

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

**1<sup>st</sup> QUARTERLY REPORT, FY '01**  
(9/1/2000-12/31/2000)

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 1<sup>st</sup> 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 its commencement on September 1, 2000 until the end of the reporting period on December 31, 2000.

During the first quarter, all required office furniture and equipment was procured and project vehicles were leased. When appropriate, used or factory re-manufactured furniture and office equipment was purchased. In addition, SEMED Project offices were set-up, a project bank account opened, six of seven staff positions filled, and a five-member Project Advisory Board appointed. Recruitment of a Linkages Development Officer and outsourcing of the Entrepreneurial Training component remain pending at the end of the quarter.

Staff recruitment presented one of the greatest challenges faced by the SEMED Project to date. Given South Africa's high level of unemployment, people are very concerned about job security. Many South Africans are not willing to leave steady jobs for one that can guarantee only one year of employment. Even once qualified people were found who were willing to take this risk, the requisite thirty-day notice could only be served after letters of appointment were received (i.e. once the grant was signed).

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 first quarter, the SEMED Project identified a total of 31 market sectors, 33 market niches and 35 companies open to SMME business opportunities. In addition, a total of 57 business linkages were established.

Four different activities fall under the heading of SMME Capacity to Respond to Market Opportunities Enhanced: 1) Entrepreneurship strengthened; 2) Business skills strengthened; 3) Profitable SMME products improved; and 4) SMMEs linked to Public Enterprises. During the first quarter, the SEMED Project strengthened the entrepreneurship of 22 existing entrepreneurs and improved the business skills of 21 SMMEs. Six new products were developed, each representing a different type of product, and two SMMEs were linked to public enterprises. 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 first quarter, the SEMED Project facilitated access to finance

## EM&I SEMED

1<sup>st</sup> Quarterly Report, FY '01

for two clients (US\$12,549 total). However, this reduced number is primarily due to the length of time required by financial institutions to process loan applications. Another 16 loan applications (totaling US\$715,467) were submitted to financial institutions during the first quarter and await approval. In addition, 12 applications (totaling US\$436,800) are in the process of being prepared. One challenge faced by SEMED Project staff in preparing these applications is the provision by clients of false or misleading information. In order to prevent this type of delay from recurring in the future, applicants are now subjected to a brief due-diligence screening process by SEMED Project staff before the application process begins.

As a result of the linkages and access to capital facilitated by the SEMED Project in the 1<sup>st</sup> Quarter, FY '01, a total of 213 jobs have been either created or maintained. In addition, HIV/AIDS education has been provided to 127 SEMED Project beneficiaries. A total of 16% (US\$105,824) of project funds has been expended thus far.

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>I</b>
<b>TABLE OF CONTENTS .....</b>	<b>III</b>
<b>ACRONYMS and ABBREVIATIONS.....</b>	<b>IV</b>
<b>1.0 INTRODUCTION .....</b>	<b>1</b>
<b>2.0 PROJECT ADMINISTRATION .....</b>	<b>2</b>
2.1 PROCUREMENT .....	2
2.2 RECRUITMENT .....	2
PROJECT ADVISORY BOARD .....	3
<b>3.0 MARKET IDENTIFICATION &amp; BUSINESS LINKAGES .....</b>	<b>4</b>
3.1 MARKET IDENTIFICATION.....	4
3.2 BUSINESS LINKAGES.....	5
2.2.1 <i>Established Linkages: Summaries</i> .....	5
2.2.2 <i>Linkages Pending: Summaries</i> .....	8
2.2.3 <i>Rejected Linkages: Summaries</i> .....	10
<b>4.0 TECHNOLOGICAL INNOVATION/PRODUCT DEVELOPMENT .....</b>	<b>11</b>
4.1 TECHNICAL ASSISTANCE RELATIONSHIPS FORMED .....	11
4.2 PRODUCT INNOVATIONS AND DEVELOPMENTS .....	11
<b>5.0 BUSINESS/ENTREPRENEURSHIP SKILLS TRAINING.....</b>	<b>12</b>
<b>6.0 ACCESS TO FINANCE .....</b>	<b>14</b>
6.1: TRADITIONAL SOURCES OF FINANCE .....	14
6.2 2 <sup>ND</sup> TIER, NON-TRADITIONAL FINANCIAL INTERMEDIARIES .....	14
6.2.1 <i>Phumelela Finance Corporation</i> .....	14
6.2.2 <i>Community Entrepreneurship &amp; Business Initiative (CEBI)</i> .....	15
6.3: SEMED-ARRANGED FINANCING .....	15
6.3.1 <i>Disbursements</i> .....	15
6.3.2 <i>Approved Loans Pending Disbursement: Summaries</i> .....	16
6.3.3 <i>Submitted Loan Applications</i> .....	16
6.3.4 <i>Loan Applications In-Process: Summaries</i> .....	16
6.3.5 <i>Rejected Applications: Summaries</i> .....	18
<b>7.0 HIV/AIDS INTERVENTION.....</b>	<b>21</b>
<b>8.0 COORDINATION.....</b>	<b>22</b>
<b>9.0 CONSTRAINTS AND SOLUTIONS .....</b>	<b>23</b>
<b>10.0 PROJECT PERFORMANCE INDICATORS.....</b>	<b>24</b>
<b>11.0 FINANCIAL STATEMENTS .....</b>	<b>27</b>

## **ACRONYMS and ABBREVIATIONS**

ABSA	Amalgamated Bank of South Africa
ACHIB	African Council of Hawkers & Informal Businesses
CEBI	Community Entrepreneurship & Business Initiative
CSIR	Council for Scientific and Industrial Research
DAPP	Development Aid People to People
DCA	Development Credit Authority
DTI	Department of Trade and Industry
DTM	Dynamic Transport Management
EM&I	Enterprise Management and Innovation (Pty) Ltd.
EMA	Export Marketing Assistance
FNB	First National Bank
IDC	Industrial Development Corporation
JICA	Japan International Cooperation Agency
LBSC	Local Business Service Centers
NEPA	Ntsika Enterprise Promotion Agency
OTK	Eastern Transvaal Farmers Cooperative
RFI	Retail Financial Intermediary
SEMED	Sustainable Employment Micro-Enterprise Development
SME	Small and Medium Enterprise
SMME	Small, Medium and Micro-Enterprise
SO5	Strategic Objective #5: Private Enterprise
SO6	Strategic Objective #6: Housing
TAC	Tender Advice Center
TEP	Tourism Enterprise Programme
USAID	United States Agency for International Development

## **1.0 INTRODUCTION**

This 1<sup>st</sup> 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 its commencement on September 1, 2000 until the end of the reporting period on December 31, 2000.

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 first quarter, Project Administration has focused primarily on procurement and recruitment, as detailed below.

### 2.1 Procurement

During the first project month, SEMED Project offices were set up at EM&I headquarters at 511 Nupen Crescent, Extension 12, Midrand, a project bank account was opened at First National Bank (FNB), Midrand, and all office furniture and equipment was procured. As approved by Mr. Jerry Kryscythtal, Regional Contracting Officer, USAID/South Africa, the SEMED Project purchased used or factory re-manufactured furniture and office equipment when appropriate. A list of purchased items is provided in Table 2.1.

<b><i>Item</i></b>	<b><i>Number</i></b>	<b><i>Date</i></b>
Desks	7	10/12/00
Desk Chairs	7	10/12/00
Reception Chairs	4	10/12/00
Filing Cabinets	2	10/12/00
Meeting Table	1	10/12/00
Printer Tables	2	10/12/00
Photocopier	1	10/17/00
Fax Machine	1	10/17/00
Switchboard	1	10/17/00
Desktop Personal Computers	7	10/24/00
Uninterrupted Power Supplies	7	10/24/00
Lightning Protectors	7	10/24/00
Surecom 16 Port Hub	1	10/24/00
Network Server	1	10/24/00
Laser Jet Printer	1	10/24/00

In addition to the office purchases detailed above, project vehicles were also obtained. On October 17, four Toyota Corolla 160i GLEs were leased from Avis Fleet Rental. Vehicles were delivered to the SEMED Project offices on October 27.

### 2.2 Recruitment

Staff recruitment remained an on-going process throughout the first quarter, culminating in six out of seven positions filled by quarter's end. However, four key project personnel were in position by the beginning of November 2000:

## EM&I SEMED

1<sup>st</sup> Quarterly Report, FY '01

<u>Name</u>	<u>Position</u>	<u>Start Date</u>
Mr. Phillip Thobela	Chief-of-Party	11/1/2000
Mr. Willie Holl	Retail Financial Intermediary Director	10/16/2000
Ms. Estelle Muller	Business Manager Trainer	11/3/2000
Mrs. Nicolette Lundie	Receptionist/Administrative Assistant	10/30/2000

After commencing work on 1<sup>st</sup> November, as scheduled, Mr. Thobela did not arrive for work on 7<sup>th</sup> November. It was assumed that he was meeting with private sector corporations, but that evening he telephoned Mr. Jaime Reibel, EM&I Executive Vice President, to say he was resigning as SEMED Project Chief-of-Party to pursue a private business opportunity. Mr. Thobela's resignation letter was received on 10<sup>th</sup> November, and Mr. Holl was summarily appointed Chief-of-Party, in addition to his duties as Retail Financial Intermediary (RFI) Director.

During the week commencing 13<sup>th</sup> November, two more SEMED Project personnel were appointed:

<u>Name</u>	<u>Position</u>	<u>Start Date</u>
Mr. Albert Mashegana	Business Development Officer	12/1/2000
Ms. Ayanda Zwane	Business Development Officer	12/4/2000

The sixth person, Mr. Godfrey Khuvutlu, was appointed SEMED Project Business Linkages Manager on 30<sup>th</sup> November, and will start work on January 2, 2001. Due to the specialist nature of the process involved (using pre-recorded business skills training soap operas that will be broadcast on community radio stations), the Entrepreneurial Training Coordinator position will be put out to tender.

### **Project Advisory Board**

A total of six candidates were identified for the Project Advisory Board, five of whom have confirmed their ability to serve: Mr. Benedict Dlodlo, Ms. Yanum Govender, Ms. Khetsiwe Dlamini, Ms. Tshidi Nyama, and Mr. Dominic Moloto. Mr. Dlodlo, a Small Business Consultant at Path Development Solutions, will add value to the SEMED Project through the introduction of clients from his database. Ms. Govender, Manager of the Manufacturing SMME Development Center at the Council for Scientific and Industrial Research (CSIR), will provide linkages to the various technology sub-divisions within CSIR. Ms. Dlamini, Project Officer, Africa Project Development Facility, and Ms. Nyama, Assistant General Manager, Spornet, have a large network of linkages they can provide to the project's SME beneficiaries. As Manager of Corporate Affairs and Supplier Development at Ned Enterprises, Mr. Moloto can provide access to finance, plus linkages to corporate procurement contracts for SME beneficiaries. USAID/South Africa has also been asked to nominate their candidate to the SEMED Project Advisory Board.

In summary, by the end of the first quarter, all procurement, with the exception of daily office supplies, was completed, SEMED Project offices were set-up, a project bank account opened, six of seven staff positions filled, and a five-member Project Advisory Board developed. The Entrepreneurial Training component tender and recruitment of a Linkages Development Officer remain outstanding.

### 3.0 MARKET IDENTIFICATION & BUSINESS LINKAGES

#### 3.1 Market Identification

During the first quarter, a total of 31 market sectors have been identified in which the SEMED Project can work, most of which offer specialized market niches:

<b><u>Market Sector</u></b>	<b><u>Niches</u></b>
Brick Manufacturing	<i>Paving Bricks Maxi Bricks</i>
Car Washes	<i>Petrol Filling Station Car Washes</i>
Chicken Meat Production	<i>Free-Range Broilers</i>
Cleaning Services	<i>Corporate Cleaning Services</i>
Clothing Manufacturing	<i>Soccer Jersey Manufacturing</i>
Clothing Retail Sales	<i>Ladies Boutique</i>
Cosmetic Distribution	<i>Black Cosmetics Distribution</i>
Curio Manufacturing	
Curio Retail Sales	
Curio Wholesale Sales	<i>Curio Wholesale Sales to Retail Shops Curio Exports</i>
Diaper Manufacturing	<i>Disposable Diaper Manufacturing</i>
Eggs	<i>Egg Production</i>
Fast Food	<i>Cater Cart Hire Fried Chicken</i>
Fencing	<i>General Contracting</i>
Food Catering Training	<i>Social &amp; Corporate Function Catering</i>
Food Manufacturing	<i>Peanut Butter Manufacturing</i>
Gas Refills	<i>LPG Cooking Gas Refills</i>
General Dealer	<i>Spaza Shops Petrol Filling Station Quickshops</i>
Goods Transport	<i>Coal Transport</i>
Housing Construction	<i>General Contracting</i>
Landscaping	<i>Housing Development Landscaping</i>
Motor Spares & Accessories	<i>General Motor Spares &amp; Accessories</i>
Office Services	<i>Fax Services Photocopying Services</i>
Painting	<i>General Contracting</i>
Passenger Transport	<i>Transport of Mourners</i>
Petrol & Diesel Fuel Sales	<i>Retail Petrol Filling Stations</i>
Plant Retail Sales	<i>Housing Development Plant Sales</i>
Public Telephones	<i>Privately-Run Public Telephones</i>
Sanitary Towel Manufacturing	
Vehicle Rental	<i>Luxury Car Rental</i>
Wireless Telecommunications	<i>Retail Sales</i>

## **2.2 Business Linkages**

By the end of the first quarter, twelve (12) business linkage deals were concluded, and another eight (8) were underway, each deal containing multiple linkages. For total numbers of each linkage type, please see the SEMED Project Performance Indicators table at the end of this report.

### **2.2.1 Established Linkages: Summaries**

#### **1. Mr. John Khumalo, Green Valley Landscaping CC**

*Date: October 18, 2000*

Green Valley Landscaping provided private homeowners with landscaping services for their gardens. 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.

**SME Forward Linkages Established:** (Total=1; Males=1; Females=0)

**SME/Large Enterprise Linkages Established:** (Total=2; Males=2; Females=0)

**Black/White Linkages Established:** (Total=1; Males=1; Females=0)

**1<sup>st</sup>/2<sup>nd</sup>/3<sup>rd</sup> Tier Business Linkages Established:** (Total=1; Males=1; Females=0)

#### **2. Mr. George Magagula, Building Contractor**

*Date: October 20, 2000*

With help from SEMED Project staff, Mr. Magagula moved from being a small, informal, emerging contractor to being a formal sector, medium-size contractor. The SEMED Project also helped him source a tender for R240,000 from Eskom to paint and refurbish residences at Eskom's Vaal power station.

**SMME/Public Enterprises Linkage Established:** (Total=1; Males=1; Females=0)

**SME Forward Linkages Established:** (Total=1; Males=1; Females=0)

**1<sup>st</sup>/2<sup>nd</sup>/3<sup>rd</sup> Tier Business Linkages Established:** (Total=1; Males=1; Females=0)

#### **3. Mr. Marko Mwanachi, Mwanachi Curio Pacers**

*Date: November 28, 2000*

Mr. Mwanachi specializes in high quality carvings of wood and stone in verdite, opal, serpentine, spring stone, soap stone and ironwood. He approached the SEMED Project for assistance in exporting his products. Due to the high quality of the art, it is important that Mwanachi Curio Pacers focus on the top end of the consumer market.

SEMED's Ms. Muller discussed strategies with Mr. Mwanachi for approaching the international market via the Internet, organized a meeting for him a web page designer, and compiled a brochure and price list for his products. The SEMED Project also arranged for Mr. Mwanachi to inspect the curio shop at the Protea Hotel in Olifantsfontein (a four-star hotel), and introduced him to the Export Marketing Assistance (EMA) scheme administered by the Department of Trade and Industry. The EMA scheme was established to help South African companies find international markets for their products.

**SME Forward Linkage Established:** (Total=1; Males=1; Females=0)

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

**SME/Large Enterprise Linkage Established:** (Total=1; Males=1; Females=0)

5. **Mr. Obed Segooa, Segooa Careworth CC**

*Date: December 12, 2000*

Mr. Segooa, a paraplegic as a result of a gunshot wound, runs his own protective clothing brokering business. He take orders for protective clothing from factories and other industrial companies, then sources manufacturers who produce this type of clothing to fill the orders. In order to help Mr. Segooa grow his business, SEMED Project staff arranged for him to meet with Rustenburg-based Estrada (Pty) Ltd. and Watervaal Stratos (Pty) Ltd., companies that require supplies of protective clothing.

**SME Forward Linkages Established:** (Total=3; Males=3; Females=0)

**SME/Large Enterprise Linkages Established:** (Total=2; Males=2; Females=0)

**SME/SME Linkage Established:** (Total=1; Males=0; Females=1)

**1<sup>st</sup>/2<sup>nd</sup>/3<sup>rd</sup> Tier Business Linkages Established:** (Total=1; Males=1; Females=0)

**SME Government Linkage Established:** (Total=1; Males=1; Females=0)

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

6. **Mr. Eric Twala, Jay's and Gee's Developers CC.**

*Date: December 12, 2000*

Mr. Twala, a home-building contractor, was struggling with his finances. He needed money to purchase stands and building supplies. SEMED Project staff negotiated a deal for him with Saambou Bank, whereby Mr. Twala received 17 stands in Jabulani, Soweto, on consignment. Mr. Twala is required to pay for the stands only once buyers are found for the homes he is building there. Not only will he make profit on the houses built, he will also keep a margin of profit on the stands themselves.

**SME Forward Linkage Established:** (Total=1; Males=1; Females=0)

7. **Mr. Ali Sathikge, Ba-Andile African Foods CC**

*Date: December 13, 2000*

Mr. Sathikge was awarded a tender of R7.2 million from the Eastern Cape Provincial Government to supply the provincial school-feeding project with peanut butter. In order to deliver under this tender, Mr. Sathikge required an alternative supplier, from whom he could purchase peanuts on forward contract. The SEMED Project introduced Mr. Sathikge to Mr. Pierce Sanford, Director of F. R. Waring International (Pty) Ltd., a commodity brokering company, and arranged for the supply of 64 tons of raw peanuts per month to Mr. Sathikge. This ensured a continuous supply of raw materials for Ba-Andile African Foods CC to fulfill its contract to supply peanut butter to the North West Province and Eastern Cape Province school feeding programs.

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

**SME Forward Linkages Established:** (Total=8; Males=3; Females=5)

**SME/Large Enterprise Linkage Established:** (Total=2; Males=2; Females=0)

**SME/Government Linkage Established:** (Total=1; Males=1; Females=0)

8. **Mr. Mike Makwa, Sizamokwetu Bricks**

*Date: December 13, 2000*

Mr. Makwa requested links with financial service providers in the Queenstown area. He won a R1,500,000 tender from the Queenstown Local Council, to make 700,000 bricks that will be used to build a clinic. Mr. Makwa requires R1,900,000 to purchase assets from Penbrick CC., including equipment, land and a clay pit, to increase the capacity of his brick-making business. The potential for further growth is good, as there are plans to build ten schools and a hospital in the Queenstown area.

Two organizations, the Industrial Development Corporation (IDC) and Greenfield Venture Capital have been approached by SEMED Project staff on behalf of Mr. Makwa. IDC is willing to fund part of the transaction subject to the involvement of an equity partner, and Greenfield Venture Capital has expressed interest in providing venture capital. The SEMED Project also provided linkage to the University of Port Elizabeth's Small Business Unit, which will provide Sizamokwetu Bricks with financial management services once a month.

**SME/Large Enterprise Linkage Established:** (Total=1; Males=1; Females=0)

**SME/Government Linkage Established:** (Total=1; Males=1; Females=0)

**Black/White Linkages Established:** (Total=1; Males=1; Females=0)

9. **Ms. Nyanki Mazibuku, Nyanki Hair & Beauty Boutique and Catering Services**

*Date: December 13, 2000*

The SEMED Project helped Ms. Mazibuku diversify her business to include a catering training component, and created a linkage between Nyanki Hair & Beauty Boutique and Catering Services and Telkom, one of South Africa's largest parastatals, to train retrenched employees in catering. Telkom has allocated a training allowance for each retrenched employee. Ms. Mazibuku has already enrolled two entrenched employees for catering training. A further meeting with Ms. Mazibuku was held on December 15, 2000, to discuss the relocation of her business to Johannesburg. Ms. Mazibuku will do a needs and cost analysis and provide SEMED with the report.

**SMME/Public Enterprises Linkage Established:** (Total=1; Males=0; Females=1)

**SME Forward Linkage Established:** (Total=1; Males=0; Females=1)

10. **Mr. John Mtsweni, Mtsweni Transport**

*Date: December 14, 2000*

Mr. Mtsweni works as a transport contractor. He approached the SEMED Project for assistance in winning transport contracts. With assistance from SEMED Project staff, Mr. Mtsweni won a contract to transport coal from mines in Lakeside, Bankfontein and Leeufontein to the Kendall railway station. The contract is valued at R30,000 per month. SEMED Project staff also linked Mr. Mtsweni with a truck supplier, namely the Wilge Power Station Auction in Mpumalanga.

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

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

11. **Messieurs Thomas Sole and James Lumkwana, T&J Cleaning Services CC.**

*Date: December 15, 2000*

Mr. Sole and Mr. Lumkwana provide cleaning services for the Engen Depot in Chamdor, Krugersdorp. Engen referred them to the SEMED Project as an SME with growth potential. SEMED Project staff linked T&J Cleaning Services to GYC Agencies, a cleaning supplies company offering better prices and products than their previous suppliers. The SEMED Project also negotiated an additional contract for Messrs. Sole and Lumkwana, cleaning the Engen Depot windows every three months.

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

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

**SME/Large Enterprise Linkage Established:** (Total=1; Males=1; Females=0)

**13. Mr. Freddie Legoka, Freddie's Funeral Home**

*Date: December 18, 2000*

Mr. Legoka approached Phumelela Finance Corporation for a loan to purchase a mourning coach to service family members of the deceased. Phumelela referred him to the SEMED Project for advice and evaluation. SEMED Project staff recommended forming a link with Jan Smuts Taxi and Luxury Car Rental, renting its luxury vehicles for his mourning coaches, rather than purchasing a vehicle of his own. This will improve the service he provides without costing him the expenditure of capital.

**SME Forward Linkages Established:** (Total=2; Males=2; Females=0)

**SME/SME Linkage Established:** (Total=2; Males=2; Females=0)

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

**14. Mr. Freddie Ngwenya, Jan Smuts Taxi & Luxury Car Rental**

*Date: December 18, 2000*

Mr. Ngwenya approached the SEMED Project for assistance with marketing his luxury car rental and chauffeur services. SEMED Project staff arranged linkages for him with the Japan International Cooperation Agency (JICA) and with the Saudi Arabian Embassy. The SEMED Project will also link Mr. Ngwenya with professional accounting services, to facilitate proper accounting records for banking and tax purposes.

On December 18, 2000, SEMED's Ms. Muller met with Mr. Ngwenya to discuss another business opportunity for Jan Smuts Taxi and Luxury Car Rentals. Mr. Freddie Legoka of Freddie's Funeral Home requires extra mourning coaches for weekend funerals. Rather than purchasing a fleet of expensive vehicles, Mr. Legoka will improve his business by renting luxury vehicles from Jan Smuts Taxi and Luxury Car Rentals.

**SME Forward Linkage Established:** (Total=1; Males=1; Females=0)

**SME/Government Linkage Established:** (Total=1; Males=1; Females=0)

**SME/SME Linkage Established:** (Total=1; Males=1; Females=0)

**SME/Large Enterprise Linkage Established:** (Total=1; Males=1; Females=0)

**2.2.2 Linkages Pending: Summaries**

In addition to the twelve (12) completed deals listed above, SEMED Project staff are currently in the process of negotiating another eight (8) 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 is currently seeking a factory with proper capacity to partner with him.

**2. 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 small retail shops in the townships. It buys items in bulk, thus allowing it to profitably resell to these small shops at low prices. SEMED's Business Development Trainer, Ms. Estelle Muller met with Mr. Danie Pottas, Procurement Director for Dawa, to discuss a strategy to distribute

Unilever products through Dawa's distribution channels. She is also drafting a proposal for Mr. Madini on the sales volumes of Dawa (Pty) Ltd. to their retail outlets in the different townships. Further meetings are scheduled for the second quarter.

3. **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. An on-site visit was scheduled for January 11, 2001.

4. **Mr. Manase Mathabathe, Bummies and Mummies**

Bummies and Mummies is a start-up business that intends manufacturing diapers and sanitary towels to supply to Government hospitals and private clinics. SEMED Project staff have referred Mr. Mathabathe to the African Council of Hawkers and Informal Businesses (ACHIB), a hawker association. ACHIB members can be used as distributors for Bummies and Mummies products once the company is operating.

5. **Mr. Job Masemola, You Like It Hot**

Mr. Masemola's company, You Like It Hot, rents-out catering carts for outdoor functions. In order to increase his market, Mr. Masemola requires linkages to catering companies. He intends to grow the business to a large enough level to be able to franchise the concept.

6. **Mr. Ismet Pennikan, Petite Upholsterers**

During a meeting with Mr. Cussens of the Tourism Enterprise Programme (TEP) to discuss linkage opportunities in the SME market, it was discovered that TEP and the SEMED Project have mutual interest in a client, Petite Upholsterers. Petite Upholsters manufactures and upholsters furniture for hotels. TEP services businesses involved in the tourism industry, and has links with many hotels and guesthouses throughout South Africa. SEMED can link Petite Upholsterers with these hotels, thereby procuring more business for Mr. Pennikan. A follow-up meeting was scheduled for the second quarter.

7. **Mr. Christo Rothman, Sizanani (Pty) Ltd.**

Mr. Rothman developed a new concept for transport brokering via the Internet, around which he built Sizanani, a dot com transport and logistics company. Sizanani has recently secured contracts from the Eastern Transvaal Farmers Cooperative (OTK) and Ruto Mills, to provide transport and requires access to bridging capital to execute these contracts. In addition to facilitating access to finance for Mr. Rothman, SEMED Project staff will also provide linkages to SEMED Project transport contractors to service the transport orders sourced by Mr. Rothman off the Internet.

8. **Mr. Riaan Venter, Dynamic Transport Management (Pty) Ltd. (DTM)**

DTM was appointed to facilitate the conversion of the Stellenbosch Farmers Winery Group vehicle fleet into an Owner/Driver scheme. Over a twelve-month period, thirteen (13) drivers completed Phase I, establishing operational and financial records. These drivers are now candidates to take ownership of the trucks. Each driver will require a loan of R100,000 to purchase their trucks, yielding a total loan facility of R1,300,000. SEMED Project staff are arranging this loan facility for DTM, which will act as a financial intermediary for the drivers. As a result of this access to capital, the 13 drivers

will become thirteen independent new businesses, with linkages to transport contracts from DTM.

### **2.2.3 Rejected Linkages: Summaries**

#### **1. Mr. Han, Big Bite Chickens**

Mr. Han is able to source contracts for his chickens from the corporate sector; however, corporate clients insist on dealing only with empowerment businesses. Assistance was needed to find a Black buyer or partner for his business. SEMED Project staff introduced Mr. Han to Mr. Charles Ngobeni, a gentleman with entrepreneurial traits and an asset base allowing access to finance, and Mr. Walter Tshikalange, owner of Africa Food Restaurant and Chips Land, both of whom are potential partners or buyers for Big Bite Chickens. Mr. Han compiled a Business Plan and a set of Financial Statements.

However, information provided in the Business Plan did not match what SEMED Project staff gleaned during a verification visit to the site. All deals with Mr. Han were rejected due to his presentation of misleading information in Big Bite Chickens' Business Plan.

**Black/White Linkages Established:** (Total=2; Males=2; Females=0)

**1<sup>st</sup> 2<sup>nd</sup> 3<sup>rd</sup> Tier Business Linkages Established:** (Total=1; Males=1; Females=0)

## 4.0 TECHNOLOGICAL INNOVATION/PRODUCT DEVELOPMENT

### 4.1 Technical Assistance Relationships Formed

During the first quarter, SEMED Project staff contacted four organizations with regards to technological innovation and product development: The Council for Scientific and Industrial Research (CSIR), Ntsika Enterprise Promotion Agency (NEPA), the Department of Trade and Industry (DTI), and the Industrial Development Corporation (IDC). CSIR will serve as a source for SMEs to access technology and receive assistance with product innovation. NEPA provided a list of nationally accredited Local Business Service Centers (LBSC) and Tender Advice Centers (TAC), with full contact details. This network will be used to provide value-added services to the SEMED Project's client base, i.e. procurement opportunities, tenders, facilitating access to finance and other related business services.

On December 6, 2000, Mr. Albert Mashegana, SEMED Business Development Officer, met with Mr. Stephen Tambani and Mr. Reuben Mbedzi, both Business Advisers for DTI's Industrial Establishment and manufacturing Development Program. Mr. Mashegana's intention was to establish linkages to technical and product development services providers and access to incentives offered by DTI for manufacturing SME beneficiaries. Mr. Tambani and Mr. Mbedzi agreed to refer other SME manufacturers to Mr. Mashegana to enable them to benefit from the network of linkages offered by the SEMED Project.

Mr. Mashegana also investigated trends in the production of groundnuts and other related issues for the benefit of Ba-Andile Africa Foods, CC, a peanut butter manufacturing company. On December 11, 2000, he met with Mr. Edward Nefale, Accounts Manager for IDC. Documents received contained the contact details of peanut butter manufacturers and traders, statistics from the National Department of Agriculture about groundnut production volume and value, area planted, and manufacturing of roasted nuts and peanut butter, as well as groundnut sale trends, and IDC guidelines in order to access project finance. This technical information will aid in developing linkages and Business Plans for Ba-Andile Africa Foods and other similar SMEs

### 4.2 Product Innovations and Developments

During the first quarter, the SEMED Project has assisted five (5) clients to add new products/services to their businesses. Details are provided below.

<u>Name</u>	<u>Product</u>	<u>Innovation</u>
Ba-Andile Africa Foods	Margarine	New product
Green Valley Landscaping	Plant Sales	New product
Jay's & Gee's Developers	Stand sales	New product
Nyanki Hair & Beauty Boutique and Catering Services	Catering Training	New product
T&J Cleaning Services	Quarterly Window-washing	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 accounting service providers, whereby business people learn proper accounting procedures through experience with accepted accounting systems.

During the first quarter SEMED Project staff identified ten SMEs who need help with their financial records. These businesses will be linked to accounting service providers to facilitate proper accounting records for banking and tax purposes and statutory compliance.

<b>Name</b>	<b>Company</b>	<b>Sector</b>
Ms. Christina Kersten	DAPP	Clothing Retail
Mr. Michael Manzini	Michael Manzini Cleaning Services CC.	Cleaning Services
Mr. Johannes Petla	Petla Spares	Motor Spare & Accessories
Mr. Lloyd Pitsa	Fame Distributors CC.	Black Hair Product Distributors
Ms. Queenith Sibisi	Jacaranda General Dealers	Retail Sales
Mr. Walter Tshikalange	Chipsland	Fast Food

SME Business Skills Strengthened: (Total=6; Males=4; Females=2)

SME Entrepreneurship Strengthened: (Total=6; Males=4; Females=2)

Business skills are also taught while shepherding clients through the process of negotiating business deals or developing Business Plans, Feasibility Studies, Market Studies, Internal System Control Procedures and Financial Controls. Each loan applicant receives training in one or more of these areas, while completing the loan application process. Details of clients' strengthened skills are listed below.

<b>Name</b>	<b>SME Business Skills</b>			<b>SME Entrepreneurship Skills</b>		
	<i>Male</i>	<i>Female</i>	<i>Total</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>
Ba-Andile African Foods	1	0	1	1	0	1
BS Cosmetics	0	1	1	0	1	1
Freddie's Funeral Home	2	0	2	2	0	2
Green Valley Landscaping	1	0	1	1	0	1
Jan Smuts Taxi & Luxury Car Rental	2	0	2	2	0	2
Jay's and Gee's Developers	1	0	1	1	0	1
Mr. George Magagula	1	0	1	1	0	1
Mtsweni Transport	1	0	1	2	0	2
Nyanki Hair & Beauty Boutique & Catering Services	0	1	1	0	1	1
Pebetse Transport	1	0	1	1	0	1
Segooa Careworth	1	0	1	1	0	1
Sizamokwetu Bricks	1	0	1	1	0	1
T&J Cleaning Services	1	0	1	1	0	1
<b>TOTAL</b>	13	2	15	14	2	16

## EM&I SEMED

1<sup>st</sup> Quarterly Report, FY '01

Progress was also made in regards to the learning-by-hearing approach. After a meeting between EM&I Managing Director, Mr. Simon Aphane, EM&I Executive Vice President, Mr. Jaime Reibel, SEMED's RFI Director, Mr. Willie Holl, and ABC Ulwazi's Production Manager, Ms. Dominique Luycks, Ms. Luycks provided SEMED with the names, contact persons and telephone numbers of all the community radio stations in Gauteng Province, along with a list of areas in which they broadcast, and what language they use. This information will be used to decide on the most suitable community radio stations for the broadcast of the SEMED Business Skills Training Program. The first episodes are tentatively scheduled to air in March 2001.

## **6.0 ACCESS TO FINANCE**

### **6.1: Traditional Sources of Finance**

During the first quarter, SEMED Project staff have taken several steps to increase access to traditional financial institutions on behalf of project-affiliated SMEs. On December 4, 2000, SEMED's RFI Director, Mr. Willie Holl, and Business Training Manager, Ms. Estelle Muller, met with Ms. Dawn Jefferson-Green, Manager of ABSA's New Enterprise Banking for SMEs, to determine what ABSA will require to entertain SEMED Project SME funding proposals. Ms. Jefferson-Green recommended that both Ms. Muller and Mr. Holl apply for membership at the Institute of Business Advisors, as this is one of ABSA's requirements for accepting loan applications submitted by financial intermediaries. She also requested a company profile of EM&I, to register the company as a SME service provider.

Mr. Holl also met with FNB's Mr. Cor Khan to ascertain what FNB will require to entertain funding proposals for the SME sector facilitated by the SEMED Project. Mr. Kahn suggested that Mr. Holl meet with the relevant cluster credit managers in the regions where SME beneficiaries are based and form relationships with these cluster managers to facilitate finance.

On December 14, 2000, SEMED Project staff met with Mr. Stanley Vilakazi, Manager of Standard Bank Pretoria's SME Emerging Markets Division, to learn what Standard Bank requires to entertain SME funding proposals facilitated by the SEMED Project. A follow-up meeting was scheduled for the New Year.

### **6.2 2<sup>nd</sup> Tier, Non-Traditional Financial Intermediaries**

In the SEMED Project Proposal, EM&I recommended putting in-place the infrastructure that will be necessary to establish an efficient SEMED Project SMME retail financial intermediary model, which will then be replicated by franchising an RFI package comprised of software, forms, operational procedures manuals, methodology and training. The replication of the SEMED Project SMME RFI model through a franchising scheme will create an immediate multiplier effect, which can be extended throughout the country, should future funding be available.

To progress towards this franchising scheme, during the first quarter the SEMED Project developed relations with two second-tier, non-traditional financial intermediaries: Phumelela Finance Corporation and Community Entrepreneurship & Business Initiative (CEBI). After contracts are signed, training of these RFIs will begin during the next quarter.

#### **6.2.1 Phumelela Finance Corporation**

On November 3, 2000, the SEMED Project established a working relationship with Phumelela Finance Corporation, a second-tier, non-traditional financial institution. EM&I strengthens Phumelela's capacity through the provision of accounting services, systems and procedures, and Phumelela will be used to develop the franchise model for Retail Financial Intermediaries serviced through the SEMED Project.

On November 20, 2000, SEMED's Mr. Holl and Ms. Muller met with Ms. Desire Boraine from Khula Enterprise Finance Ltd. to arrange for re-capitalization of Phumelela Finance Corporation with R1,000,000 of loan capital and R250,000 seed capital for operational expenses. Ms. Boraine suggested that EM&I become an accredited service provider to Khula and requested that Mr. Holl submit a profile of EM&I to facilitate this process.

Ms. Boraine also introduced Mr. Willy Hlalele, Khula's Mentorship Program Manager. Mr. Hlalele recommended that a follow-up meeting be arranged to discuss how SME beneficiaries can benefit from SEMED Project linkages and the Khula mentorship program.

### **6.2.2 Community Entrepreneurship & Business Initiative (CEBI)**

On December 4, 2000, SEMED's Ms. Muller met with CEBI's Executive and Financial Directors, Mr. Pumlan Tyali, and Mr. John Alufayi, respectively. Under a three-year grant, CEBI has been awarded US\$165,000 in loan fund capitalization by the USAID/South Africa SO5 office. Ms. Muller explained the systems and procedures used by Phumelela Finance Corporation under the franchise system developed by EM&I for second-tier, non-traditional financial intermediaries.

A second meeting between CEBI and SEMED Project staff took place on December 18, 2000. During the meeting possibilities for entering into a cooperative arrangement by way of a joint venture or franchise to facilitate provision of financial skills were explored. SEMED Project staff also conducted an assessment of the organization's business location in the township of Motherwell, what resources are available, and of the potential of the market to be serviced by CEBI. The information gained from the visit will enable SEMED to prepare a proposal based on the systems and procedures under the franchise system developed by EM&I for second-tier, non-traditional financial intermediaries.

## **6.3: SEMED-Arranged Financing**

### **6.3.1 Disbursements**

On December 1, 2000, SEMED Project client Mr. John Mtsweni of Mtsweni Transport received the first loan disbursement from Phumelela Finance Corporation. Mr. Mtsweni bought a MAN truck for R54,116 at an auction held on November 22, 2000 at Wilge Power Station in Mpumalanga. Mr. Mtsweni was awarded a contract to transport coal from Lakeside, Bankfontein and Leeuwfontein mines to the Kendall railway station.

Phumelela Finance Corporation disbursed a second tranche of the loan to Mr. Mtsweni on December 14, 2000. Mr. Mtsweni bought a tipper trailer for his MAN truck for R30,000 from a seller in Mpumalanga.

Phumelela Finance Corporation also disbursed a loan of R10,000 to Mr. Thomas Sole and Mr. James Lumkwana of T&J Cleaning Services CC. Messrs. Sole and Lumkwana required this financing to pay end-of-year employee bonuses and to purchase cleaning supplies. T&J Cleaning Services CC. has a contract to provide cleaning services to the Engen Depot at Chamdor.

**6.3.2 Approved Loans Pending Disbursement: Summaries****1. Mr. John Khumalo, Green Valley CC**

With SEMED Project help, Mr. Khumalo won a tender for R240,000 from Volker Construction to landscape the gardens of a town house cluster in Bedfordview. In order to service this tender, Mr. Khumalo required a loan of R50,000. Phumelela Finance Corporation approved Mr. Khumalo's loan during the week commencing 18<sup>th</sup> December; however disbursement was delayed, as workers had already left for their year-end holidays. Funds will be disbursed when work recommences on January 15, 2001.

**6.3.3 Submitted Loan Applications**

During the first quarter, the SEMED Project submitted loan applications for sixteen (16) clients, either via commercial banks or other Retail Financial Intermediaries. A list of submitted loan applications is provided in Table 6.3.1 below.

<b>Table 6.3.1: Recipients of SEMED-Arranged Financing - Submitted</b>			
<u>Name</u>	<u>Sector</u>	<u>Amount (R)</u>	<u>Source of Funds</u>
AB Chickens	Agribusiness	85,000	Phumelela Finance Corporation
Ba-Andile Africa Foods CC	Food Manufacturing	400,000	Nedbank
BS Cosmetics	Cosmetic Distribution	50,000	Phumelela Finance Corporation
Chips Land	Fast Food	60,000	Phumelela Finance Corporation
Daphne's Boutique	Clothing (Retail)	50,000	Phumelela Finance Corporation
DAPP	Clothing (Retail)	100,000	Phumelela Finance Corporation
DAPP	Clothing (Retail)	300,000	ABSA
Gabro Motors	Petrol Retail	600,000	Nedbank
George Magagula	Construction	70,000	Phumelela Finance Corporation
Jay's & Gee's Developers CC	Construction	200,000	FNB
Johannes Khubeka	Telecommunications	105,000	Phumelela Finance Corporation
John Mtsweni	Transport	100,000	Phumelela Finance Corporation
Obed Segooa	Clothes Manufacturing	286,000	FNB
Petrus Transport	Transport	60,000	Phumelela Finance Corporation
Sizamokwetu Brick Makers	Brick Manufacturing	1,900,000	Industrial Development Corp. (IDC) / Business Partners
Sizanani (Pty) Ltd.	Transport	1,000,000	ABSA
<b>TOTAL FINANCE APPLIED FOR</b>		<b>R5,366,000</b>	

**6.3.4 Loan Applications In-Process: Summaries**

In addition to the sixteen (16) submitted loan applications awaiting approval from financial institutions, applications are being prepared for another twelve (12) clients in need of access to finance. SMEs desiring access to finance are required to compile a Business Plan and financial reports. If these SMEs are deemed profitable, SEMED Project staff will commence the process of accessing finance on their behalf. Potential clients are listed below.

1. **Mr. Seraj Abass, Pro Sports CC**

Pro Sports recently acquired the South African license to manufacture Diadora soccer jerseys. Mr. Abass requires finance of approximately R200,000, to purchase bulk stock of materials of different colors and to start jersey production.

**Pending:** Location of a suitable manufacturing partner.

2. **Mr. Yusuf Camrodeen, Cams Motors CC.**

Cams Motors is a Shell petrol filling station with an attached Quickshop located on a main traffic artery of suburban Meyerton, a rural town. Mr. Camrodeen requires a working capital loan of R200,000 to replenish his stocks of fuel and convenience store goods.

**Pending:** Receipt of up-to-date Financial Statements to complete the Cash Flow Projection and Business Plan.

3. **Mr. Barry Hoffenburg, AB Chickens**

Mr. Hoffenberg requires R85,000 to expand the operations of AB Chickens. Ms. Muller visited AB Chickens to verify some concerns and to see how the business is operating. She also delivered a list of questions to Mr. Hoffenberg that SEMED has regarding AB Chicken's Business Plan.

**Pending:** Receipt of documentation verifying information in AB Chickens' Business Plan.

4. **Mr. George Magagula, Building Contractor**

Mr. Magagula was awarded a tender contract for R240,000 from Eskom to paint and refurbish residences at Eskom's Vaal power station. Mr. Magagula requires SEMED Project assistance to access finance of R70,000 to proceed with the tender.

**Pending:** Proof of property ownership for collateral purposes.

5. **Mr. Monneng Mahlanya, Pebetse Transport**

Mr. Mahlanya requires R140,000 to purchase a tipper truck to service a contract secured from transport brokers Pro Rent & Finance CC. After reviewing his Business Plan, SEMED requested that Mr. Mahlanya obtain two copies of the contract secured for him from a company in Botswana by Pro Rent & Finance CC.. Since this is a third-party contract, proof must be supplied that the contract will not be passed-on to some one else in the case of delivery delays (i.e. breakdown). Such a contract transfer would result in loss of income and Mr. Mahlanya's inability to service a loan.

**Pending:** Receipt of Mr. Mahlanya's Statement of Personal Assets and Liabilities and copies of quotations for used trucks.

6. **Mr. Manase Mathabathe, Bummies and Mummies**

Bummies and Mummies is a start-up company that intends to manufacture diapers and sanitary towels to supply to Government hospitals and private clinics. Mr. Mathabathe requires R120,000 to purchase equipment and for working capital.

**Pending:** Receipt of a Letter-of-Intent from the Department of Health, stating that it will support Bummies and Mummies.

7. **Ms. Thabile Ngoza, Thukela Distributors CC.**

Ms. Ngoza has secured a tender contract from the State Tender Board for the supply of surgical equipment to nine (9) Provincial Health Departments, the value of which will be determined by the total amount of orders secured. Ms. Ngoza requires R15,000 to

purchase samples to show to the different hospitals and clinics to secure orders from them.

**Pending:** Receipt of Thukela Distributor's Business Plan.

8. **Ms. Yolisa Ntshona, New Millennium Garments**

New Millennium Garments manufactures protective clothing for companies. Ms. Ntshona requires R300,000 to purchase raw materials and to provide working capital for orders already received from various companies.

**Pending:** Receipt of New Millennium Garments' Business Plan and Financial Statements.

9. **Mr. Ali Sathikge, Ba-Andile Africa Food CC**

In order to deliver under the R7.2 million tender contract awarded him by the Eastern Cape Provincial Government, to supply the provincial school-feeding project with peanut butter, Mr. Sathikge needs to acquire additional equipment to increase the volume of the peanut butter he produces. The SEMED Project is in the process of applying for the R500,000 in financing required for this expansion. Mr. Sathikge's Business Plan has been reviewed, an on-site visit performed, and invoices and Bank Statements received.

**Pending:** Receipt of Ba-Andile Africa Food's Financial Statements.

10. **Mr. Obed Segooa, Segooa Careworth CC**

Mr. Segooa is increasing the capacity of his protective clothing brokerage company to service a larger client base. For this expansion, he requires a loan of R286,000.

**Pending:** Business Plan completion.

11. **Mr. Walter Tshikalange, Africa Food Restaurant and Chips Land**

Mr. Tshikalange owns two restaurants, Africa Food Restaurant, specializing in African cuisine, and Chipsland, a fast food outlet. He requires R60,000 in working capital. A visit was scheduled for January 2, 2001 to do an assessment of the business locations, how they operate, and to verify information provided in the Business Plan.

**Pending:** Completion of on-site verification visit.

12. **Mr. Riaan Venter, Dynamic Transport Management (Pty) Ltd. (DTM)**

DTM was appointed to facilitate the conversion of the Stellenbosch Farmers Winery Group vehicle fleet into an Owner/Driver scheme. Over a 12-month period, 13 drivers completed Phase I, establishing operational and financial records. These drivers are now candidates to take ownership of the trucks. DTM will serve as a financial intermediary for these drivers, providing loans to each individual. Each individual owner/driver requires R100,000, equating to a loan facility of R1,300,000.

**Pending:** Completion of DTM's Business Plan.

**6.3.5 Rejected Applications: Summaries**

During the first quarter, the SEMED Project rejected three applications for finance.

1. **Ms. Retha Corbett, Pro-Info CC**

Ms. Retha Corbett of Pro-Info CC approached the SEMED Project for assistance with a bridging loan facility of R20,000, and with a debtor default management system. Pro-Info provides a 24-hour reservation service to the South African National Parks Board.

EM&I SEMED

1<sup>st</sup> Quarterly Report, FY '01

Ms. Corbett's application for financing was rejected as she does not match USAID/South Africa's definition of a historically disadvantaged business.

**2. Mr. Han, Big Bite Chickens**

In order for either Mr. Ngobeni or Mr. Tshikalange to become partners of Big Bite Chickens, a loan of R600,000 would have been required to purchase a majority share in the company. Due to the misleading information supplied by Mr. Han in the Big Bite Chickens Business Plan, and in order to protect Mr. Ngobeni's and Mr. Tshikalange's interests, all dealings with Mr. Han were ended and his application for finance was rejected.

**3. Mr. Patrick Mampone, Technical Business Development Trust**

Mr. Mampone is in the process of taking over the Technical Business Development Trust from the trustee company and requires R100,000 for working capital. After reviewing the Technical Business Development Trust's Financial Statements, as well as Mr. Mampone's personal statement of assets and liabilities, his request that the SEMED Project facilitate bridging finance for him was rejected for three reasons: 1) Mr. Mampone is not the legal owner of the Technical Business Development Trust at this point. 2) The money due from Excel Petroleum belongs to the Technical Business Development Trust. 3) Mr. Mampone has exhausted all avenues to raise finance in his personal capacity.

## **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 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. In addition, SEMED Project staff were trained to provide awareness interventions to their clients' employees. A motivational speaker on the topic of HIV/AIDS will be provided through the SEMED Project's network and links with other HIV/AIDS organizations. During the first quarter, SEMED Project staff provided HIV/AIDS education to 14 entrepreneurs (11 males and 3 females) and 113 employees (71 males and 42 females), yielding a total of 127 beneficiaries (82 males and 45 females) who have received HIV/AIDS education.

## **8.0 COORDINATION**

During the first quarter, four coordination meetings were held between USAID/South Africa, EM&I and SEMED Project Staff. The first meeting took place on October 10, 2000. EM&I Managing Director Mr. Simon Aphane, EM&I Executive Vice President Mr. Jaime Reibel and SEMED Project RFI Director Willie Holl met with Mr. Michael Klesh, Senior SMME Advisor, USAID/South Africa, to discuss the SEMED Project reporting guidelines and requirements. At the meeting Mr. Klesh introduced relevant USAID/South Africa financial staff, namely Ms. Tiny Thladi, Auditor, Ms. Francina Hlatswyo, Project Accountant and Ms. Lynn Coetzee, Voucher Processor.

In the second meeting, on November 20, 2000, the official presentation of SEMED Project officials to USAID/South Africa took place. Mr. Willie Holl, Ms. Estelle Muller, SEMED Project Business Training Manager, Mr. Simon Aphane, and Mr. Jaime Reibel met with Mr. Stacey Rhodes, Mission Director, Mr. Bill Brands, Head, SO5, and Mr. Michael Klesh, to formally present the SEMED Project.

On December 7, 2000, the third coordination meeting took place between USAID/ South Africa's Mr. Klesh and Mr. Walsh, SO6 International Development Consultant, and EM&I's Mr. Aphane and Mr. Reibel. Discussion focused on how EM&I could benefit from the use of the Development Credit Authority (DCA) loan guarantee program in its daily activities on the SEMED Project.

The fourth meeting, on December 12, 2000, centered on possible synergies between USAID/South Africa's health programs and the SEMED Project. Mr. Aphane, Mr. Reibel and Mr. Holl met with Mr. Ken Yamashita, Chief, Health Office, to discuss ways the Health Office's HIV/AIDS program could use the SEMED Project to provide HIV/AIDS outreach and education to historically disadvantaged SMEs and their employees in Gauteng Province. Mr. Yamashita informed Messrs. Aphane, Reibel and Hall that the Health Office's budget had been cut by approximately 50%, and that no additional funds were available for new projects.

## **9.0 CONSTRAINTS AND SOLUTIONS**

The first major constraint the SEMED Project faced was recruitment. In fact, project commencement was delayed due to lack of staff. Three factors contributed to the difficulty in finding qualified people: 1) short project duration; 2) the felt-need for job security in South Africa; and, 3) the 30-day notice period required of resigning employees. Because unemployment is so high, many South Africans are not willing to put themselves and/or their families at risk by leaving a steady job for one that can only guarantee one year of employment. Even once qualified people were found who were willing to take this risk, thirty-day's notice had to be served to their previous employers. Since job security is valued so highly, people were only willing to give notice once they had received letters of appointment, (i.e. once the grant was signed).

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. 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. Once the USAID Development Credit Authority (DCA) loan guarantee program is made available to EM&I it can be offered to the banks as an incentive to finance the loan applications submitted on behalf of clients by SEMED staff.

The majority of SEMED's clients require access to finance, and linkages have been made through staff intervention with these clients. SEMED Project staff have uncovered numerous irregularities and incorrect information as they conduct due diligence of clients' applications and Business Plans. This takes up a lot of productive time that could be spent on genuine clients. An effective screening methodology, namely a quick due-diligence questionnaire, has been devised to avoid the recurrence of the problem.

## **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. Since this is the first quarterly report, the two sets of numbers are identical.





## **11.0 PROJECTED 2<sup>ND</sup> QUARTER, FY '01 ACTIVITIES**

### **11.1 SMME Markets Identified & Developed**

#### **January 2001**

- Identify 15 market sectors in which the SEMED Project's SMME clientele can work.
- Identify 16 market niches in which SMMEs can do business.
- Identify 17 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 5 SMME 1<sup>st</sup>/2<sup>nd</sup>/3<sup>rd</sup> tier linkages.
- Establish 5 SMME Black/White linkages.

#### **February 2001**

- Identify 15 market sectors in which the SEMED Project's SMME clientele can work.
- Identify 16 market niches in which SMMEs can do business.
- Identify 17 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 5 SMME 1<sup>st</sup>/2<sup>nd</sup>/3<sup>rd</sup> tier linkages.
- Establish 5 SMME Black/White linkages.

#### **March 2001**

- Identify 15 market sectors in which the SEMED Project's SMME clientele can work.
- Identify 16 market niches in which SMMEs can do business.
- Identify 17 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 1<sup>st</sup>/2<sup>nd</sup>/3<sup>rd</sup> tier linkages.
- Establish 5 SMME Black/White linkages.

## **11.2 SMME Capacity to Respond to Market Opportunities Enhanced**

### **January 2001**

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

### **February 2001**

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

### **March 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.
- 3 new types of products developed.
- 3 new products developed.
- 2 SMMEs linked to public enterprises.

## **11.3 Increase SMME Access to Capital**

### **January 2001**

- 3 SMMEs access finance.
- \$83,000 in increased funding made available to SMMEs.
- \$582,000 of increased finance accessed by SMMEs.

### **February 2001**

- 4 SMMEs access finance.
- \$83,000 in increased funding made available to SMMEs.
- \$582,000 of increased finance accessed by SMMEs.

### **March 2001**

- 4 SMMEs access finance.
- \$84,000 in increased funding made available to SMMEs.
- \$582,000 of increased finance accessed by SMMEs.
- (1) 2<sup>nd</sup> tier & non-traditional financial institutions offer SMMEs access to finance.

#### **11.4 Employment Opportunities Facilitated**

##### **January 2001**

- 107 employment opportunities facilitated.

##### **February 2001**

- 107 employment opportunities facilitated.

##### **March 2001**

- 107 employment opportunities facilitated.

#### **11.5 HIV/AIDS Education**

##### **January 2001**

- 63 SEMED Project beneficiaries receive HIV/AIDS education.

##### **February 2001**

- 63 SEMED Project beneficiaries receive HIV/AIDS education.

##### **March 2001**

- 63 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, 1<sup>st</sup> 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, \$105,824 (14%) was spent during the first quarter. This low percentage is primarily due to lower-than-expected staff salary expenditure. As discussed in Chapter 2.0 Project Administration, and Chapter 9.0 Constraints and Solutions, recruiting and hiring project has proved challenging, and most staff did not start until November.