addressed; Chapter 10: Project Performance Indicators, containing a table showing progress made towards project targets; and, Chapter 11: Financial Statements.

2.0 PROJECT ADMINISTRATION

On September 19, 2000, Mr. Simon Aphane, Managing Director, Enterprise Management & Innovation (Pty) Ltd. (EM&I), signed the USAID/South Africa Sustainable Employment Micro-Enterprise (SEMED) Project grant award contract. The contract was officially awarded on September 1, 2000 by the Contracts Office, USAID/South Africa, and will officially conclude on October 15, 2001. During the third quarter, project administration focused staff activities and recruitment of an additional Business Development officer, purchasing additional office equipment, and addressing two incidents involving project vehicles. Details are provided below.

2.1 Recruitment

At the end of the 2nd Quarter, the following SEMED Project staff were in place.

<u>Name</u>	<u>Position</u>	<u>Start Date</u>
Mr. Willie Höll	Chief of Party/Retail Financial Intermediary Director	10/16/2000
Ms. Estelle Muller	Business Management Trainer	11/3/2000
Mrs. Nicolette Lundie	Receptionist/Administrative Assistant	10/30/2000
Mr. Albert Mashegana	Business Development Officer	12/1/2000
Ms. Ayanda Zwane	Business Development Officer	12/4/2000
Mr. Godfrey Khuvutlu	Business Linkages Manager	1/2/2001
Mr. Johan Botha	Business Linkages Manager	1/8/2001
Mr. Christiaan Mostert	Business Linkages Manager	1/22/2001

During the end of second quarter and the beginning of the third quarter, SEMED Project leadership perceived a need for additional efforts focused on forming Black/White business linkages. In order to address this need, a new Business Development Officer, Mr. Alphonse Dube, was appointed. Due to the devaluation of the Rand, the salary line of the SEMED Project budget was still underutilized, enabling the creation of this additional position.

Mr. Dube brings eighteen years of SME development experience in Zimbabwe and South Africa to the SEMED Project. He has worked in Kwa-Zulu Natal, Mpumalanga and Northern Province and has an extensive network of entrepreneurs in the SME sector. Mr. Dube commenced work on April 23, 2001.

2.2 Staff Activities

During April and May, 5 SEMED Project staff took their annual leave: Ms. Estelle Muller, Business Management Trainer, Mrs. Nicolette Lundie, Receptionist/Administrative Assistant, Ms. Ayanda Zwane, Business Development Officer, Mr. Albert Mashegana, Business Development Officer, and Mr. Christiaan Mostert, Business Linkages Manager.

2.3 Office Equipment Purchases

EM&I SEMED

3rd Quarterly Report, FY '01

Since the total number of SEMED Project staff increased to 9 people, rather than the 7 initially planned for (see section 2.1 above and section 2.1 of the 2nd Quarterly Report for details), 2 additional computers were required. These 2 desktop computers were purchased and installed on April 11, 2001, along with 2 uninterrupted power supplies and 2 lightning protectors. These expenditures did not exceed the amount budgeted for office equipment.

2.4 Incidents Involving Project Vehicles

During the third quarter, two incidents involving project vehicles occurred. First, on February 20, 2001, one of the project vehicles was broken into while parked at the SEMED Project office in Midrand. The radio and hubcaps were stolen. Insurance paid out the claim, and the radio and hubcaps were replaced. Project funds paid only the R1000 deductible.

The second incident occurred on May 24, 2001, when one of the project vehicles was rear-ended on the Allendale Road off ramp of the N1 highway by a vehicle that lost control. The accident was reported to the police and insurance company. Insurance paid for the vehicle's repair, with only the R1000 deductible paid for by the SEMED Project.

3.0 MARKET IDENTIFICATION & BUSINESS LINKAGES

3.1 Market Identification

During the third quarter, a total of 6 new market niches were identified in which the SEMED Project can work. No new market sectors were for SEMED Project activities were identified.

<u>Market Sector</u>	<u>Niches</u>
Transportation*	<i>Private sector long-distance transport Chauffeur services for conference facilities</i>
Manufacturing*	<i>European manufacturing companies Small & medium enterprises Low income clients</i>
Retail Sales*	<i>Botswana Abattoirs</i>

*Indicates a previously identified market sector

To date, a total of 40 market sectors (all during the first two quarters) and 57 market niches (51 during the first and second quarters and 6 in the third quarter) have been identified.

3.2 Business Linkages

During the third quarter, 21 business linkage deals were concluded. Work also commenced on another 18 deals, which are currently pending completion. In all cases, each deal contains multiple linkages. For total numbers of each linkage type, please see the SEMED Project Performance Indicators table in Chapter 10 of this report.

3.2.1 Established Linkages: Summaries

1. Mr. Patrick Ndou, Patsonic Tech and Office Stationery CC

Date: April 3, 2001

Patsonic Tech and Office Stationery is a small-scale stationery broker for small shops and companies in Gauteng. SEMED Project staff helped Pastsonic owner, Mr. Patrick Ndou win an exclusive tender worth R30,000,000 to supply carpets to all Free State government departments over a three-year period. The SEMED Project then linked Mr. Ndou with Mr. Caz Naidoo, a sales consultant for Dornert Carpet Suppliers in Kroonstad. Several carpet orders have already been placed and delivered.

SME Forward Linkages Established: (Total = 1; Male = 1; Female = 0)

Backward Business Linkage Established: (Total = 1; Male = 1; Female = 0)

SME/Large Business Linkage Established: (Total = 1; Male = 1; Female = 0)

SME/Government Linkages Established: (Total = 1; Male = 1; Female = 0)

Employment Opportunities Facilitated: (Total = 6; Male = 6; Female = 0)

Contract Value: R30,000,000 (US\$3,750,000)

2. Mr. Joseph Motsemme, PJ Motsemme CC

Date: April 4, 2001

Mr. Motsemme wants to open a new funeral undertaking business in Klerksdorp. He asked the SEMED Project to help him obtain first hand experience from an existing undertaker. SEMED Project staff linked Mr. Motsemme to Mr. Kenneth Sihlale of KV Funeral Undertakers in Rockville, Soweto. Mr. Sihlale will provide business skills and management mentorship, as well as supply and marketing support to PJ Motsemme CC.

SME/SME Linkages Established: (Total = 1; Male = 1; Female = 0)

3. Mr. Nathan Moodley, Pristine Financial Services CC

Date: April 6, 2001

Mr. Moodley runs a small financial services company. He approached the SEMED Project for assistance in growing his business. SEMED staff facilitated a linkage between Mr. Moodley and The Woman's Development Program, a joint venture between Winning Business Systems, the Eskom Foundation and several Retail Financial Intermediaries, enabling Pristine Financial Services to use their small businesses data base.

SMME/Public Enterprise Linkages Established: (Total = 1; Male = 1; Female = 0)

SME/SME Linkages Established: (Total = 1; Male = 1; Female = 0)

4. Mr. Linos Siwedi, Sukasambe Technologies CC

Date: April 12, 2001

The Shembe Group (Pty) Ltd., a medical aid company, approached the SEMED Project looking for an empowerment company to supply them with computer equipment. SEMED staff introduced the Shembe Group to Sukasambe Technologies, a SEMED Project client able to fill this need. In addition, SEMED staff facilitated a linkage between Sukasambe Technologies and Ithute Tswelopele Solutions (Pty) Ltd. (ITS), a white-owned computer training company, whereby ITS will provide computer training to the Shembe Group under Sukasambe Technologies' supply contract. The contract awarded to Sukasambe is valued at R500,000.

SME Forward Linkages Established: (Total = 1; Male = 1; Female = 0)

SME/SME Linkages Established: (Total = 1; Male = 1; Female = 0)

SME Black/White Linkages Established: (Total = 1; Male = 1; Female = 0)

Employment Opportunities Facilitated: (Total = 9; Male = 5; Female = 4)

Contract Value: R500,000 (US\$62,500)

5. Ms. Thandi Mazibuko, Diepkloof Laundry

Date: April 17, 2001

Ms. Mazibuko approached the SEMED Project to help her expand her laundry business. SEMED staff linked Ms. Mazibuko to the Eskom Foundation, winning a R9,500 electrification and marketing subsidy for her. The marketing funds will be used to erect a sign outside the business and to print pamphlets for distribution in the township. SEMED staff are still seeking market linkages for Ms. Mazibuko from medical establishments and hotels in the Diepkloof area.

SMME/Public Enterprise Linkages Established: (Total = 1; Male = 0; Female = 1)

Employment Opportunities Facilitated: (Total = 3; Male = 0; Female = 3)

6. Mr. Martin Malebye, Erasmus Butterfield Bakery

Date: April 20, 2001

Mr. Malebye previously worked as a secondary school teacher, while his wife ran an informal bakery out of their home. When he was retrenched, they decided to formalize and expand their bakery and make it their full-time occupation. Mr. Malebye approached the SEMED Project for assistance with the expansion and formalization processes. SEMED staff linked Mr. Malebye to Butterfield Holdings, a company selling containerized bakeries through the franchise system. Mr. Malebye used his retrenchment package to purchase a Butterfields franchise and establish a bakery in Erasmus, Mabopane. SEMED staff also linked Mr. Malebye with Eskom for electrification of his business.

Backward Business Linkages Established: (Total = 1; Male = 1; Female = 0)

SME/Large Business Linkages Established: (Total = 1; Male = 1; Female = 0)

SME Black/White Linkages Established: (Total = 1; Male = 1; Female = 0)

SMME/Public Enterprise Linkages Established: (Total = 1; Male = 1; Female = 0)

Employment Opportunities Facilitated: (Total = 4; Male = 2; Female = 2)

7. Mr. Johannes Kabini, Kwaggafontein Butterfields Bakery

Date: April 20, 2001

Mr. Kabini ran a spaza shop in Kwaggafontein. He asked the SEMED Project to help him expand his business. The SEMED Project facilitated Mr. Kabini's purchase of a Butterfields containerized bakery franchise. SEMED staff also linked him to Eskom for electrification of his business.

Backward Business Linkages Established: (Total = 1; Male = 1; Female = 0)

SME/Large Business Linkages Established: (Total = 1; Male = 1; Female = 0)

SME Black/White Linkages Established: (Total = 1; Male = 1; Female = 0)

SMME/Public Enterprise Linkages Established: (Total = 1; Male = 1; Female = 0)

Employment Opportunities Facilitated: (Total = 4; Male = 2; Female = 2)

8. Mr. Cuthbert Ncube, Kwela Chauffeur Drive & Tours (Pty) Ltd.

Date: April 24, 2001

The ICS Conference Center in Durban will host the United Nations sponsored International Conference on Racism in August 2001, for which they require chauffeur services. The SEMED Project help Mr. Ncube successfully bid for a R50,000 contract to provide chauffeur services for this conference. In order to fulfill this contract, Mr. Ncube required additional vehicles. SEMED staff introduced Mr. Ncube to Mr. Freddy Ngwenya, Jan Smuts Taxi and Luxury Car Rental CC. Mr. Ncube and Mr. Ngwenya will pool their vehicles to service the contract, temporarily relocating their operations base from Gauteng to Durban for the duration of the conference.

SME/SME Linkages Established: (Total = 1; Male = 1; Female = 0)

SME Forward Linkages Established: (Total = 1; Male = 1; Female = 0)

Backward Business Linkages Established: (Total = 1; Male = 1; Female = 0)

SME/Large Business Linkages Established: (Total = 1; Male = 1; Female = 0)

Employment Opportunities Facilitated: (Total = 11; Male = 10; Female = 1)

Contract Value: R50,000; US\$6,250

9. Mr. John Mtsweni, Mtsweni Transport*Date: May 1, 2001*

Mr. Mtsweni runs a small-scale transport company. With SEMED Project assistance he won a contract with the Bankfontein coalmines to provide long-distance transport of their coal from the mines to various Eskom power stations. Mr. Mtsweni required additional vehicles to fulfill this contract. SEMED staff linked Mr. Mtsweni with Mr. Francois Badenhorst, FA Transport, who owns a number of tipper trucks and long-distance trucks with interlink trailers. Mr. Mtsweni and Mr. Badenhorst have formed a joint venture to provide the required transport services.

SEMED staff also linked Mr. Mtsweni to Harmhout Transport CC, a white-owned SME providing transport for the Graspan coalmines in Mpumalanga. Mr. Mtsweni won a 3-year, R806,400 subcontract from Harmhout to assist it with its coalmine contracts. In order to fulfill this contract, Mr. Mtsweni will require an additional tractor-trailer truck. SEMED staff are currently preparing an application for a loan that will enable Mr. Mtsweni to purchase the necessary vehicle.

SME/SME Linkages Established: (Total = 2; Male = 2; Female = 0)

SME Black/White Linkages Established: (Total = 2; Male = 2; Female = 0)

Backward Business Linkages Established: (Total = 1; Male = 1; Female = 0)

Employment Opportunities Facilitated: (Total = 4; Male = 4; Female = 0)

Contract Value: R806,400; US\$100,800)

10. Mr. John Nkosi, Bethal Butterfields Bakery*Date: May 10, 2001*

Mr. Nkosi ran a spaza shop in Bethal. He approached the SEMED Project for assistance in expanding his business. SEMED staff facilitated Mr. Nkosi's purchase of a Butterfields containerized bakery franchise. In order to further improve his business, the SEMED Project also linked Mr. Nkosi with Eskom for electrification.

SMME/Public Enterprise Linkages Established: (Total = 1; Male = 1; Female = 0)

Backward Business Linkages Established: (Total = 1; Male = 1; Female = 0)

SME/Large Business Linkages Established: (Total = 1; Male = 1; Female = 0)

SME Black/White Linkages Established: (Total = 1; Male = 1; Female = 0)

Employment Opportunities Facilitated: (Total = 4; Male = 2; Female = 2)

11. Ms. Maria Mabunda, Fresh Produce Retailer*Date: May 15, 2001*

Ms. Mabunda runs a small grocery business, selling fresh fruits and vegetables, as well as dairy products to the Alexandra community. She heard about the SEMED Project when a SEMED staff member gave a presentation about the project to the Alexandra Small Business Association. Ms. Mabunda approached the SEMED Project for assistance in improving her business. SEMED staff discovered that Ms. Mabunda was purchasing supplies for her shop from other retailers. In order to improve her profit margins, SEMED staff linked Ms. Mabunda to 3 new suppliers, Sunrio Fruits for fresh fruit, Greens for Greens to supply vegetables, and Boplaas Dairy for milk and other dairy products. These linkages enabled Ms. Mabunda to purchase her supplies wholesale, thereby increasing her business profitability.

Backward Business Linkages Established: (Total = 3; Male = 0; Female = 3)

SME/SME Linkages Established: (Total = 1; Male = 0; Female = 1)

SME/Large Business Linkages Established: (Total = 2; Male = 0; Female = 2)

Employment Opportunities Facilitated: (Total = 2; Male = 0; Female = 2)

12. Ms. Elizabeth Mokhorro, Tjhaba-Tsatsi Imqualife

Date: May 17, 2001

Ms. Mokhorro wants to open an Imqualife franchise selling soybeans, samp and other health foods. She approached the SEMED Project for help in locating a business premises for her shop. SEMED staff linked Ms. Mokhorro to Mr. Kennedy Mafubetsoane, the Tjhaba-Tsatsi Center Manager, and facilitated a lease for her of a vacant shop in the center.

Backward Business Linkages Established: (Total = 1; Male = 0; Female = 1)

Employment Opportunities Facilitated: (Total = 2; Male = 0; Female = 2)

13. Mr. John Mnisi, JM Steel Gate Center CC

Date: May 21, 2001

JM Steel Gate Center manufactures burglar bars, security doors, palisade fencing and gates for businesses and private homes. He approached the SEMED Project for assistance in growing his business. Another SEMED Project client, Development Aid People to People (DAPP) is expanding its Durban market, necessitating the purchase of 200 steel containers. DAPP approached the SEMED Project for assistance in sourcing a supplier for these containers. SEMED staff facilitated a linkage between Mr. Mnisi and DAPP, whereby JM Steel Gate Center will manufacture the containers DAPP requires. This resulted in a R106,000 contract for Mr. Mnisi.

SME Forward Linkages Established: (Total = 1; Male = 1; Female = 0)

Backward Business Linkages Established: (Total = 1; Male = 1; Female = 0)

SME/SME Linkages Established: (Total = 1; Male = 1; Female = 0)

Employment Opportunities Facilitates: (Total = 4; Male = 4; Female = 0)

Contract Value: R106,000 (US\$13,250)

14. Mr. George Mofokeng, Mofokeng Transport

Date: May 28, 2001

Mr. Mofokeng runs a small transport company. He contacted the SEMED Project wanting help with expanding his business. SEMED staff linked Mr. Mofokeng to Harmhout Transport CC, a white-owned SME providing transport services to the Graspan coalmines in Middelburg, Mpumalanga. Mr. Mofokeng won a 3-year, R345,600 subcontract with Harmhout to assist it with its coal transport contracts. In order to execute this contract, Mr. Mofokeng will need an additional tractor-trailer truck. SEMED staff are currently preparing an application for a loan that will enable Mr. Mofokeng to purchase the required vehicle.

SME/SME Linkages Established: (Total = 1; Male = 1; Female = 0)

SME Black/White Linkages Established: (Total = 1; Male = 1; Female = 0)

Employment Opportunities Facilitates: (Total = 4; Male = 4; Female = 0)

Contract Value: R345,600; US\$43,200

15. Mr. Daniel Nyembe, Kopanong Electrical Project

Date: May 30, 2001

The Kopanong Electrical Project is a small electrical contracting business based in Orange Farm. SEMED staff linked Mr. Nyembe to the Eskom Procurement division in Braamfontein and facilitated his being listed in Eskom's approved service provider database. This will allow the Kopanong Electrical Project to receive wiring and other electrical service contracts from Eskom.

SMME/Public Enterprise Linkages Established: (Total = 1; Male = 1; Female = 0)

Employment Opportunities Facilitated: (Total = 16; Male = 12; Female = 4)

16. Mr. Rueben Nkosi, Feza Izidingo SCS (Pty) Ltd.

Date: June 1, 2001

Feza Izidingo SCS, based in Bronkhorstspuit, Mpumalanga, manufactures cables and other electrical accessories. It also runs a small electrical contracting business. SEMED staff linked Mr. Nkosi to Eskom's Procurement Division in Mpumalanga. Feza Izidingo SCS is now listed in Eskom's data base as both an approved service provider and an approved supplier.

SME Forward Linkages Established: (Total = 1; Male = 1; Female = 0)

SMME/Public Enterprise Linkages Established: (Total = 1; Male = 1; Female = 0)

Employment Opportunities Facilitated: (Total = 30; Male = 20; Female = 10)

17. Mr. Freddy Ngwenya, Jan Smuts Luxury Car Rental CC

Date: June 4, 2001

Mr. Ngwenya runs a small chauffeur service and luxury car rental business in Gauteng. The SEMED Project has already facilitated a number of business linkage deals on his behalf, details of which have been provided in previous quarterly reports. In order to help Mr. Ngwenya further expand his business, SEMED staff linked him with Mr. Albert Kruger of Doves Funeral Services. Mr. Kruger requires additional vehicles to service his clients. Mr. Ngwenya will provide chauffeur-driven mourning coaches for funerals conducted by Doves Funeral Services.

SME Forward Linkages Established: (Total = 1; Male = 1; Female = 0)

SME/Large Business Linkages Established: (Total = 1; Male = 1; Female = 0)

Employment Opportunities Facilitated: (Total = 6; Male = 5; Female = 1)

Contract Value: R21,360; US\$2,670

18. Ms. Pauline Phetu, Real Granite Stones

Date: June 7, 2001

Real Granite Stones manufactures and installs tombstones in Biopatong. Ms. Phetu contacted the SEMED Project for help in locating a new site for her business. SEMED staff linked Ms. Phetu with Mr. Kennedy Mafubetsoane, the Tjhaba-Tsatsi Center Manager, and facilitated her leasing a vacant shop in the center.

Backward Business Linkages Established: (Total = 1; Male = 0; Female = 1)

Employment Opportunities Facilitated: (Total = 6; Male = 5; Female = 1)

19. Mr. Xolani Ndzaba, First Beverage CC

Date: June 7, 2001

Mr. Ndzaba runs a small juice manufacturing company. In order to expand his business, Mr. Ndzaba needed to upgrade his equipment. SEMED staff linked Mr. Ndzaba to Big 100 Sales & Marketing (Pty) Ltd., who supplied him with the required juice-making equipment.

Backward Business Linkages Established: (Total = 1; Male = 1; Female = 0)

20. Mr. Tshepo Ntshingila, Ama-Tring-Tring Cellular Shop

Date: June 8, 2001

Mr. Ntshingila owns and operates a small cellular phone shop in Boipatong. In order to improve his business, Mr. Ntshingila required a better location for his shop. The SEMED Project linked Mr. Ntshingila to Mr. Kennedy Mafubetsoane, Tjhaba-Tsatsi Center Manager, who leased him a vacant shop in the center.

Backward Business Linkages Established: (Total = 1; Male = 1; Female = 0)

Employment Opportunities Facilitated: (Total = 1; Male = 1; Female = 0)

21. Ms. Gaster Mohlala, Leratong Bakery*Date: June 20, 2001*

Leratong Bakery is run by a group of 10 women who began selling baked goods to their community as an informal business over 4 years ago. The women approached the SEMED Project for help to expand and formalize their business. The SEMED Project linked the Leratong Baker to Eskom, winning Eskom-sponsored electrification for their business, a service valued at R30,000.

SMME/Public Enterprise Linkages Established: (Total = 1; Male = 0; Female = 1)

Employment Opportunities Facilitated: (Total = 10; Male = 0; Female = 10)

In addition to the business linkage deals listed above, SEMED Project staff also linked a number of entrepreneurs to the Eskom Foundation via its Winning Business Systems business skills training program. These clients represent SMME/Public Enterprise Linkages, as detailed below.

SMME/Public Enterprise Linkages			
<i>Client</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>
Elizabeth Mukhoro, Imqualife	0	1	1
Khosi Legoko, Khosi's Bakery	0	1	1
Selina Segahutla, Kgopelo Dress Making	0	1	1
Elizabeth Tshabalala, Siyaakha Baking Project	0	1	1
Nompumelelo Vilakazi, Mpumi's Juice Manufacturer	0	1	1
Beauty Xundu, Land of Joy Day Care Center	0	1	1
Alletah Madube, Lesang Bana Day Care Center	0	1	1
Hazel Shongwe, Ekhaya Business Enterprise Services	0	1	1
Maureen Duze, My Hope Day Care Center	0	1	1
Mary Hlatswayo, Milky Juicy	0	1	1
Christina Rankhumise, Lesego Day Care Center	0	1	1
Edith Silinda, Legae La Banna Day Care Center	0	1	1
Maria Monama, Ethutheng Pre-School	0	1	1
Josephine Nemutamuni, Maria's Pre-School	0	1	1
Patricia Qupe, Bright Future Day Care Center	0	1	1
Loaphando Kuba, Loaphando Interior Design	0	1	1
Constance Ngqele, Coni's Bricks	0	1	1
Orica Ramothibe, Tebugo's Day Care Center	0	1	1
Hazel Mnguni, Tholilwazi Day Care Center	0	1	1
Kate Dlamini, Kideo Nursery	0	1	1
Siphokazi Ngube, Sister S Fashion Design	0	1	1
Adelaide Mkhabele, Etireleng Day Care Center	0	1	1
Phumzile Ncala, Achaar Manufacturing	0	1	1
Hermine Seqhoibani, Mmasechaba Day Care Center	0	1	1
Pauline Masogo, Paulina's Hair Salon	0	1	1
Thoko Mbuli, Catering	0	1	1
Nomfundo Buti, Nomfundo's Baking Industry	0	1	1

Zandile mavimbela, Bambanani Women Sewing Project	0	1	1
Delisilem Bongwa, Success Day Care Center	0	1	1
Miriam Mabuza, Thembelihle Day Care Center	0	1	1
Margaret Msibi, NSA Pre-School	0	1	1
Client	Male	Female	Total
Julie Radebe, Phumelele Juice	0	1	1
Elizabeth Thembe, Ithemba Lekusasa Day Care Center	0	1	1
Tiny Pekane, Kagiso Day Care Center	0	1	1
Nomsa Letssoalo, CTU Clothing	0	1	1
Alina Moletsane, Momo Day Care Center	0	1	1
Nkgopoleng Mankge, Tshegofatso Day Care Center	0	1	1
Maria Ntlebi, Maria's Flower Arrangements	0	1	1
Ivy Dhladhla, Ivy's Hair Salon	0	1	1
Georgina Mbanjwa, Spaza Shop	0	1	1
Pinky Sibanda, Pinky's Tuck Shop	0	1	1
Tiny Zulu, Soft Goods Clothing	0	1	1
Ntombi Ntsingila, Ntombi Curtain Designer	0	1	1
Susan Mabika, Glowgetters Cleaning Service	0	1	1
Salome Ngema, Salome's Catering	0	1	1
Thandi Mbatha, Thandanani Sisters Sewing Group	0	1	1
TOTAL SMME/Public Enterprise Linkages	0	46	46

3.2.2 Pending Linkages: Summaries

In addition to the 21 completed deals listed above, SEMED Project staff are currently in the process of facilitating another 18 linkages.

1. Mr. Seraj Abass, Pro Sports CC

Pro Sports recently acquired the South African license to manufacture Diadora soccer jerseys and requires assistance in finding a manufacturing partner to produce them. Mr. Abass has linkages in the sports wear market and is confident that a turnover of one million Rand per year is possible. The SEMED Project identified a potential manufacturing partner for Mr. Abass, the West Rand Association for the Physically Handicapped, which runs a cut, make and trim factory, and negotiations between the two parties are currently underway.

2. Ms. Glenda Butkow, Career Objectives (Pty) Ltd.

Career Objectives is a personnel placement agency, specializing in affirmative action appointments. Although it has been awarded a staff procurement contract for 200 workers from South African Airways, as well as contracts from Metrorail and Transtel, the Metrorail and Transtel contracts are pending Ms. Butkow finding a black equity shareholder for her business. Ms. Butkow asked the SEMED Project to help her locate a black shareholder and a payroll service provider.

3. Mr. Francois de Klerk, Eskom Agrelek Division

Mr. De Klerk approached the SEMED Project to request assistance in identifying candidates to

EM&I SEMED

3rd Quarterly Report, FY '01

take up fruit drying business opportunities. These fruit drying businesses will buy fruit from emerging black farmers in the Nelspruit area and dry it. Agrelek, Eskom's agricultural business development unit, will identify small-scale dried fruit packing companies to serve as markets for this product. The small-scale dried fruit packaging companies will then on-sell to wholesalers, as well as selling retail directly to

consumers. In this way, the initiative will result in a market for the farmers as well as the establishment of a number of 1st, 2nd and 3rd tier businesses.

4. Mr. Chris du Toit, Suits Me Poultry (Pty) Ltd.

Mr. du Toit owns and runs a medium-scale poultry farm in Northern Province. In order to source government contracts, he needs to find a black equity partner. Mr. du Toit has requested SEMED Project assistance in identifying suitable candidates for this joint venture. He will also require R4,000,000 in financing for the joint venture and has asked the SEMED Project to raise these funds. Further action is pending Mr. du Toit's completion of a business plan.

5. Mr. Grant Hattle, Damani Coffee Estates (Pty) Ltd.

Damani Coffee Estates would like to form a joint venture with the local community in Venda. It would also like to expand its operations. Mr. Hattle approached the SEMED Project for assistance in facilitating this joint venture and accessing finance. During the third quarter, several meetings were held with the local community, and SEMED staff are currently helping prepare a business plan for the community's takeover of the estates.

6. Mr. Lucas Mafadi, Mafadi Hardware

Mr. Mafadi has asked the SEMED Project to do an evaluation of his business to determine whether it would be more profitable to expand into brick production or link with existing producers. During the on-site visit conducted on January 11, 2001, it was discovered that Mr. Mafadi was experiencing cash flow problems after overspending on security upgrades for his premises. Further capital expenditure was therefore deemed imprudent and the decision was made to look for existing brick manufacturers to link with Mafadi Hardware.

7. Mr. Kennedy Mafubetsane, Boipatong Development Company

The Boipatong Development Company runs a business center of 35 small businesses in Vanderbiljpark. It is looking for 2 medium businesses to serve as anchor tenants in the center. Mr. Mafubetsane requested SEMED Project assistance in identifying suitable candidates. SEMED staff have identified several potential tenants and negotiations with them are currently underway.

8. Mr. Ditau Molefane, Tembisa Butterfield Bakery

Mr. Molefane's Butterfield Bakery franchise in Tembisa must move to a new site. The site has already been identified, but before the bakery container can be moved, a concrete slab must be laid. Mr. Molefane has requested SEMED Project assistance to facilitate acquisition of the slab, to be paid for by Eskom, and to apply for electricity installation and connection at the municipal offices. SEMED staff are still seeking a local contractor to lay the slab so the container can be moved.

9. Mr. Mike Mpho, Rematla Investments CC

Rematla is a landscaping company, which has already won a R3,500,000 contract from the Komati Basin Water Authority in Swaziland to landscape the grounds around their headquarters and reservoirs. Now Mr. Mpho wants to bid for the tender to landscape the grounds of the new casino in Swaziland. He requested SEMED Project help to prepare the necessary

documents. The documents have been prepared, but no decision regarding the tender has yet been made.

10. Mr. Makhehla Simelani, Isinkwa Sethu Bakeries CC

Mr. Simelani wants to establish 10 containerized bakeries in Gauteng and Mpumalanga. He has requested SEMED Project assistance to identify potential black franchisees and to access the finance to set up these bakeries. SEMED staff prepared a proposal on Mr. Simelani's behalf and submitted it to the Industrial Development Corporation (IDC). The deal is pending Mr. Simelani's compliance with IDC funding requirements.

11. Mr. Pieter van Rooyen, JP Construction (Pty) Ltd.

JP Construction is an approved contractor for Telkom Botswana, and has all the equipment necessary for executing Telkom contracts. Mr. van Rooyen would like to expand his business to include local Telkom contracts. In order to do this, he needs to form a joint venture with a local black empowerment company. SEMED Project staff are still seeking a suitable empowerment partner for Mr. van Rooyen.

12. Mr. Roland Walsh, Top Star Milling CC

Top Star Milling needs to find a black equity partner in order to source government contracts. The SEMED Project has been requested to assist Top Star Milling with identification of potential black partners for a joint venture. SEMED staff are still seeking an appropriate empowerment partner for Mr. Walsh.

13. Herbei Chinese Business Consortium

A consortium of 10 businesses from the Herbei Province in China want to establish businesses in South Africa by forming joint ventures with previously disadvantaged SMEs. These businesses contacted the Gauteng Economic Development Agency (GEDA), which put them in contact with the SEMED Project. SEMED staff introduced the consortium to 10 historically disadvantaged entrepreneurs, who may serve as joint venture partners for the Chinese businesses. SEMED staff also introduced the consortium to Mr. B. M. Faria, owner of 325 hectares of land with industrial rights in Krugersdorp. Mr. Faria has offered his land to the consortium for development. The consortium is currently considering the proposed linkage options.

14. Mr. Lisiba Mesina, Jukskei Passenger Transport (Pty) Ltd.

Jukskei Passenger Transport recently won contracts to provide student transportation services for several Gauteng schools. Jukskei Passenger Transport approached the SEMED Project for help, because it needs to purchase additional busses in order to execute these contracts. SEMED staff arranged a meeting between Jukskei and Buss Alliance CC, a bus company that is selling its entire operation (40 buses and a depot). Negotiations on this linkage are currently underway.

15. Mr. Doctor Mashiloane, Hendrina Butterfields Bakery

Mr. Mashiloane is a qualified Master Baker who has worked as a baker for 8 years. He contacted the SEMED Project because he wants to establish his own business. SEMED staff recommended a linkage between Mr. Mashiloane and Butterfield Holdings, a company that

EM&I SEMED

3rd Quarterly Report, FY '01

sells containerized bakeries through a franchise scheme. A feasibility study is currently being conducted. Assuming a positive outcome of the study, SEMED staff will also facilitate a linkage with Eskom for an electrification commercial subsidy for the bakery.

16. Mr. Peter Matokwe, Carpenter

Mr. Matokwe is a qualified carpenter who wants to start his own business. He requested SEMED Project assistance in finding a suitable site for his workshop and to facilitate a loan of R10,000 for working capital and to purchase wood. SEMED staff are currently looking for an appropriate premises for Mr. Matokwe's workshop and helping him create a business plan.

17. Mr. Zac Setlhabi, Batho Dairy Products CC

Batho Dairy Products contacted the SEMED Project because it needs to purchase new dairy equipment and access a working capital loan, in order to expand its business. SEMED staff are currently sourcing equipment suppliers on Batho Dairy Products' behalf.

18. Mr. Alan Dent, Marketing Transactions Systems (Pty) Ltd.

Mr. Dent won a R900,000 grant from the Industrial Development corporation, with which he developed an electronic reservation system for guest houses, hotels and game reserves, similar to the air ticket system, called EasyComm Travel Marketing and Reservation System. In order to receive endorsement from South African Tourism (SATOUR), he needs to find a black partner willing to form a joint venture. He has requested SEMED Project assistance to find a suitable partner and to access the R7,468,000 needed to implement the system.

3.2.3 Rejected Linkages: Summaries

Sixteen previously pending linkage deals were rejected due to unforeseen problems.

1. Mr. Benjamin Baloyi, Sekunjalo Communications CC

Sekunjalo Communications operates 62 container phone shops throughout Gauteng Province. System failure has halted further expansion of the business. Mr. Baloyi contacted the SEMED Project for assistance in getting GSM (Global Satellite Messaging) systems to alleviate this problem. SEMED staff referred Mr. Baloyi to a Zimbabwean company who could supply him with the required technology. Mr. Baloyi, however, failed to respond to either the supplier or SEMED staff so the deal was dropped.

2. Mr. Jose Concalves, All Joy Products (Pty) Ltd.

All Joy Products is a large processing company producing tomato sauce, meat marinades, basting sauces, salad dressings and mayonnaise. Mr. Concalves wants to develop a containerized retail outlet franchise that will sell staple products, such as maize meal, beans, samp and other fast-moving commodities in rural communities. He requested SEMED Project assistance both in preparing a business proposal for this venture and in identifying potential franchisees among previously disadvantaged populations. After further investigation into the franchise concept, All Joy decided not to pursue the idea further and their file with the SEMED Project was closed.

3. Mr. Charles Detleef, Astra Motor Manufacturers (Pty) Ltd.

Mr. Detleef imports automobiles into South Africa, and also does 4x4 and left-hand drive to right-hand drive conversions. Mr. Detleef asked the SEMED Project to help him identify a suitable black equity partner. When SEMED staff conducted an on-site inspection to verify

information provided in Astra Motor's business plan, major discrepancies were discovered. All dealings with Mr. Detleef were discontinued.

4. Mr. Mark du Plessis, Simba Foods Ltd.

Simba Foods is the largest processor of frozen foods and snacks, such as potato chips. SEMED Project staff negotiated with Simba Foods to establish a direct linkage between Simba Foods and black township Spaza shops. Simba Foods decided it would rather establish a large distributorship as a business venture to distribute to small township retailers. If the SEMED Project can arrange a matching proposal, dealings with Simba Foods may proceed. For the time being, however, the file has been closed.

5. Mr. Peter Grossman, Aquaculture South Africa (Pty) Ltd.

Mr. Grossman wants to introduce catfish farming as a form of business to disadvantaged communities in Meyerton, in the Vaal area. He has identified a potential catfish processor, but has asked the SEMED Project to identify and link him with local entrepreneurs. Mr. Grossman has already conducted market research for the catfish, but has requested SEMED Project assistance in determining the profitability and sustainability of the business. Due to the extensive amount of research still required before this business can be realized, the SEMED Project has closed its Aquaculture South Africa file.

6. Mr. Harold Henderson, Sonic Eggs (Pty) Ltd.

Sonic Eggs is a medium-scale egg farm in Northern Province. Mr. Henderson wanted Sonic Eggs historically disadvantaged management to buyout the company. The deal has been dropped due to Mr. Henderson's insistence on contingencies that have made the company unmarketable.

7. Mr. Tom Hurter, Victory Doors and Frames

Mr. Hurter runs a sawmill and manufactures doorframe for low cost housing. He requested SEMED Project assistance in identifying a suitable black partner for his business. While SEMED staff were seeking an appropriate partner for him, Mr. Hurter formed a partnership with a white investor and withdrew his request for SEMED Project help.

8. Mr. Themba Madini, Lever Ponds Trade Development

Lever Ponds produces the Unilever brand line of cleaning and grocery products. Mr. Madini approached the SEMED Project to facilitate access to the Black township retail market for these products. Dawa (Pty) Ltd. serves as a distributor for 60 small retail shops in the townships. It buys items in bulk, thus allowing it to profitably resell to these small shops at low prices. Despite Dawa's professed interest in completing this deal, even after several meetings with SEMED Project staff it has failed to deliver business information necessary for Lever Ponds to make a decision. Dawa did not meet the April 30, 2001 deadline for supplying the required information and the deal was dropped.

9. Mr. Gaba Magaka, Sigengane Products

Mr. Magaka exports South African milk powder to other African countries. He approached the Gauteng Economic Development Agency (GEDA), a collaborator with the SEMED Project, for assistance to establish a new milk powder manufacturing plant. Since an existing SEMED client,

GTL Food Manufacturers and Distributors already manufactures milk powder, SEMED staff suggested that the possibility of a joint venture between Sigengane Products and GTL. While investigating the joint venture possibility, SEMED staff discovered that Mr. Magaka brought no assets of his own into the deal. He simply wanted to take advantage of someone else's situation and piggyback on their success. All contact with Mr. Magaka was dropped.

10. Mr. Cliff Mahlangu, Casa Mia Marketing CC

Casa Mia, a commodity brokerage, is in the process of negotiating the Southern Africa regional distribution license for an industrial lubricant from the United Arab Emirates. SEMED Project staff tried to facilitate a linkage for Casa Mia with a Danish company, to open the European market to Casa Mia for potential export opportunities. Unfortunately Casa Mia was unable to conclude its negotiations with the United Arab Emirates and the deal had to be dropped.

11. Mr. Boti Makobe and Ms. Betrice Makobe, Amogelang Communications CC

Sisal is a natural fiber product processed from Mexican Agave. It is woven into material, which is used on the inside door panels of automobiles as cushioning. Amogelang Communications purchases sisal from Southern African countries for export to German motor manufacturers, Daimler-Benz and BMW. Amogelang wished to increase its export volume, a step requiring linkages to agribusinesses producing sisal. Previously, the government ran 2 sisal-producing projects in Makode and Kutama. These were closed due to lack of market demand. The deal was pending Amogelang's providing the SEMED Project with proof that they have sufficient markets to warrant reopening the Makode and Kutama sisal projects. Amogelang failed to produce market documentation and has not returned SEMED staff calls. The file has been closed.

12. Mr. Frans van Niekerk, Super Fresh Farm Chickens

Pretoria-based Super Fresh Farm Chickens raises broiler chickens. Its owner, Mr. van Niekerk, wanted to sell his operations. He asked the SEMED Project to help him find a black consortium interested in investing in this venture. The deal was dropped after Mr. van Niekerk required a price way above the market value of his business.

13. Mr. Vincent Nkosi

Mr. Nkosi wanted to set up a Vodacom cell phone container in Mfundo Park, a newly established section in Vosloorus, whose residents have no access to land-line based telephones. SEMED Project staff contacted Vodacom, but were informed that applications for new cell phone containers will only be accepted at the end of April, 2001. When project staff contacted Vodacom at the beginning of May, they were informed that Vodacom has suspended its container cell shop expansions until 2002. The file was closed.

14. Mr. Owen Porteus, McCain Foods

McCain Foods, a subsidiary of Irvin & Johnson, is a food processing and canning company. SEMED Project staff are currently negotiating with McCain Foods to establish a direct distributorship for black township Spaza shops. As with Simba Foods, McCain Foods decided it would rather establish a large distributorship as a business venture to distribute to small township retailers. If the SEMED Project can arrange a matching proposal, dealings with

McCain Foods may proceed. For the time being, however, the file has been closed.

15. Mr. Noko Ramabula, Mmula Productions and Interactive Communications Entertainment CC

Mmula Productions and Interactive Communications Entertainment CC, a company specializing in television production and virtual reality, wanted to form a joint venture with International Television, a Danish company, to improve the quality of its productions. Mr. Ramabula asked the SEMED Project to facilitate this linkage. International Television withdrew from the deal and the Mr. Ramabula's file was closed.

16. Mr. Gert van der Westhuizen, Velkor (Pty) Ltd.

Velkor, a company dealing in hides and skins, is currently white owned. Mr. van der Westhuizen, however, said he wanted to offer shareholding in the company to the present staff. He approached the SEMED Project for assistance in this change, and to help expand the company's market locally and internationally. During the course of developing a business plan for Velkor, SEMED staff discovered that Mr. van der Westhuizen was not truly interested in giving his historically disadvantaged staff equity in the business, but was merely trying to abuse the black economic empowerment program for his own advantage.

4.0 TECHNOLOGICAL INNOVATION/PRODUCT DEVELOPMENT

4.1 Technical Assistance Relationships Formed

During the third quarter, SEMED Project staff contacted one new organization with regards to technological innovation: the Department of Trade and Industry's (DTI) Small and Medium Enterprise Development Program (SMEDP). SMEDP provides technical assistance to manufacturing SMEs by offering equipment upgrades on an incentive basis. SEMED staff met with DTI officials to learn about the SMEDP program entry requirements and obtain application forms.

SEMED staff also facilitated technical assistance for Ms. Rebecca Lebogo. Ms. Lebogo owns property in Gauteng and was referred to the SEMED Project by the Land Bank. She needed technical assistance to grow flowers hydroponically in tunnels. SEMED Project staff linked Ms. Lebogo with the Agricultural Research Development Council (ARDC) laboratories in Pretoria.

4.2 Product Innovations and Developments

During the third quarter, the SEMED Project helped 3 clients add new products to their businesses, and another client to improve his existing service. Details are provided below.

<u>Name</u>	<u>Product</u>	<u>Innovation/Development</u>
Patsonic Tech & Stationery CC	Carpets	New product
Mtsweni Transport	Transport services	Improved service
JM Steel Gate Center CC	Steel containers	New product
Mmabatho Estate CC	Hydroponic vegetables	New product

5.0 BUSINESS/ENTREPRENEURSHIP SKILLS TRAINING

The SEMED Project's Business and Entrepreneurship Skills Training program uses two methodologies: 1) learning by hearing, which uses radio soap opera to teach business and entrepreneurial skills, and 2) learning by doing, which teaches business skills by linking SMEs to professional business service providers, including EM&I staff. An example is when SEMED Project clients learn proper accounting procedures through hands-on experience with accepted accounting systems provided by professional accountants.

5.1 Learning by Doing

During the third quarter, a mentorship linkage was formed for one SEMED Project client. Mr. Joseph Motsemme, PJ Motsemme CC, was linked with Mr. Kenneth Sihlale, KV Funeral Undertakers. Mr. Motsemme wants to establish a funeral services business. Mr. Sihlale will help Mr. Motsemme develop his business and management skills, as well as mentoring him in industry-specific areas of expertise.

SME Business Skills Strengthened: (Total = 1; Male = 1; Female = 0)

SME Entrepreneurship Skills Strengthened: (Total = 1; Male = 1; Female = 0)

SEMED staff improved another client's entrepreneurship and business skills by improving the company's record keeping capacity. Ithuthe Tswelopele Solutions (Pty) Ltd. had outsourced its records and accounts to a bookkeeping firm. With SEMED Project assistance, they have now moved this in-house. SEMED staff helped Ithuthe Tswelopele Solutions install QuickBooks accounting software and trained the Administrative Assistant in its use. A follow-up training session was also provided.

SME Business Skills Strengthened: (Total = 1; Male = 1; Female = 0)

SME Entrepreneurship Skills Strengthened: (Total = 1; Male = 1; Female = 0)

Business skills are also taught while guiding clients through the process of negotiating business deals or developing Business Plans, Feasibility Studies, Market Studies, Internal System Control Procedures and Financial Controls. Each SEMED Project client receives training in one or more of these areas. SEMED client details and their strengthened skills are listed below.

<u>Name</u>	<u>SME Business Skills</u>			<u>SME Entrepreneurship Skills</u>		
	<i>Male</i>	<i>Female</i>	<i>Total</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>
Africa Soy	1	0	1	1	0	1
All Seasons	0	1	1	0	1	1
Batho Dairy Products	1	0	1	1	0	1
Bethal Butterfield Bakery	1	0	1	1	0	1
Biopatong Laundromat	0	1	1	0	1	1
Charisma Events & Promotions	0	1	1	0	1	1
Erasmus Butterfield Bakery	1	0	1	1	0	1
Golden Tuck Shop	0	1	1	0	1	1
GS De Sousa Enterprises	0	1	1	0	1	1

Hendrina Butterfield Bakery	0	1	1	0	1	1
Name	SME Business Skills			SME Entrepreneurship Skills		
	<i>Male</i>	<i>Female</i>	<i>Total</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>
Kwaggafontein Butterfield Bakery	1	0	1	1	0	1
Lowveld Craft Products	1	0	1	1	0	1
Luvhomba Legal Cost Assistance	1	0	1	1	0	1
Makhulakancane Investments	1	0	1	1	0	1
Matokwe Carpenters	1	0	1	1	0	1
Mofokeng Transport	1	0	1	1	0	1
Rhino Safety Enterprises	1	0	1	1	0	1
Robomation	1	0	1	1	0	1
Vukani Brick Works	1	0	1	1	0	1
TOTAL	13	6	19	13	6	19

5.2 Learning by Hearing

Broadcasts of the Tycoon Business Adventures radio soap opera on Ukhozi FM began on April 9, 2001, and ran for the next 12 consecutive Mondays. Each episode included a 15-minute soap opera, a 5-minute business concept summary, and a 40-minute call-in talk show. An expert small, medium and micro-enterprise (SMME) Business Consultant hosted each of the programs in an instructional and advisory role, assisting Ukhozi FM listeners to improve their business management skills and promoting entrepreneurship in the historically disadvantaged community. All programs were conducted in Zulu, except when Zulu business terminology was underdeveloped or did not exist. Ukhozi FM has the largest radio listenership in the Southern Hemisphere (+5,400,000 listeners daily), the majority of whom are women.

Since the Tycoon Business Adventures radio soap opera concluded only on June 25, the All Media & Publications Survey (AMPS) listenership audit reporting the official number of listeners is not yet available. The numbers for SME Entrepreneurship and SME Business Skills Strengthened as a result of this program will therefore be reported in the SEMED Project 4th Quarterly Report.

On June 8, 2001, Mr. Simon Aphane, EM&I Managing Director, met with Mr. Lindelani Ngema, Ukhozi FM Promotions Manager, to discuss the Tycoon Business Adventures program. Mr. Aphane negotiated a bonus broadcast to summarize and follow-up the Tycoon series. This program is scheduled to air on Monday, July 2, 2001, and will include a USAID/South Africa representative.

5.3 Business Skills Classes

During the second quarter, the SEMED Project added a third component to its skills training program: business skills classes. The Eskom Foundation provides funding to enable entrepreneurs from SMEs to attend business skills training classes. Through a linkage formed with the Eskom Foundation, the SEMED Project has facilitated access to these funds for a number of its clients.

EM&I SEMED

3rd Quarterly Report, FY '01

During the third quarter, 46 SEMED Project clients received funding for training through the Daveyton Community Development Center's Winning Business Systems course. A list of these clients is provided in Section 3.2.1 of this report.

SME Entrepreneurship Strengthened: (Total = 46; Male = 0; Female = 46)

SME Business Skills Strengthened: (Total = 46; Male = 0; Female = 46)

6.0 ACCESS TO FINANCE

6.1: Traditional Sources of Finance

During the third quarter, SEMED Project staff maintained on-going contacts with ABSA, FNB, Ned Enterprises, Standard Bank, the Midland Economic Equity Group Bank (MEEG), and the Industrial Development Corporation (IDC) regarding SEMED clients' applications for finance. Regular meetings have been necessary in order to remind the banks about outstanding SEMED client loan applications. Without constant contact, the banks have tended to allow loan applications to remain in pending files for long periods of time. Additional meetings were also held to discuss the special requirements for loan applications from SEMED clients who are franchise holders.

6.2: 2nd Tier, Non-Traditional Financial Intermediaries

In addition to maintaining relationships with Khetani Business Finance and Basani Finance Corporation, during the third quarter the SEMED Project expanded its financial network to include a new organizations: Realeboha Investments. On April 5, 2001, SEMED staff concluded a cooperation agreement between the SEMED Project and Realeboha Investments, a broker agency for the Sizanani Micro Finance Scheme. SEMED staff will refer clients applying for loans of less than R100,000 to Realeboha, who will prepare their applications and submit them to Sizanani on behalf of the SEMED Project. Sizanani Micro Finance Scheme is a joint venture by ABSA, FNB, Nedcor and Standard Banks specifically designed to provide small and medium-scale loans to historically disadvantaged SMEs.

SEMED staff also leveraged wholesale funds for 2nd tier and non-traditional financial institutions from Iscor, the parastatal steel-manufacturing corporation. Iscor, based in the Vaal Triangle, is launching a massive retrenchment program. Many of the retrenched employees will benefit from a SEMED Project client, the Boipatong Development Center, also based in the Vaal Triangle. SEMED staff, together with representatives of the Boipatong Development Center, met with Iscor, and successfully negotiated a R1,500,000 wholesale soft loan to provide retail working capital loans to businesses located in the Boipatong Development Center. Vaalgro, a Retail Financial Intermediary (RFI) located in the Vaal Triangle, will administer the loans.

Amount of Finance Available to SMMEs: R1,500,000; US\$187,500

As a step toward project sustainability, SEMED staff concluded an agreement with Khetani Business Finance, whereby Khetani will pay the SEMED Project a 2.5% facilitation fee on each successful loan application submitted to Khetani by SEMED staff on behalf of their clients.

6.3: SEMED-Arranged Financing

6.3.1 Disbursements

During the third quarter, 6 loans were approved and disbursed to SEMED clients. Details are listed below.

Approved & Disbursed Loans

EM&I SEMED

3rd Quarterly Report, FY '01

<u>Name</u>	<u>Amount(R)</u>	<u>Source</u>	<u>Purpose</u>
All Seasons	90,000	Basani Finance Corporation	Purchase catering equipment & working capital
Lady Di Bangkok Fashions	30,000	Khetani Business Finance	Purchase stock
Boipatong Laundromat	60,000	Vaalgro	Purchase laundry equipment
Cams Motors	100,000	Khetani Business Finance	Purchase stock and improve cash flow
Mmabatho Estate	330,000	Land Bank	Start a hydroponic project
Luvhomba Legal Cost Assistance	182,000	Standard Bank	Purchase business premises
TOTAL	R792,000	(US\$99,000)	

SEMED Project clients have also accessed finance from the Eskom Foundation's small business support program. Details of clients who received this type of finance are listed below.

Eskom Foundation Commercial Subsidies		
<u>Name</u>	<u>Amount (R)</u>	<u>Purpose</u>
46 female entrepreneurs (Please see list in section 3.2.1 above.)	55,200	Business skills training
Diepkloof Laundry	9,500	Electrification and marketing subsidy
Leratong Bakery	30,000	Electrification
TOTAL	R94,700	(US\$11,838)

In several instances, access to finance, either from financial institutions or from the Eskom Foundation, has facilitated job opportunities. Details are listed below.

Job Opportunities Facilitated by Access to Finance			
<u>Name</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
All Seasons	0	4	4
Lady Di Bangkok Fashions	2	2	4
Boipatong Laundromat	2	2	4
Cams Motors	6	2	8
Mmabatho Estate	0	14	14
Luvhomba Legal Cost Assistance	5	10	15
TOTAL	15	34	49

6.3.2 Submitted Loan Applications

Since program commencement, SEMED Project staff have submitted loan applications for 46 clients, either to commercial banks or other Retail Financial Intermediaries. Of these, 30 have been approved and disbursed (24 during the first and second quarters, plus the 6 listed in section 6.3.1 above). The rest of the applications remain pending, as it takes approximately 3 months to get approval from the banks. A list of submitted loan applications is provided in the table below.

Submitted Finance Applications			
<u>Name</u>	<u>Source of Funds</u>	<u>Amount (R)</u>	<u>Purpose</u>
Belesose Fashion Designers	Marang Financial Services	5,000	Working capital
Charisma Events & Promotions CC	Basani Finance Corporation	50,000	Working capital
Chips Land	Standard Bank	60,000	Expansion capital. Pending resolution of a tribal trust property issue.
DAPP	MEEG Bank	300,000	Manufacture steel container for clothing collection.
Isinkwa Sethu Bakeries CC	IDC	1,500,000	Start-up capital. Pending receipt of additional information from client.
Kwena Plastics (Pty) Ltd.	IDC	3,000,000	Working capital
Lowveld Craft Productions	IDC	4,500,000	Purchase brewery and new equipment for the brewery
PJ Motsemme & Associates CC	Business Partners	250,000	Purchase stock and equipment
Umie Property Investments CC	Barclays Bank	700,000	Purchase their business premises
Vukani Brick Works	Sizanani Scheme	50,000	Working capital
	TOTAL	R10,415,000	(US\$1,301,875)

The SEMED Project counts the loan applications pending bank approval or rejection, as loans in the pipeline. Given the SEMED Project's performance thus far, it is expected that over 50% of these loans will be approved.

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6.3.3 Loan Applications In Preparation

In addition to the 10 submitted loan applications awaiting approval from financial institutions, 25 loan applications are in the process of preparation for submission to financial institutions. Banks require SMEs to present their loan applications together with a business plan, in order to be considered favorably. If the SMEs listed below are deemed profitable, SEMED Project staff will commence the process of accessing finance on their behalf.

Loan Applications In Preparation			
<u>Name</u>	<u>Amount (R)</u>	<u>Purpose</u>	<u>Pending</u>
African Soya	33,000,000	Build soy processing plant & working capital	Business plan, equipment quotations
Batho Dairy Products	6,000,000	Purchase dairy equipment & working capital	Receipt of business plan
Cool's Nightclub	700,000	Purchase hotel where	Receipt of business plan

EM&I SEMED

3rd Quarterly Report, FY '01

		nightclub is based	and financial statements
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<u>Name</u>	<u>Amount (R)</u>	<u>Purpose</u>	<u>Pending</u>
First Breweries	2,000,000	Purchase additional juice-making equipment	Completion of business plan and receipt of equipment quotations
G.S. De Sousa Enterprises	150,000	Working capital	Receipt of business plan
Golden Tuck Shop	30,000	Extend business premises & purchase stock	Receipt of business plan
Hair Evolution	10,000	Renovate business premises	Completion of business plan
IDAC Wholesalers	1,500,000	Purchase stock and equipment	Completion of business plan
Knights Eagle Investments	300,000	Purchase Grillo's franchise	Completion of business plan
Marketing Transaction Systems	7,468,000	Implementation of electronic reservation system	Business plan and identification of black partner
Mo-Afrika Dry Cleaners	100,000	Complete building on their business premises	Completion of Khetani application and Local Council approval of business plan.
Mofokeng Transport	150,000	Purchase trailer-tractor truck	Completion of business plan
Mr. D. Mashiloane	260,000	Purchase Butterfields Bakery franchise	Feasibility study and business plan
Mr. Peter Matokwe	10,000	Working capital	Business plan
Mtsweni Transport	150,000	Purchase trailer-tractor truck	Completion of business plan
Muwaweni Maize Mill	10,000,000	Purchase new equipment and expansion capital	Completion of business plan.
Pro Sports CC	200,000	Purchase materials stock	Conclusion of negotiations with potential partner.
Robomation	200,000	Working capital	Business plan completion
Rooi Koppies Poultry	6,000,000	Purchase broiler company, stock & working capital	Completion of business plan
Shamis International Distributors	465,000	Purchase stock & working capital	Completion of business plan
Sihlangene Farmers Association	4,000,000	Equipment purchase	Receipt of business plan
Spray Dynamics CC	500,000	Expansion capital	Receipt of business plan
Suits Me Poultry (Pty) Ltd.	4,000,000	Joint venture capital	Auditors promised financial statements by end of July, 2001.
Sunrise Electrical	400,000	Build a shopping complex	Receipt of counsel-

Wholesalers			approved building plans and their bill of quantities
<u>Name</u>	<u>Amount (R)</u>	<u>Purpose</u>	<u>Pending</u>
Tshiawelo Chicken Supply	180,000	Purchase equipment and bulk stock	Local council's transfer of fixed property in client's name.
TOTAL	R77,773,000	(US\$9,721,625)	

6.3.5 Withdrawn or Rejected Applications:

During the third quarter, 13 applications for finance were either withdrawn by the SEMED Project or rejected by financial institutions. Details are listed below.

Withdrawn or Rejected Applications		
<u>Name</u>	<u>Amount (R)</u>	<u>Reason</u>
AB Chickens	105,000	Only collateral to offer is property in a red-line area, which financial institutions will not except, since it does not hold its value.
Inroads Outdoor Media	2,500,000	Application rejected by financial institutions, due to market instability.
Integrity DCAD Services	2,000,000	Application withdrawn after market research revealed weak interest in the product.
Jay's & Gee's Developers	200,000	The client completed and received payment for one house, thereby generating the required working capital. Application withdrawn.
Johannes Khubeka	105,000	Application withdrawn because Vodacom has suspended expansion of its containerized cell shops until 2002.
Kwela Chauffeur Drive & Tours	500,000	Need for additional vehicles filled by linkage with Jan Smuts Taxi.
Magampa Transport Services	250,000	Client withdrew application.
Makhulakancane Investments	800,000	Client dropped after failure to supply required documentation.
Mangwele General Dealer	120,000	Client dropped after discovery of false property claims.
Patsonic Tech & Office Stationery	100,000	Client unresponsive. File closed.
Qhubekani Mashenge Products	100,000	Client unresponsive. File closed.
Sonic Eggs (Pty) Ltd.	4,000,000	Deal dropped due to client's unrealistic contingency requirements.
South Boys Executive Cars	1,000,000	Client withdrew application in favor of slow-growth option.
Victory Doors & Frames	3,000,000	Client opted for white investment partner, placing himself outside the SEMED Project scope of work.

EM&I SEMED

3rd Quarterly Report, FY '01

TOTAL	R14,780,000	(US\$ 1,847,500)
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7.0 HIV/AIDS INTERVENTION

On November 10, 2000, the SEMED Project, with support from the Gauteng Department of Health, launched an HIV/AIDS awareness campaign for SMEs and their employees. The aim of this project is to increase HIV/AIDS awareness among the large number of historically disadvantaged employees working in SMEs in Gauteng Province. This preventive intervention will help reduce the incidence of HIV/AIDS and its devastating impact on business survivability due to the loss of key personnel.

The Department of Health initially donated 1,500 brochures, 200 posters and 5,000 condoms for this campaign. These materials were packaged and are being distributed by SEMED Project staff during the first and second quarters. On April 16, 2001, the Department of Health donated another 1,500 brochures, 200 posters and 5,000 condoms to the SEMED Project, since all those initially donated had been distributed. During the third quarter, SEMED Project staff provided HIV/AIDS education to 61 entrepreneurs (9 males and 52 females) and 111 employees (64 males and 47 females), yielding a total of 657 beneficiaries (318 males and 339 females) who have received HIV/AIDS education to date.

8.0 COORDINATION

During the third quarter, six coordination meetings were held between USAID/South Africa, EM&I and SEMED Project Staff. Two of these meetings dealt with the possibility of extending the SEMED Project for another year after the current October 15, 2001 project end date. On April 5, 2001, Mr. Simon Aphane, EM&I Managing Director, Mr. Jaime Reibel, EM&I Executive Vice President, and Mr. Willie Höll, SEMED Chief of Party, met with Mr. Bill Brands, SO5 Head, USAID/South Africa, USAID/South Africa, to discuss SEMED Project performance to date. EM&I also submitted a budget for the proposed FY 2002 SEMED Project extension. Further discussions of this proposed extensions took place on June 13, 2001, when Mr. Höll met with Ms. Jan Rockcliffe-King, Private Development Officer, USAID/South Africa.

On April 10, 2001, SEMED Project staff hosted a tour of Soweto SMEs for Mr. Dennis Hastert, Speaker of the United States House of Representatives, and a congressional delegation. The delegation also met with EM&I's Mr. Aphane and Mr. Reibel, and with SEMED's Mr. Höll and Mr. Khuvutlu.

On May 9, 2001, Mr. Reibel and Mr. Höll met with Ms. Katherine McKee, Director, Office of Micro Enterprise Development, USAID/Washington, and Mr. Marty Hanratty, Consultant, to discuss the South African micro-enterprise development and finance experience.

A fifth coordination meeting took place on June 12, 2001, when Mr. Höll requested and received permission from Mr. Jerry Kryschal, Contracts Officer, USAID/South Africa, to sell the SEMED Project server cabinet. The cabinet was too small and had no cooling fans inside it. Purchasing a larger cabinet with cooling fans required only R1000 more than the selling price for the small cabinet. Since there were sufficient funds in the budget, Mr. Kryschal approved the purchase of the larger cabinet.

The final coordination meeting took place on May 25, 2001, when SEMED staff hosted a tour of Soweto SMEs for United States Secretary of State, Mr. Colin Powell and his delegation. A SEMED Project client, Chicken 'O'Thibo Touch, provided catering for the Secretary and his party of approximately 200 people.

In addition to the six coordination meetings listed above, SEMED Project leaders also attended two international conferences on venture capital for SMEs. The first conference, co-sponsored by USAID and the Institute for SME Finance, was held on May 30-31, 2001, in Namibia, and focused on Venture Capital for SMEs in Southern Africa. Messieurs Simon Aphane, Jaime Reibel and Willie Höll represented the SEMED Project at the conference. Messuers Aphane & Reibel also attended the follow-up conference, held in Washington, D.C. on June 24-28, 2001. SEMED representatives' purpose in attending these conferences was to look at the possibility of developing a venture capital program as a new funding source for SMEs in South Africa.

9.0 CONSTRAINTS AND SOLUTIONS

As reported in the first two quarterly reports, access to finance remains one of the most critical constraints to the SME sector. SEMED Project staff are experiencing serious difficulty with financial institutions, due to the time taken to approve applications for finance. The banks' bureaucratic systems and processes cause delays in implementation of clients' Business Plans, to the detriment of progress or the survival of the businesses. Currently banks are taking an average of over 3 months to approve loans. Mr. Höll has met representatives from ABSA, Standard, Ned Enterprise and First National Bank to find a way to speed-up the loan process by preparing applications in each individual bank's format. In addition, SEMED staff members regularly call financial institutions to check on the progress made on their clients' applications.

A second challenge facing the SEMED Project also involves accessing finance. In the SEMED Project Proposal, targets of \$5,250,000 and \$750,000 were set for finance accessed (loans disbursed) for SMEs and additional financing made available (loan fund capitalization) for SMEs respectively. Since funds are accessed and/or made available in Rand, with the devaluation of the Rand, these targets have become increasingly difficult to attain. Whereas at project commencement the Rand equivalent of the \$750,000 target for additional financing made available to SMEs was R5,625,000 (exchange rate \$1 = R7.5), by the end of the third quarter this had increased to R6,000,000 (exchange rate \$1 = R8.0), an increase of R375,000 or 6% of the original target amount. This trend is expected to continue in the fourth quarter. At the current exchange rate, the SEMED Project has achieved 16% of its targeted amount of finance accessed by SMEs and 25% of its targeted amount of additional financing made available to SMEs. If the currency had remained stable, these numbers would be 17% and 27% respectively.

Although these numbers appear low, in the case of the amount of finance accessed by SMEs, the low percentage is largely due to the financial institutions' long processing time, as mentioned above. Currently the SEMED Project has R88,188,000 (US\$11,023,500) of loans in the pipeline. If even 50% of these are realized, and past performance indicates that 50% realization is a conservative estimate, the SEMED Project will exceed its target, despite the devaluation of the Rand.

In the case of additional finance made available to SMEs, low performance is primarily due to the fact that non-traditional RFIs in South Africa have performed abysmally. The government's initiatives have not been successful: many have been closed down, and those still functioning are not doing well. Because of this track record, traditional sources of financing are reticent to earmark funds for these types of institutions. Although the SEMED Project will focus on the private sector as sources of additional SME funding (i.e. the R1,500,000 made available this quarter by Iscor), it is recommended that USAID/South Africa discount this performance indicator. The SEMED Project will make formal request to this effect at a later date.

Facilitating linkages between South African SMEs and US companies has also proved challenging, as historically disadvantaged SMEs tend to focus on the retail sales or service sectors, rather than on manufacturing. The capacity of the South African SMME sector to service US companies is therefore very limited.

10.0 PROJECT PERFORMANCE INDICATORS

Chapter 10 presents a table listing the SEMED Project performance indicators and progress made for each indicator. The first set of columns (non-shaded) contains results achieved during this reporting period. In the second set of columns (shaded), cumulative total results are recorded.

Overall project performance has been very good. Over 100% of target values has been achieved on 9 of the 22 performance indicators for which targets were set. Areas of especially high performance include Forward Linkages (3136%), Backward Linkages (37333%) and SMME linkages to public enterprises (1957%).

Several indicators show lower-than-expected performance. The SEMED Project has linked only 2 SMEs with U.S. enterprises. This low number is attributable to 3 factors: 1) the almost non-existent capacity of SEMED Project clients to export goods to the U.S., given the scale of their businesses; 2) the very limited number of U.S. companies operating in South Africa; and 3) the inability of SEMED Project clients to import goods from the U.S., given the scale of their businesses and the current economic situation (strong Dollar, weak Rand). Linkages between black and white enterprises are also fewer than anticipated. However, 8 of the 18 pending linkage deals involve black-white linkages. One of the pending business linkage deals also involves a number of 1st/2nd/3rd Tier Linkages. Improvement to existing products has accelerated from 40% to 50% for types of products, and from 16% to 20% for actual products improved.

The numbers for entrepreneurship and business skills strengthened are misleading, because they exclude the estimated +20,000,000 beneficiaries of the Tycoon Business Adventures program. The Tycoon Business Adventures radio soap opera was broadcasted over a 3-month period on Ukhozi FM, which has a daily listenership of +5,400,000. The official listenership numbers from the All Media & Publications Survey (AMPS) for the Tycoon program will be published in the next reporting period. The 4th Quarterly report will reflect these numbers.

Low performance for accessing finance is due to the length of time financial institutions take to process loan applications. From submission date to decision date, a loan application currently requires an average of 3 months. The loan application pipeline stands at over R88,000,000 (US\$11,000,000), a value more than double the target value in and of itself. Given the SEMED Project's recent performance, it is expected that over 50% of these pipeline loans will be approved.

In the case of additional finance made available to SMEs, low performance is primarily due to the fact that non-traditional RFIs in South Africa have performed abysmally. The government's RFI initiative through Khula Enterprise Finance Ltd. has not been successful: many RFIs have been closed down, and those still functioning are not doing well. Because of this track record, traditional sources of financing are reticent to earmark funds for these types of institutions. Although the SEMED Project will focus on the private sector as sources of additional SME funding (i.e. the R1,500,000 made available this quarter by Iscor), it is recommended that USAID/South Africa discount this performance indicator. The SEMED Project will make formal request to this effect at a later date.

EM&I SEMED

3rd Quarterly Report, FY '01

Four performance indicators are reported without target values: value of contracts sourced for clients, commercial subsidies obtained from the private sector for SEMED clients, employment opportunities facilitated, and the number of HIV/AIDS education beneficiaries. Although these indicators were not included in the SEMED Project Proposal, they were added to SEMED Project reports, as they were considered important.

11.0 PROJECTED 4TH QUARTER, FY '01 ACTIVITIES

11.1 SMME Markets Identified & Developed

July 2001

- Identify 4 market sectors in which the SEMED Project's SMME clientele can work.
- Identify 10 market niches in which SMMEs can do business.
- Identify 15 companies with which SMMEs can form linkages.
- Establish 10 SMME forward linkages.
- Establish 5 SMME backward linkages.
- Establish 2 SMME/SMME Linkages.
- Establish 4 SMME/large enterprise linkages.
- Establish 2 SMME/U. S. enterprise linkages.
- Establish 2 SMME/government linkages.
- Establish 6 SMME 1st/2nd/3rd tier linkages.
- Establish 7 SMME Black/White linkages.

August 2001

- Identify 4 market sectors in which the SEMED Project's SMME clientele can work.
- Identify 8 market niches in which SMMEs can do business.
- Identify 10 Companies with which SMMEs can form linkages.
- Establish 10 SMME forward linkages.
- Establish 5 SMME backward linkages.
- Establish 2 SMME/SMME linkages.
- Establish 4 SMME/large enterprise linkages.
- Establish 2 SMME/U. S. enterprise linkages.
- Establish 2 SMME/government linkages.
- Establish 6 SMME 1st/2nd/3rd tier linkages.
- Establish 7 SMME Black/White linkages.

September 2001

- Identify 4 market sectors in which the SEMED Project's SMME clientele can work.
- Identify 8 market niches in which SMMEs can do business.
- Identify 10 companies with which SMMEs can form linkages.
- Establish 10 SMME forward linkages.
- Establish 5 SMME backward linkages.
- Establish 2 SMME/SMME linkages.
- Establish 5 SMME/large enterprise linkages.
- Establish 3 SMME/U. S. enterprise linkages.
- Establish 3 SMME/government linkages.
- Establish 6 SMME 1st/2nd/3rd tier linkages.
- Establish 8 SMME Black/White linkages.

11.2 SMME Capacity to Respond to Market Opportunities Enhanced

July 2001

- 1,184,000 actual and future entrepreneurs receive training.
- 10 SMMEs receive business skills training.
- 1 types of existing product improved.
- 3 existing products improved.
- 1 new types of products developed.
- 1 new products developed.
- 5 SMMEs linked to public enterprises.

August 2001

- 10 SMMEs receive business skills training.
- 1 types of existing product improved.
- 4 existing products improved.
- 2 new types of products developed.
- 2 new products developed.
- 5 SMMEs linked to public enterprises.

September 2001

- 10 SMMEs receive business skills training.
- 1 types of existing product improved.
- 4 existing products improved.
- 2 new types of products developed.
- 2 new products developed.
- 5 SMMEs linked to public enterprises.

11.3 Increase SMME Access to Capital

July 2001

- 3 SMMEs access finance.
- \$50,000 in increased funding made available to SMMEs.
- \$1,000,000 of increased finance accessed by SMMEs.

August 2001

- 4 SMMEs access finance.
- \$50,000 in increased funding made available to SMMEs.
- \$1,000,000 of increased finance accessed by SMMEs.

September 2001

- 4 SMMEs access finance.
- \$50,000 in increased funding made available to SMMEs.
- \$1,000,000 of increased finance accessed by SMMEs.
- (1) 2nd tier & non-traditional financial institutions offer SMMEs access to finance.

11.4 Employment Opportunities Facilitated

July 2001

- 107 employment opportunities facilitated.

August 2001

- 107 employment opportunities facilitated.

September 2001

- 107 employment opportunities facilitated.

11.5 HIV/AIDS Education

July 2001

- 75 SEMED Project beneficiaries receive HIV/AIDS education.

August 2001

- 75 SEMED Project beneficiaries receive HIV/AIDS education.

September 2001

- 75 SEMED Project beneficiaries receive HIV/AIDS education.

12.0 FINANCIAL STATEMENTS

Chapter 11 includes a Financial Statement and an estimate of the Level Of Effort and money expended on each major project activity during the quarter, as follows: a) the Quarterly Financial Summary, 3rd Quarter FY '01, for the entire SEMED Project, broken down by major line-item; and b) Major Project Activities Level of Effort Table, which includes the amount of money and person months expended and a measurement of each project activity as a percentage of the total number of person months worked during the quarter, as well as who performed the work.

Out of the \$750,000 awarded to this project, \$204,040 (27%) was spent during the third quarter, bringing the total spending to date to \$480,263 (64%). This low percentage is primarily due to lower-than-expected staff salary expenditure. As discussed in the 1st Quarterly Report, recruiting and hiring project has proved challenging, and most staff did not start until November. A second factor contributing to this low percentage of expenditure is the devaluation of the Rand. At project commencement, the calculated exchange rate was 6.6 Rand per Dollar. This has fallen to 8.0 Rand per Dollar, resulting in an excess of approximately \$120,000.