

Enterprise Management & Innovation (Pty) Ltd.
Sustainable Employment Micro-Enterprise Development
(SEMED) Project
(Grant No. 674-6-00-00-00064-00)

1st QUARTERLY REPORT, FY '02
(10/1/2001-12/31/2001)

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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, with a project completion date of October 15, 2001. During the 4th Quarter, FY '01, the project completion date was extended until October 15, 2002. This 1st Quarterly Report, FY '02 details the activities performed by Enterprise Management and Innovation (EM&I) on the Sustainable Employment Micro-Enterprise Development (SEMED) Project from October 1, 2001 until the end of the reporting period on December 31, 2001.

During the 1st Quarter, FY '02, Project Administration focused on renewing staff contracts and vehicle leases. Although the SEMED Project was extended, staff contracts were not automatically renewed for the extension year. Four SEMED staff members' contracts were renewed for a full year: Mr. Willie Höll, Chief-of-Party; Mr. Godfrey Khuvutlu, Business Linkages Manager; Mr. Albert Mashegana, Business Development Officer; and Ms. Nicolette Lundie, Administrative Assistant. The employment contract of a fifth SEMED staff member, Ms. Estelle Muller, Business Training Manager, was renewed for four months, after which time it may be extended, provided enough funds are available in the budget.

A new staff member, Mr. David Mashilwane, was hired as Project Office Administrator. He will be responsible for collecting documents from SEMED Project clients, as well as other administrative duties, thereby freeing the Business Linkages Manager and the Business Development Officer to focus on forging new business deals.

On September 30, 2001, the leases on the four project vehicles expired. Two of these leases were renewed for one year, while new 1-year leases were signed for two new vehicles. The total number of SEMED Project vehicles remains at four.

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 1st Quarter, FY '02, the SEMED Project identified ten (10) market sectors, eleven (11) market niches and seventeen (17) companies receptive to SMME business opportunities. In addition, a total of sixty-eight (68) business linkages were established.

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 1st Quarter, one (1) new products was introduced and three (3) existing products were improved, each

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representing a different type of product. In addition, five (5) SMMEs were linked to public enterprises. The SEMED Project also strengthened the entrepreneurship of five (5) existing entrepreneurs and improved the business skills of five (5) SMMEs. By enhancing 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 1st Quarter, the SEMED Project facilitated access to finance for eleven (11) clients (US\$853,643), eight (8) from non-traditional financial intermediaries, one (1) from a traditional financial institution and two (2) in the form of commercial subsidies. Due to banks' reticence to provide loans to SMEs, and to the lengthy time they take to process the applications they do approve (3 months on average), SEMED staff have had to be innovative in finding other avenues for accessing finance for clients, for example, obtaining credit lines from suppliers. Another five (5) loan applications (totaling US\$77,559) have been submitted to financial institutions and await approval. In addition, twenty-seven (27) applications (totaling US\$7,852,327) are in the process of being prepared.

As a result of the linkages and access to capital facilitated by the SEMED Project in the 1st Quarter, FY '02, a total of 177 jobs have been either created or maintained. In addition, HIV/AIDS education was provided to 210 SEMED Project beneficiaries. Of the \$471,000 awarded to this project for FY '02, \$123,579 (26%) was spent during the 1st Quarter. This represents 10% of the total project budget of \$1,221,000.

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ACRONYMS and ABBREVIATIONS

ABSA	Amalgamated Banks of South Africa
BBI	Batloung Business Images
CC	Close Corporation
DTI	Department of Trade and Industry
EM&I	Enterprise Management and Innovation (Pty) Ltd.
EU	European Union
FNB	First National Bank
FY	Financial Year
IDC	Industrial Development Corporation
IT	Information Technology
MEEG	Midland Economic Equity Group Bank
MODE	Medunsa Organization for Disabled Entrepreneurs
NDA	National Development Agency
RDP	Reconstruction and Development Program
RFI	Retail Financial Intermediary
SABS	South African Bureau of Standards
SATOUR	South African Tourism
SEMED	Sustainable Employment Micro-Enterprise Development
SME	Small and Medium Enterprise
SMME	Small, Medium and Micro-Enterprise
SO5	Strategic Objective #5: Private Enterprise
US	United States
USAID	United States Agency for International Development

1.0 INTRODUCTION

This 1st Quarterly Report, FY'02 details the activities performed by Enterprise Management and Innovation (EM&I) on the Sustainable Employment Micro-Enterprise Development (SEMED) Project from October 1, 2001 until the end of the reporting period on December 31, 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

During the 1st Quarter, FY '02, Project Administration activities centered on staffing arrangements and procurement of required vehicles. Details are provided below.

2.1 Staff Arrangements

Although the SEMED Project was extended, staff contracts were not automatically renewed for the additional year. Names of the employees whose employment contracts were renewed for a full year are listed below:

<u>Name</u>	<u>Position</u>
Mr. Willie Höll	Chief of Party
Mr. Godfrey Khuvutlu	Business Linkages Manager
Mr. Albert Mashegana	Business Development Officer
Ms. Nicolette Lundie	Administrative Assistant

In addition, the employment contract for the SEMED Business Training Manager, Estelle Muller, was renewed for four (4) months, after which time it may be extended, provided enough funds are available in the budget.

On October 18, 2001, the SEMED Project hired Mr. David Mashilwane to be its Project Office Administrator. Mr. Mashilwane has been involved in the Small and Medium Enterprise (SME) sector in Mpumalanga Province for the past four years. He will be responsible for collecting documents from SEMED Project clients, as well as other administrative duties, thereby freeing the Business Linkages Manager and the Business Development Officer to focus on forging new business deals.

All six (6) SEMED Project employees took annual leave over the festive season.

2.2 Project Vehicles

On September 30, 2001, the leases on the four project vehicles expired. Two of these leases were renewed for one year, while new 1-year leases were signed for two new vehicles. The total number of SEMED Project vehicles remains at four.

3.0 MARKET IDENTIFICATION & BUSINESS LINKAGES

3.1 Market Identification

During the 1st Quarter, a total of ten (10) market sectors and eleven (11) market niches were identified in which the SEMED Project can work. Seventeen (17) companies with which SEMED Project clients can work were also identified.

Market Sector	Niches
Road Construction	<i>Public Roads</i>
Retail Stationery Supply	<i>Provincial Government Departments</i>
Telecommunications	<i>Rural Communities Township Communities</i>
Retail Electrical Supplies	<i>Parastatals (Eskom)</i>
Building Construction	<i>Parastatals (Telkom)</i>
Retail Curio Sales	<i>Corporations</i>
Retail Textbook Sales	<i>Provincial Departments of Education</i>
Passenger Transport	<i>Inter-governmental Projects</i>
Landscaping	<i>Up-market Private Residential Properties</i>
Export	<i>European Consumers</i>

3.2 Business Linkages

During the 1st Quarter, eighteen (18) business linkage deals were concluded. Work commenced on an additional eleven (11) 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.

SEMED staff also attended a number of seminars and meetings in order to promote services offered by the SEMED Project, as well as learn about further linkage possibilities. On October 3, 2001, Mr. Godfrey Khuvutlu, SEMED Business Linkages Manger, addressed the Alexandra Business Association about the SEMED Project and the services it provides to small and medium enterprises. He provided similar information to entrepreneurs and business owners from the Eastern Metropolitan Corridor on October 25.

On October 17, Mr. Khuvutlu attended the Blue IQ Exhibition held at the Sandton Convention Center. Blue IQ is an R1.7 billion initiative of the Gauteng Provincial Government to invest in economic infrastructure development around tourism, technology, transportation and high value-added manufacturing. Attending this exhibition allowed Mr. Khuvutlu to meet with the Procurement Officers of companies involved in these sectors to learn about up-coming opportunities for SMEs, and to promote SEMED Project clients and services.

3.2.1 *Established Linkages: Summaries*

1. **Mr. Bafana Batloug, Batlaoung Business Images CC (BBI)**

Date: October 3, 2001

Mr. Batloug won a contract from the Mpumalanga Department of Education to supply it with R3,140,230 (US\$324,739) worth of textbooks. He needed help in identifying a suitable supplier. SEMED staff linked Mr. Batloug with McMillan Publishers (Pty) Ltd., a white-owned textbook supplier based in Johannesburg. SEMED staff also helped Mr. Batloug secure a line of credit from McMillan, which allowed him to purchase the required textbooks and fulfill his contract with the Mpumalanga Department of Education.

SME Black/White 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)

2. **Mrs. Thembi Lengwadi, LSS Iron & Woodworks CC**

Date: October 17, 2001

After the death of her husband in an automobile accident in 1996, Mrs. Lengwadi took over his coffin manufacturing and metal works business. Since she possessed no technical skills and only limited business skills, Mrs. Lengwadi struggled to keep her business afloat. Although she and her children worked hard, by 2001 their prospects looked bleak. In order to keep the business open, Mrs. Lengwadi asked the SEMED Project to locate a suitable joint venture partner for her.

SEMED staff linked Mrs. Lengwadi with Mr. Pierre Mostert, a qualified cabinetmaker and carpenter who runs his own business in Boekenhout, Pretoria. Mr. Mostert wanted to expand his business to supply cupboards for Reconstruction and Development Program (RDP) houses. In order to bid for these government contracts, he needed to become an empowerment business. Forming this joint venture strengthened both businesses and improved their future prospects. Mr. Mostert contributed R400,000 (US\$41,365) of woodworking equipment and R30,000 in working capital to the venture.

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

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

Employment Opportunities Facilitated: (Total = 16; Male = 14; Female = 2)

3. **Mr. Kennedy Mafubetsoane, Boipatong Development Company**

Date: October 18, 2001

The Boipatong Development Company runs a business center of thirty five (35) small businesses in Vanderbiljpark, called the Tjhaba-Tshatsi Business Center. One of these businesses is a milk depot, occupied until recently by Beytell Milk Distribution. When Beytell vacated the milk depot in November 2001, the center manager, Mr. Mafubetsoane, contacted the SEMED Project and asked it to help identify a new tenant.

SEMED staff linked Mr. Mafubetsoane to Mr. Benny Hannekom, a dairy farmer based Vanderbiljpark. By leasing the Tjhaba-Tshatsi Milk Depot, Mr. Hannekom gains a retail outlet for his milk in the Boipatong Township community. He has signed a 5-year, R600 (US\$62) per month lease on the Milk Depot.

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 = 4; Male = 2; Female = 2)

Contract Value: R36,000; US\$3,723

4. Mr. Freddy Ngwenya, Jan Smuts Taxi & Luxury Car Rental

Date: October 18, 2001

During this first quarter, FY 2002, SEMED staff facilitated another contract for SEMED client Mr. Freddy Ngwenya, Jan Smuts Taxi & Luxury Car Rental. Through their network of contacts, SEMED staff learned of a shuttle service tender offered by the Canada-South Africa Justice Linkage Project, an inter-governmental project that provides legal training to previously disadvantaged persons. The shuttle service is required to transport participants to courses and lectures at various venues. SEMED staff informed Mr. Ngwenya of this tender and helped him bid on and win this contract. Because this contract requires staggered work hours, Mr. Ngwenya has hired an additional 6 drivers.

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

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

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

Contract Value: R84,000; US\$8,687

5. Mr. Jerry Nteso, Nteso's Tuck Shop

Date: October 22, 2001

Mr. Nteso owns and operates a tuck shop in Boipatong Township. He wanted to expand his business to a second site in the Boipatong area, and requested SEMED Project help to achieve this aim. SEMED staff linked Mr. Nteso with the Boipatong Development Company, which leases steel containers. Mr. Nteso agreed to pay rent of R189 (US\$20) per month for use of a Boipatong Development Company container placed in a strategic location in Boipatong Township, an act which will allow him to realize his goal of doubling his business.

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

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

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

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

Contract Value: R2,268; US\$235

6. Mr. John Khumalo, Green Valley Landscaping CC

Date: October 24, 2001

Green Valley Landscaping provided private homeowners with landscaping services for their gardens. During FY '01, with SEMED Project help, Mr. Khumalo secured and signed a tender to landscape the gardens of a town house cluster developed by Volker Construction CC in Bedfordview, thereby growing his business considerably. On October 24, 2001, SEMED staff won a second contract on behalf of Mr. Khumalo, this one a R42,156 (US\$4,359) to landscape the property of Mr. Neil McIntosh's private home in Dainfern.

During the 1st Quarter, FY '02, SEMED staff completed three (3) additional linkage deals on behalf of Green Valley Landscaping. First, on November 1, 2001, SEMED staff won a

contract for Green Valley Landscaping from Pro Admin Corp, to landscape an up-market cluster complex in Bedfordview. This contract is valued at R15,096 (US\$1,561). Then in order to ensure a reliable supply of plants for these two projects, SEMED staff linked Mr. Khumalo with Roadside Nursery in Eastleigh. Finally, on November 19, 2001, SEMED staff won a contract for Green Valley from Mr. Lawrence Ledwaba to landscape the property of his personal residence in Benoni (value R23,000; \$2,378).

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

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

SME Black/White Linkages Established: (Total = 3; Male = 3; Female = 0)

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

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

Employment Opportunities Facilitated: (Total = 10; Male = 9; Female = 1)

Contract Value: R80,252; US\$8,299

7. Mr. Fortune Burns, Syncro Imports & Exports

Date: October 26, 2001

Resortcamp dk, a Danish company that imports products from South Africa, contacted the SEMED Project, looking for a supplier of springbok meat for a hotel client of theirs. SEMED staff linked Resortcamp with Syncro Imports & Exports, a new empowerment company able to procure and export the required meat. Resortcamp placed an order with Syncro for R100,000 worth of springbok meat, on the condition that the butchery be approved by the European Union (EU). SEMED staff also linked Mr. Burns with Dr. Lisa Odendaal, Chief State Veterinarian from the National Department of Agriculture, who will refer Mr. Burns to an EU-accredited abattoir.

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

Employment Opportunities Facilitated: (Total = 3; Male = 2; Female = 1)

Contract Value: R100,000; US\$10,341

8. Mssrs. Chris du Toit & Sizakhele Ndamase, Suits Me Poultry (Pty) Ltd.

Date: October 31, 2001

Mr. du Toit owns and runs a medium-scale poultry farm in Northern Province. In order to source government contracts, he needed to find a black equity partner. Mr. du Toit requested SEMED Project assistance in identifying suitable joint venture candidates. SEMED staff linked Mr. du Toit with EPA Development Service (Pty) Ltd., a black-owned company that invests in agro-processing and eco-tourism businesses. The two businesses agreed to form a 50/50 joint venture, keeping the name Suits Me Poultry. Mr. du Toit will serve as Managing Director, with Mr. Ndamase as Deputy Managing Director.

SEMED staff also linked Suits Me Poultry with four (4) SMEs who retail chickens to the public. Suits Me Poultry has supplied Pro-Meat Chickens, Tsoga Chickens, Copa Chickens and JR Meat & Chickens with R38,550 (US\$3,987) worth of chickens during the first quarter.

Backward Business Linkages Established: (Total = 4; Male = 4; Female = 0)

Forward Linkages Established: (Total = 4; Male = 4; Female = 0)

SME/SME Linkages Established: (Total = 4; Male = 4; Female = 0)

SME 1st/2nd/3rd Tier Linkages Established: (Total = 4; Male = 4; 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 = 76; Male = 20; Female = 56)

Contract Value: R38,550; US\$3,987

9. Mr. Henrick Moagi, Wire Works Designs CC

Date: November 6, 2001

Wire Works Designs manufactures custom-designed wire articles. It sells these articles to retail customers at Bruma Flea Market and on the street. Mr. Moagi asked the SEMED Project to help him grow his business. During the 4th Quarter, FY '01, SEMED staff linked Mr. Moagi to Channel Marketing (Pty) Ltd., a white-owned public relations company that works for a number of blue-chip companies in South Africa. Channel Marketing placed an order with Wire Works for wire artifacts.

During the 1st Quarter, FY '02, SEMED staff facilitated a second order for Wire Works from Channel Marketing. The contract, valued at R3,200, is for wire saxophones made of spring steel wire, rather than the usual galvanized wire. To source this wire for Wire Works, SEMED staff linked Mr. Moagi with Northrand Manufacturing CC, in Waltloo, Pretoria. Northrand will supply Wire Works with the required spring steel wire.

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

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

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

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

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

Employment Opportunities Facilitated: (Total = 5; Male = 5; Female = 0)

Contract Value: R3,200; US\$331

10. Mr. Charles Martinus, Access Electrical CC

Date: November 9, 2001

Mr. Martinus runs a small electrical accessory supply business. He also does installations whenever he wins installation contracts. In order to grow his business, Mr. Martinus wanted to be registered in Eskom's approved service-provider database, allowing him to bid for both supply and installation contracts for the energy parastatal. SEMED staff linked Mr. Martinus with Eskom and helped him complete the database registration process. On Mr. Martinus' behalf, SEMED staff also won an R8,000 (US\$827) contract with Eskom (Western Region) to supply it with 33 mm rod, single core wire, medium and large line taps, and pg clamps.

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

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

Employment Opportunities Facilitated: (Total = 4; Male = 1; Female = 3)

Value of Contract: R8,000; US\$827

11. Mr. Alpheus Setati, Mnomzana Contractors CC

Date: November 13, 2001

Mnomzana Contractors are building contractors. Mr. Setati asked the SEMED project to help

him expand his business. SEMED staff won a contract on Mnomzana's behalf from Telecommunication Facilities Management Company (Pty) Ltd., the branch of Telkom that awards and oversees tender contracts. Under this contract, valued at R751,464 (US\$77,711), Mnomzana will renovate and alter Telkom's Bardene office buildings. SEMED staff also linked Mr. Setati with the St. Paul Insurance Company South Africa Ltd., which provided a R75,000 (US\$7,756) performance guarantee on Mnomzana's behalf. Without this guarantee, Mnomzana would not have been able to win the Telkom contract.

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

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

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

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

Employment Opportunities Facilitated: (Total = 18; Male = 17; Female = 1)

Contract Value: R751,464; US\$77,711

12. Ms. Caroline Marite, Chicken O Thibo Touch

Date: November 13, 2001

Telkom recently launched containerized public telephones, called Khuluma containers, in direct competition with Vodacom and MTN containerized public cell phones. The Khuluma container consists of five coin-operated and five card system telephones and costs R30,000 (US\$3,102). SEMED staff linked Ms. Marite with Telkom, and facilitated her receiving the first of these containers free of charge. Ms. Marite will earn 40% commission on calls made from these phones.

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

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

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

Contract Value: R4,052; US\$419¹

13. Mr. Mhuzi Lidwaba, Torque IT CC

Date: November 17, 2001

Mr. Lidwaba runs a small computer hardware and software supply company. He requested SEMED project assistance to grow his business. SEMED staff linked Mr. Lidwaba with the South African Bureau of Standard's (SABS) Small, Medium and Micro Enterprise Development Manager, Mr. Frik Kruger, and helped Torque IT register for the SABS supplier database. Registration in the database allows Torque to bid on SABS supply tenders. It also increases Torque's market credibility and serves as an advertising service for Torque to the large corporations and parastatals that also choose their suppliers from the SABS database.

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

Employment Opportunities Facilitated: (Total = 7; Male = 3; Female = 4)

14. Mr. Ntshavheni Nefale, Ndivho Consulting Engineers CC

Date: November 21, 2001

Ndivho Consulting Engineers is a small business based in Northern Province that provides civil engineering consulting services to local government. Mr. Nefale requested SEMED Project

¹ Telephone usage sales during the 1st Quarter totaled R10,126 (US\$1047), 40% of which is paid to Ms. Marite as her commission. The value of this contract for the client will continue to be calculated and reported throughout the duration of the SEMED Project.

assistance to link Ndivho with parastatals, enabling them to benefit from larger contracts. SEMED staff helped Mr. Nefale register Ndivho Consulting Engineers in Petronet's supplier database.

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

Employment Opportunities Facilitates: (Total = 13; Male = 9; Female = 4)

15. Mr. Lucas Mafadi, Mafadi Hardware

Date: December 6, 2001

Mr. Mafadi runs a small hardware store in Soweto, including two (2) trucks. One of these, a tipper truck, is not needed for the store's business. In order to put this truck to productive use, SEMED staff linked Mr. Mafadi with BJM Transport, another SEMED client. BJM Transport won a subcontract from Group Five to supply thirty (30) tipper trucks for the widening of Moloto Road, the main road connecting Tshwane (Pretoria) with Marble Hall in Mpumalanga. Since BJM doesn't own thirty (30) trucks itself, it has subcontracted out with other small transport companies. SEMED staff secured one of these subcontracts for Mr. Mafadi: he will supply BJM Transport with one (1) tipper truck, including a truck driver and assistant, as well as two (2) assistants for other trucks.

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

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

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

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

Contract Value: R250,000; US\$25,853

16. Mss. Melba Mamabolo, & Dinah Aphane, Melba Construction (Pty) Ltd.

Date: December 7, 2001

Melba Construction, founded in March 2000, and based in Pietersburg, works on various government contracts. Completed projects include a clinic, three (3) schools and a correctional facility. Currently they are renovating two (2) additional schools. Mabotoso Construction, based in Tshwane (Pretoria) is a new company, formed in September 2001. It has very little experience or technical expertise.

The Mandela Development Corridor is an R1 billion initiative sponsored by the Department of Trade and Industry (DTI) and the Tshwane Metropolitan Council. It aims to renew the Tshwane urban area, including construction of new government offices, and upgrading existing structures, conference centers and private offices. It is offering an R2 million tender for building construction.

Both Melba Construction and Mabotoso Construction expressed an interest in bidding for this tender. On their own, however, neither of these businesses held much chance of winning. Mabotoso Construction offered too little experience, and Melba was based outside of the Mandela Development Corridor area. By facilitating a joint venture between these two companies, both owned by previously disadvantaged women, the SEMED Project significantly increased their chances of winning the desired tender.

SEMED staff also linked the new joint venture, Melba Construction (Pty) Ltd., with Mthunzi & Retief Consulting Engineers (Pty) Ltd.. Mthunzi & Retief, also an empowerment company, is a

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civil engineering firm based in Nelspruit. It agreed to provide consultancy to Melba Construction, thereby further strengthening Melba's bid for the Mandela Development Corridor tender.

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

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

17. Mr. Macs Maboka, Glenmark Printing & Stationery (Pty) Ltd.

Date: December 11, 2001

During the 1st Quarter, Batlounge Business Images (BBI) received a second contract from the Gauteng Department of Education to supply it with stationery, this one worth R40,000 (US\$4,137). SEMED staff facilitated a linkage between BBI and Glenmark Printing, whereby Glenmark will supply BBI with the required stationery.

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

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

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

Contract Value: R40,000; US\$4,137

18. Ms. Gemina Mokale, Boikago Bakery

Date: December 18, 2001

Boikago Bakery, located in Sharpville, serves the local township community. Due to increased demand for her bread, Ms. Mokale needs to upgrade her equipment. Currently she can only bake twenty (20) loaves of bread every 45 minutes. With a new multilevel oven, this capacity will quintuple to 100 loaves every 45 minutes. SEMED staff linked Ms. Mokale with Bake-a-Tainer, a manufacturer of baking equipment, to furnish her with the required oven and prover (the piece of equipment into which the dough is placed to rise before it is baked). SEMED staff also linked Ms. Mokale to the Eskom Foundation, which has awarded her an R19,000 grant to upgrade the electricity supply in her bakery. With these upgrades to her facilities, Ms. Mokale can expand her business to meet the existing demand.

Backward Business Linkages Established: (Total = 2; Male = 0; Female = 2)

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

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

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

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

3.2.2 Pending Linkages: Summaries

In addition to the eighteen (18) completed deals listed above, SEMED Project staff are currently in the process of facilitating another eleven (11) linkage deals.

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 manufacturing partner for Mr. Abass, the West Rand Association for the Physically Handicapped, which runs a cut, make and trim factory. Completion of the deal is pending access to the finance required to get the project up and running. Mr. Abass' loan application cannot yet be processed, because he has a default judgment from Telkom that must be resolved.

2. 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. SEMED staff have presented the community's business plan and funding proposal to the Industrial Development Corporation (IDC) and are awaiting the IDC Board's decision.

3. Mr. Boy Masoma, Night Eagles Investment CC

Mr. Masoma runs a retail liquor store in Alexandra, a Township near Johannesburg. Because sales tend to drop during the winter, Mr. Masoma wants to find a business opportunity that will complement his store. He initially asked the SEMED Project to help him access finance to purchase a Grillos franchise. During the loan application process, SEMED staff advised Mr. Masoma to purchase a Steers franchise instead, as market studies showed greater demand for Steers than for Grillos. SEMED applied for a Steers franchise on Mr. Masoma's behalf, and his application is currently under consideration.

4. Mr. Elias Matjielepoo, Cane Furniture, Wicker & Baskets

Mr. Matjielepoo opened his cane-furniture manufacturing business approximately six years ago, after working for and learning the trade from another cane furniture manufacturer for a number of years. Currently he sells his furniture to the general public in Alexandra Township. He approached the SEMED Project for assistance to expand his market. SEMED staff have begun negotiations on Mr. Matjielepoo's behalf with OK Bazaars, Geen & Richards, Ellerines and Furniture City, all large, low-to-mid-market furniture retailers.

5. Mr. Antonion Mkhwanazi, Skywing (Pty) Ltd.

Mr. Johan van der Watt, Managing Director of the Highveld Shopping Complex asked the SEMED Project to help him identify an empowerment investment company that would be interested in forming a joint venture and making the shopping complex an empowerment business. Becoming an empowerment business would enable the shopping center to attract better tenants, as most major retailers prefer to deal with empowerment businesses. Skywing is an empowerment investment company that specializes in acquiring equity in various businesses. Negotiations between the two parties are currently underway.

6. Mr. Simon Moloi, Koplán Development Facilitators

Mr. Moloi owns forty-six (46) hectares of land he wants to develop into a conference center and day resort to serve the West Rand's lower- and middle-income groups. He has requested SEMED Project help to source used training and office equipment, and to find potential donors for the project.

7. Mr. Richard Mosadi, Sakhimfundo Booksellers CC

After working for Waltons Stationers for four years, developing his business acumen in the stationery field, Mr. Mosadi opened his own business a year ago. He succeeded in securing a contract from the Gauteng Department of Education to supply stationery to government schools. He has requested SEMED Project to facilitate a linkage for him with a large stationery supplier.

8. Mr. Reuben Musetha, Muse Traditional Garb CC

Since March 2000, Mr. Musetha has been manufacturing traditional African clothing and selling it locally. As demand for such clothing is increasing, Mr. Musetha would like the SEMED Project to help him expand his market. SEMED staff are currently working on linking Mr.

Musetha with overseas companies interested in selling traditional African outfits as souvenirs, as well as with domestic clothing retailers and specialty shops.

9. Mr. Mafeno Phora, Creative Motiv Advertising & Communications (Pty) Ltd.

Launched in 1998, Creative Motiv is a small advertising agency that serves its local business community. Mr. Phora would like to expand his business and win contracts from larger companies and parastatals. He has requested SEMED Project assistance to achieve this aim.

10. Mr. Daniel Thabe, Phambili Tyres (Pty) Ltd.

Phambili Tyres retails new tires to and repairs punctures for the general public. Mr. Thabe approached the SEMED Project for assistance in growing his business. SEMED staff are currently helping Mr. Thabe bid for a R10,000 contract to supply the iron and steel manufacturing giant Iscor with tires for its company vehicle fleet.

11. Mr. Peter Tswidi, TMT Joinery & Woodcraft

Mr. Tswidi, a qualified cabinetmaker with twelve years of experience, manufactures display cabinets for various manufacturers of leading hardware and bathroom accessories, i.e. Cobra Taps. In addition to this showroom display work, he also makes wardrobes, which he sells to the general population in Alexandra. In order to help Mr. Tswidi grow his business, SEMED staff have begun negotiations on supply contracts with the large low-to-mid-market furniture retailers, OK Bazaars, Geen & Richards, Ellerdines and Furniture City. If successful, Mr. Tswidi will supply these companies with wardrobes, room dividers, kitchen units and other wooden household products.

3.2.3 Rejected Linkages: Summaries

Three (3) previously pending linkage deals were rejected due to unforeseen problems.

1. Mr. Peter Matokwe, Carpenter

Mr. Matokwe is a qualified carpenter who wanted 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. Accessing finance for Mr. Matokwe proved difficult, as he has only his skill to offer as collateral. SEMED staff tried to arrange a joint venture for him with the carpentry and furniture incubator business based at the Braamfontein center of the Medunsa Organization for Disabled Entrepreneurs (MODE). Unfortunately Mr. Matokwe severed contact with the SEMED Project, forcing the closure of his file.

2. 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 guesthouses, 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 requested SEMED Project assistance to find a suitable partner and to access the R7,468,000 needed to implement the system. Although talks were

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arranged with several potential partners, Mr. Dent chose to partner with a white investor, thereby disqualifying himself for SEMED Project assistance.

3. Mr. Mbongeni Magwaza, Family Butchery

Mr. Johan van Rensburg owns Family Butchery, based in Montana, Pretoria. He wants to sell his business and asked the SEMED Project to help him find a purchaser. Mr. Magwaza has worked as the accountant for Batho Butchery for a number of years, and now wants to acquire a butchery of his own. SEMED staff introduced Mr. Magwaza to Mr. van Rensburg, and the sale of Family Butchery was agreed upon, pending Mr. Magwaza's ability to access the necessary funds to complete the purchase. While Mr. Magwaza's loan application was in process, another buyer (not SEMED Project affiliated) offered cash for Family Butchery and Mr. van Rensburg sold.

4.0 TECHNOLOGICAL INNOVATION/PRODUCT DEVELOPMENT

During the 1st Quarter, the SEMED Project helped 1 client add new products or services to his businesses, and another 3 clients to improve their existing products and services. Details are provided below.

Name	Product	Innovation/Development
Batloung Business Images	Textbooks	New product
LSS Iron & Woodworks	Coffins	Improved product
	Cupboards	New product
Syncro Imports & Exports	Springbok meat	Improved product
Wire Works	Wire artifacts	Improved product

Textbooks and cupboards represent new products offered by Batloung Business Images and LSS Iron & Woodworks, respectively, to their clients. By arranging a linkage on behalf of LSS Iron & Woodworks, which included a significant upgrade in equipment, the SEMED Project also help it improve the quality of its existing product, coffins. For Syncro Imports & Exports, SEMED staff facilitated a linkage deal, which enabled it to obtain European Union (EU) accreditation for its springbok meat, thereby improving the quality of its product. And for Wire Works, SEMED staff introduced the use of spring steel wire, rather than galvanized steel wire, a change which provided high quality finish for the companies' wire artifacts without requiring the costly electroplating process.

5.0 BUSINESS/ENTREPRENEURSHIP SKILLS TRAINING

The SEMED Project's Business and Entrepreneurship Skills Training Program uses two (2) 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 1st Quarter, joint ventures were formed for two (2) SEMED clients, which will help improve these clients' business and entrepreneurship skills. SEMED staff linked Mrs. Thembi Lengwadi, LSS Iron & Woodworks CC with Mr. Pierre Mostert, a qualified carpenter and cabinetmaker who runs his own business, and facilitated their forming a joint venture. Mrs. Lengwadi, who took over her husband's business after his death in an automobile accident, had no technical skills and very limited business and entrepreneurship skills. Formation of this joint venture ensures that Mrs. Lengwadi's business and technical skills will improve.

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

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

For the second joint venture, EPA Developments' Mr. Sizakhele Ndamase was linked with Mr. Chris du Toit, Suits Me Poultry. Mr. du Toit will train Mr. Ndamase to take over the position of Managing Director of the joint venture and ensure that he learns the skills necessary for running a successful broiler business.

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

SME Business 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.

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>
Batloung Business Images	1	0	1	1	0	1
Surprise Nursery	1	0	1	1	0	1
TOTAL	2	0	2	2	0	2

5.2 Learning by Hearing

The learning-by-hearing approach centers around the radio soap opera, Tycoon Business Adventures, a micro-entrepreneurial business skills training program developed by Mssrs. Simon Aphone, Managing Director, and Jaime Reibel, Executive Vice-President, EM&I, during their management of the VITA/Micro-Enterprise Support Project (VITA/MSP), a USAID/South Africa-funded project from

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October 1996 to December 1999.

The Tycoon Business Adventure series comprises 12 eleven to fifteen minute Tycoon radio dramas, 12 five-minute Tycoon talkshows and 12 approximately thirty five minute-Tycoon phone-in business programs. An expert small, medium and micro-enterprise (SMME) Business Consultant participates in each of the five-minute Tycoon talkshows and thirty-five minute Tycoon phone-in business programs, in an instructional and advisory role, with the aim of helping listeners improve their business management skills and promote an entrepreneurial culture among the historically disadvantaged community, especially women. The business consultant will use Setswana as a medium of communication during the entire program, except when Setswana business terminology is underdeveloped or doesn't exist.

In order to make the Tycoon Business Adventure series attractive, a one thousand Rand (R1,000.00) prize will be awarded to one listener who will call-in during the program, starting from episode #2 through to episode #12, on the basis of the quality of the caller's contribution to the Tycoon program. The announcement will be made at the end of the next Tycoon episode. The EM&I representative, the appointed SMME Business Consultant and the radio station host/anchor presenter will decide which caller will be awarded the prize money. EM&I will have a veto on the selection.

The SEMED Project is currently negotiating with Mr. Pagel Kgaswe, Program Manager, Motsweding FM, a popular radio station covering Northwest and Gauteng Provinces, as well as some parts of Northern Province, Northern Cape and Free State. Although agreement has been made to broadcast the Tycoon programs, exact scheduling of the radio soap opera will depend on the availability of broadcasting spots. The Tycoon business skills training program aims to promote entrepreneurship development and the transfer of business skills to the 1.7 million daily listeners of Motsweding FM.

5.3 Entrepreneurship Development Workshop

During this first quarter, the SEMED Project added a third component to its skills training program: an entrepreneurship development workshop. SEMED staff arranged for Ms. Dinah Aphane, Melba Construction (Pty) Ltd., to attend a ten (10) day entrepreneurship development workshop, sponsored by the City of Tshwane Metropolitan Council, and organized by Enterprise South Africa. By teaching behavioral traits associated with business success, the workshop aimed to instill an entrepreneurial mindset in participants. The workshop was held from November 12 – 23, at the Sammy Marks Conference Center.

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

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

6.0 ACCESS TO FINANCE

6.1: Traditional Sources of Finance

Although SEMED Project staff continue to maintain relationships with traditional financial institutions, including regular telephone calls and meetings to encourage banks to move forward on SEMED clients' loan applications, during this first quarter efforts have increasingly focused on alternative sources of SME finance. Project staff have become adept at finding additional avenues for accessing finance (i.e. supplier credit), and at helping businesses find ways of curbing their demand for money (i.e. avoid granting customer credit, and when credit is granted, improve debt collection and monitoring, purchase second-hand, rather than new equipment).

6.2 2nd Tier, Non-Traditional Financial Intermediaries

During the 1st Quarter, FY '02, SEMED staff facilitated access to finance for 8 clients from non-traditional financial intermediaries. This financing also counts as new financing made available to SMEs, and the sources count as new 2nd Tier/Non-Traditional Financial Intermediaries. Details are provided below.

FUNDS ACCESSES THROUGH NON-TRADITIONAL FINANCIAL INTERMEDIARIES			
Name	Amount (R)	Source	Purpose
Batloung Business Images	3,140,230	McMillan Publishers	Purchase textbooks for Mpumalanga Dept. of Ed.
Green Valley Landscaping	30,000	Prispectron Developments	Working capital
LSS Iron & Woodworks	430,000	Mr. Pierre Mostert	Working capital
Melba Construction	3,500	Enterprise South Africa	Workshop fees
Phokaozani Phone Shop	52,000	Prispectron Developments	Bridge loan to purchase 2 Vodacom containerized cell shops
Night Eagles Investment	20,000	Prispectron Developments	Purchase stock.
Suits Me Poultry	1,500,000	EPA Development	Equity investment
Thembaletu Supermarket	30,000	Prispectron Developments	Purchase stock.
TOTAL	R5,205,730	(US\$538,338)	

6.3 SEMED-Arranged Financing

6.3.1 Disbursements

During the 1st Quarter, FY '02, one (1) loan from a traditional financial intermediary was approved and disbursed to a SEMED client. Details are listed below.

APPROVED & DISBURSED LOANS			
Name	Amount(R)	Source	Purpose
Suits Me Poultry	3,000,000	Land Bank	Purchase farm property and build broiler houses.
TOTAL	R3,000,000	(US\$310,238)	

Two (2) SEMED Project clients accessed finance in the form of commercial subsidies. Details of clients who received this type of finance are listed below.

COMMERCIAL SUBSIDIES			
Name	Amount(R)	Source	Purpose
Boikago Bakery	19,000	Eskom	Upgrade electrification.
Chicken O Thibo Touch	30,000	Telkom	Purchase Khuluma telephone container.
TOTAL	R49,000	(US\$5,067)	

In several instances, access to finance, from either traditional or non-traditional financial institutions or from commercial subsidies, has facilitated job opportunities. Details are listed below.

JOB OPPORTUNITIES FACILITATED BY ACCESS TO FINANCE			
Name	Male	Female	Total
Phokaozani Phone Shop	0	2	2
TOTAL	0	2	2

6.3.2 Submitted Loan Applications

During the 1st Quarter, a total of eleven (11) loan applications were submitted to financial institutions on behalf of SEMED Project clients. Of these, nine (9) have been approved, one (1) by a traditional bank, another eight (8) by non-traditional financial intermediaries. An additional five (5) applications remain pending with various institutions. A list of submitted loan applications is provided in the table below.

SUBMITTED FINANCE APPLICATIONS			
Name	Source of Funds	Amount (R)	Purpose
A&N Construction	African Bank	200,000	Purchase building materials
GT Mtsweni Transport CC	FNB	120,000	Purchase a truck
Nkhuchane's Phone Shop	Khethani Business Finance	30,000	Purchase Vodacom containerized cell phone shop
PJ Motsemme & Associates CC	ABSA & FNB	250,000	Purchase stock and equipment
Tshwane Electrical	Khethani Business Finance	150,000	Working capital, and purchase stocks and spares
	TOTAL	R750,000	(US\$77,559)

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.

6.3.3 Loan Applications In Preparation

In addition to the five (5) submitted loan applications awaiting approval from financial institutions, twenty-seven (27) 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			
Name	Amount (R)	Purpose	Pending
African Soya	33,000,000	Build soy processing plant & working capital	Finding a partner with required technical expertise
BJM Transport	200,000	Purchase truck	Receipt of business plan
Champion Chemicals & Aerosol Manufacturers	200,000	Purchase & commission an aerosol canning plant	Receipt of business plan
Chips Land	60,000	Expansion capital	Client must prove he has cleared his ITC record
Cool's Nightclub	700,000	Purchase hotel where nightclub is based	Applicant is reconsidering whether he wants to purchase the hotel
Lejweng Small-Scale Mining CC	6,500,000	Purchase mining equipment	Receipt of business plan and equipment quotations
Lolly Hair Care Salon	50,000	Purchase stock & equipment	Receipt of financial statements
Mac Brake & Clutch CC	50,000	Purchase a wheel-balancing machine	Receipt of financial statements
Mngoni Transport	40,000	Purchase tipper truck	Receipt of business plan
Mofokeng Transport	150,000	Purchase trailer-tractor truck	Receipt of business plan
Monyaka Inn	1,200,000	Open a supermarket at the inn in Sebokeng Township	Completion of business plan
Ms. Maddi Nxagone	900,000	Purchase Total filling station in Fourways	Total's approval of her as a franchisee
MTS Transport	150,000	Purchase a truck	Completion of business plan
Mtsweni Transport	150,000	Purchase trailer-tractor truck	Completion of business plan
Night Eagles Investments	300,000	Purchase Steers franchise	Completion of business plan
Phambile Tyres	200,000	Purchase stock & working	Receipt of business plan

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Name	Amount (R)	Purpose	Pending
Phokaozani Phone Shop	52,000	Pay off the bridge loan used to purchase 2 Vodacom containerized cell phone shops	Completion of business plan
Pro Sports CC	200,000	Purchase materials stock	Client must clear his name from the default list
S&M Accommodation Enterprise CC	6,000,000	Purchase a building to use as a student residence	Receipt of business plan
Sangs Grilled Chicken	50,000	Working capital	Preparation of business plan
Shwi's Flame Ribs de la Pork	40,000	Working capital	Receipt of financial statements
Sibisi Builders CC	100,000	Working capital	Receipt of financial statements and business plan
Sihlangene Farmers Association	4,000,000	Equipment purchase	Receipt of supplier quotations and business plan
TMT Joinery & Woodcraft, Ntsibane's Upholstery & Motor Trimmings, Cane Furniture, Wicker & Baskets, Cut with Care Tree Felling	400,000	Purchase their business premises	Completion of business plan
Tshiwelo Chicken Supply	180,000	Purchase equipment and bulk stock	Local council's transfer of fixed property in client's name
Vakasha Holdings (Pty) Ltd.	21,000,000	Purchase 15 busses, 10 sprinters and 5 microbusses	Receipt of contract copies and business plan
Vukani Brickworks	60,000	Purchase stock	Completion of business plan
TOTAL	R75,932,000	(US\$7,852,327)	

6.3.5 Withdrawn or Rejected Applications:

During the 1st Quarter, eight (8) applications for finance were either withdrawn by the SEMED Project or rejected by financial institutions. Details are listed below.

Withdrawn or Rejected Applications		
Name	Amount (R)	Reason
Marketing Transaction Systems	7,468,000	Client chose to form a partnership with a white investor, which placed him outside the scope of SEMED Project activities.

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Mr. Mbongeni Magwaza	180,000	Family Butchery owner sold to another purchaser.
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Name	Amount (R)	Reason
Charisma Events & Promotions CC	50,000	Deal cancelled after client failed to obtain Botswana government clearance.
G.S. De Sousa Enterprises	150,000	Application process halted, after client repeatedly failed to respond to SEMED staff calls.
IDAC Wholesalers	1,500,000	Deal dropped due to a rift between the members.
Mr. Peter Matokwe	10,000	No response from client. File closed.
Reflections Jewelry	250,000	Insufficient collateral. Application withdrawn.
Rooi Koppies Poultry	6,000,000	Deal collapsed after failure to obtain Development Bank sanction.
TOTAL	R15,608,000	(US\$1,614,064)

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 were distributed by SEMED Project staff during the 1st and 2nd Quarters, FY'01. 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 1st Quarter, FY '02, SEMED Project staff provided HIV/AIDS education to 14 entrepreneurs (11 males and 3 females) and 196 employees (105 males and 91 females), yielding a total of 210 beneficiaries (116 males and 94 females) who have received HIV/AIDS education to date.

8.0 COORDINATION

During the 1st Quarter, two (2) coordination meetings were held between USAID/South Africa, EM&I and SEMED Project Staff. At the first meeting, held on October 18, 2001, USAID/South Africa's Mr. Dirk Dijkerman, Mission Director, Mr. Bill Brands, Head SO5, and Mr. Michael Klesh, Senior SMME Advisor, met with Mr. Simon Aphane, EM&I Managing Director, and Mr. Willie Höll, SEMED Project Chief-of-Party, for a presentation of the results of the SEMED Project during its first year, and to discuss the project performance indicators for the project's extension year.

The second meeting took place on November 15, 2001, when Mr. Dijkerman and Mr. Dorvin Stockdale, Senior Agricultural Officer, USAID/South Africa, met with Mr. Allan Brown, Monitoring and Evaluation Manager, Agrilink II Project, Mr. Simon Aphane and Mr. Höll to discuss monitoring and evaluating the SEMED Project and, in particular, the formula developed by Mr. Brown to count job opportunities created by SEMED Project interventions.

9.0 CONSTRAINTS AND SOLUTIONS

Accessing finance on behalf of SMEs through commercial banks has become very difficult, as the banks' reluctance to entertain business from this perceived high-risk class of client has increased. The time taken by banks to consider and approve loan applications has added to this difficulty. On average banks require a minimum of three (3) months to process an SME's loan application. While SEMED staff have overcome some of this difficulty by cultivating relationships with bank credit managers, and by persistent post-submission follow-up with the banks in an attempt to speed up the process, the constraint remains a present and worsening challenge to SMEs accessing needed capital.

The above-mentioned trend has forced SEMED staff to become innovative in assisting clients to access funds from non-traditional sources. New methods for accessing finance include establishing lines of credit from suppliers, arranging for equipment suppliers to carry the loans for equipment purchases on their books, and obtaining bridge loan facilities from private financiers for contracts delivered in a short term against cession of payments to serve as collateral. In addition, a number of small loans for growth-oriented micro-businesses have been obtained from retail financial intermediaries, with which SEMED staff have formed a working relationship. Seeking these alternative means to access finance has proven highly successful, as results from this first quarter show. Of the nine (9) loan applications approved during this quarter, eight (8) of them were from non-traditional sources.

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. One quarter (25%) or more of target values have been achieved on ten (10) of the twenty-five (25) performance indicators for which targets were set. Scored for an additional two (2) performance indicators rest just below the 25% mark (Amount of Finance Accessed by SMMEs at 24%, and the Number of HIV/AIDS Education Beneficiaries at 23%). Areas of especially high performance include 2nd Tier and Non-Traditional Financial Institutions Offering SMMEs Access to Finance (500%), Amount of Finance Available to SMMEs (90%), SMMEs Linked to Public Enterprises (56%) and SMME/SMME Linkages (43%).

Several indicators show lower-than-expected performance. As yet the SEMED Project has linked no SMEs with U.S. enterprises. This low number is attributable to three (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). Although the numbers for several types of linkages are low, the linkage deals currently pending completion will increase this number significantly. The same can be said for the value of contracts sourced for clients.

Despite the length of time financial institutions take to process loan applications (3 months on average), performance in relation to accessing finance has either been on target or has well exceeded target values. This is due to the innovative methods developed by the SEMED staff to access capital on their clients' behalf. These methods include obtaining credit lines from suppliers and bridge loans from private financiers. In addition, the loan application pipeline stands at over R76,600,000 (US\$7,921,406), a value nearly 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.

Although no target value was set for commercial subsidies obtained from the private sector, this value is reported, because it represents additional capital accessed on behalf of previously disadvantaged SMEs.

The SEMED Project Beneficiaries Profile is as follows: 77% of SEMED clients are micro-enterprises, while 23% are small businesses. These numbers are based on the results achieved during the SEMED Project's first year.²

² Of a total of 163 SMMEs benefited by the SEMED Project, 126 had 10 or fewer employees, while 37 had between 11 and 40 employees.

11.0 PROJECTED 2ND QUARTER, FY '02 ACTIVITIES

11.1 SMME Markets Identified & Developed

January 2002

- Identify 2 market sectors in which the SEMED Project's SMME clientele can work.
- Identify 2 market niches in which SMMEs can do business.
- Identify 11 companies with which SMMEs can form linkages.
- Secure \$651,000 worth of contracts for SEMED clients
- Establish 99 SMME forward linkages.
- Establish 65 SMME backward linkages.
- Establish 2 SMME/SMME linkages.
- Establish 6 SMME/large enterprise linkages.
- Establish 2 SMME/U. S. enterprise linkages.
- Establish 3 SMME/government linkages.
- Establish 6 SMME 1st/2nd/3rd tier linkages.
- Establish 9 SMME Black/White linkages.

February 2002

- Identify 2 market sectors in which the SEMED Project's SMME clientele can work.
- Identify 2 market niches in which SMMEs can do business.
- Identify 11 Companies with which SMMEs can form linkages.
- Secure \$651,000 worth of contracts for SEMED clients
- Establish 99 SMME forward linkages.
- Establish 65 SMME backward linkages.
- Establish 2 SMME/SMME linkages.
- Establish 6 SMME/large enterprise linkages.
- Establish 2 SMME/U. S. enterprise linkages.
- Establish 3 SMME/government linkages.
- Establish 6 SMME 1st/2nd/3rd tier linkages.
- Establish 9 SMME Black/White linkages.

March 2002

- Identify 3 market sectors in which the SEMED Project's SMME clientele can work.
- Identify 3 market niches in which SMMEs can do business.
- Identify 11 companies with which SMMEs can form linkages.
- Secure \$651,000 worth of contracts for SEMED clients
- Establish 98 SMME forward linkages.
- Establish 65 SMME backward linkages.
- Establish 2 SMME/SMME linkages.
- Establish 6 SMME/large enterprise linkages.
- Establish 2 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

January 2002

- 1,111 actual and future entrepreneurs receive training.
- 13 SMMEs receive business skills training.
- 1 type of existing product improved.
- 2 existing products improved.
- 1 new type of products developed.
- 1 new product developed.
- 1 SMME linked to public enterprises.

February 2002

- 1,111 actual and future entrepreneurs receive training.
- 13 SMMEs receive business skills training.
- 1 type of existing product improved.
- 2 existing products improved.
- 1 new type of products developed.
- 1 new product developed.
- 1 SMME linked to public enterprises.

March 2002

- 1,111 actual and future entrepreneurs receive training.
- 13 SMMEs receive business skills training.
- 1 type of existing product improved.
- 2 existing products improved.
- 1 new type of products developed.
- 1 new product developed.
- 1 SMME linked to public enterprises.

11.3 Increase SMME Access to Capital

January 2002

- 3 SMMEs access finance.
- \$10,000 in increased funding made available to SMMEs.
- \$306,000 of increased finance accessed by SMMEs.
- (1) 2nd tier & non-traditional financial institution offer SMMEs access to finance.

February 2002

- 3 SMMEs access finance.
- \$10,000 in increased funding made available to SMMEs.
- \$306,000 of increased finance accessed by SMMEs.
- (1) 2nd tier & non-traditional financial institution offer SMMEs access to finance.

March 2002

- 3 SMMEs access finance.
- \$10,000 in increased funding made available to SMMEs.
- \$306,000 of increased finance accessed by SMMEs.
- (1) 2nd tier & non-traditional financial institution offer SMMEs access to finance.

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11.4 Employment Opportunities Facilitated

January 2002

- 61 employment opportunities facilitated.

February 2002

- 61 employment opportunities facilitated.

March 2002

- 61 employment opportunities facilitated.

11.5 HIV/AIDS Education

January 2002

- 77 SEMED Project beneficiaries receive HIV/AIDS education.

February 2002

- 77 SEMED Project beneficiaries receive HIV/AIDS education.

March 2002

- 77 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, 1st Quarter FY '02, 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.

On July 16, 2001, the original SEMED Project grant was extended for a further year, from October 15, 2001 to October 15, 2002. The budget for the grant was increased by \$471,000, from \$750,000 to \$1,221,000. Due to the lower funding level for the new financial year, the employment contracts of four SEMED staff members were not renewed for the new fiscal year.

Out of the \$471,000 awarded to the SEMED Project in FY'02, \$123,579 (26%) was spent during the 1st Quarter. This represents 10% of the total project budget of \$1,221,000.