



VEGA SOUTH AFRICA ANNUAL PROGRAM STATEMENT SMALL GRANTS ADMINISTRATION (SAAGA)

**ASSOCIATE COOPERATIVE AGREEMENT
NO. 674-A-00-05-00067-00**

LEADER AWARD No. EEM-A-00-04-00002-00

FINAL REPORT

August 29, 2008

Implementing Organization:



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I. Executive Summary

The Volunteers for Economic Growth Alliance (VEGA) was awarded the Associate Cooperative Agreement Number 674-A-00-05-00067-00 and Leader with Associate Award Number EEM-A-00-04-00002-02 from the United States Agency for International Development/South Africa (USAID/SA) on September 26, 2005 to implement the South African Annual Program Statement Small Grants Administration (SAAGA) program described in the South African Annual Program Statement (APS) for that year. The budget for the original program (APS 06) was \$1,737,290 with a completion date of February 25, 2007. VEGA awarded and SAAGA managed four subgrants totaling \$1,073,577 under the APS 06. The VEGA/SAAGA program was extended to February 28, 2008 in order to implement a second grants program (APS 07) The extension brought the total value of the award to \$4,000,907. VEGA awarded and SAAGA managed a further five grants totaling \$1,659,043 under the APS 07. A further 'No-Cost Modification' extended the program timeline to June 30, 2008. Cost share for the program totaled \$318,109.36, which exceeded the program requirement of \$167,992.

The International Executive Service Corps (IESC) served as VEGA's implementing partner for the SAAGA program. Given the volunteer orientation of VEGA, one component of the program was the use of volunteer experts to provide technical assistance to grantees over the life of the program. IESC sourced volunteer expertise for SAAGA both internationally and in South Africa. Ten international and four South Africa volunteer volunteers completed assignments in country completed during the life of the program.

The goal of SAAGA, as stated in both APS 06 and APS 07, was to support USAID/SA's program for the increase of market-driven employment through the growth of historically disadvantaged (HD) agribusinesses and small, medium and micro-enterprises (SMMEs). Organizations currently implementing activities in South Africa were encouraged to submit proposals that would further this goal. For purposes of the solicitation, HD enterprises were defined as those with at least 25 percent of their shareholders being black, Indian, colored, female and/or disabled. SMMEs were defined as enterprises primarily in agricultural, manufacturing, mining, transportation and services sectors.

Program objectives for APS 06 and APS 07 were similar, with follow-on refinements in the second year. The following table illustrates program objectives for each year.

Program Objectives APS 06	Program Objectives APS 07
Identifying and Developing Markets for SMMEs and Agribusiness	
Enhancing the Capacity of Historically Disadvantaged SMMEs to Respond to Market Opportunities	Improve the Competitiveness of the Historically Disadvantaged Enterprises and Small Business
Increasing Access to Finance for Historically Disadvantaged Agribusiness and SMMEs	Affordable, transparent financial services/products available to support SMMEs
	Regulatory framework Supportive of Small Business Growth being Implemented
	Improved Quality of Workforce

SAAGA received over 183 proposals for consideration under APS 06 and APS 07, with nine grants being awarded to seven organizations. (Two organizations received awards under both APSs). Grantees were selected through a competitive process managed by the SAAGA Technical Evaluation Committee (TEC), organized by IESC with USAID participation in selection and final approval of awardees. Grantee activities covered a wide range of programs based on skills transfer, capacity building, technical assistance, managerial assistance, competitiveness, market access and mentorship. Proposals were scored by the TEC with the awards being granted to the organizations with the highest scores.

A brief overview for each award is as follows:

APS 06

#10775 World Education Ntinga Link II (WE) Johannesburg, Gauteng Province	\$350,000
Promoted effective business linkages for construction, mining and industrial transport sectors by promoting information sharing, initiating and facilitating productive interaction between the emerging contractor fraternity and capacity building through training and large seminar activities.	
#10776 ECI Africa (ECI) Bloemfontein, Free State Province	\$316,054
Provided assistance which focused on mainstreaming local farmers into commercial markets in order to increase the growth and incomes of emerging farmers and/or historically disadvantaged SME's in the poultry and horticulture markets. Also provided training in production, market access and business skills.	

#10777 Mineworkers Development Agency (MDA) <i>Bushbuckridge, Mpumulanga Province</i>	\$344,215
Provided strategic oversight to developing sustainability of MDA's rural based joint venture with Marula Natural Products (MNP). Also assisted in identifying development of markets for SME marula nut collectors and improving the capacity for market response.	
#10778 Natural Botanicals I (NB) <i>Wupperthal, Western Cape Province</i>	\$64,308
Provided business skills and technical training and capacity building to jointly owned company using rooiboos as base for personal products such as soap, shampoo, lotion among others.	

APS 07

#10869 Business Skills for South Africa (BSSA) Pretoria, Gauteng Province <i>(Mpumulanga, Free State, Northern Cape and Eastern Cape)</i>	\$348,291
Provided assistance to independent small business development service (BDS) providers to SMMEs in order to impact on the supply of higher quality and more appropriate services for which there would be increased demand, resulting in a more effective BDS market and sustainable BDS providers.	
#10870 Cape Town Regional Chamber of Commerce (CRC) <i>Cape Town, Western Cape</i>	\$256,337
Provided training and mentoring for SMME owners in business planning, operational/financial management, marketing/sales, entrepreneurship, business linkages, legal and statutory regulations.	
#10871 Natural Botanicals II (NB) <i>Wupperthal, Western Cape Province</i>	\$97,382
Provided technical assistance in the diversification of product range, enhanced merchandising and packaging, reviewed access to appropriate markets, continued training in business and financial management.	
#10872 World Education II (WE) <i>Johannesburg, Gauteng Province</i>	\$499,844
Provided economic, employment and skills benefits for HD SMMEs in the construction, transport and mining sectors, via a systematic approach to capacity development and fostering win-win business interactions with established firms and the public sector.	
#10873 Milk Producers Organization (MPO) Pretoria, Gauteng Province <i>(Limpopo, Mpumulanga, Eastern Cape, Western Cape, KwaZulu Natal)</i>	\$467,174
Provided assistance to HD emerging farmers, dairy cooperatives and dairy farm workers to engage in more productive commercial dairy farming, with goal of increasing on-farm	

and enterprise level revenues from the milk sales.

There have been a number of lessons learned both by the implementing organization and the subgrantees. More detail is found in the lessons learned section of the report, but key among these are:

- A one year program, particularly when tied to employment generation and income generation, must be scaled to an attainable level when working with capacity building activities. The time period is too brief to allow for appropriate impact/results reporting, when activities are scheduled for the full period.
- Role of volunteer expertise for grants program needs to be articulated in the solicitation of proposals so that grantees understand and can make informed design choices while developing proposals.
- Special care must be taken in the choice of first time grantees under USG funding, even if the organization has experience with other donor programs. USG guidelines are often more stringent than other donors, and time is lost in providing sufficient training for grantee organization to comply with USG requirements.

In summary, it is important to note that the subgrantees in each round of funding made considerable inroads regarding the capacity building for their target populations of historically disadvantaged South Africans:

- Nearly 5,000 jobs were created/saved
- Over R300 million was generated in sales contracts (In comparison to the total program value of \$4,000,907, this a 10:1 return ratio on program dollars spent).
- Over 8,000 HD individuals/enterprises participated in training programs, with majority women.
- Over R40 million in financing was accessed by SMMEs participating in the program

These numbers are a tribute to the subgrantees -- all South African organizations that worked throughout the grant period to maximize resources in order to achieve the best possible result for the people participating in their programs. This report recognizes and honors each for the excellent work:

II. Background

USAID/SA signed an Associate Cooperative Agreement (No. 674-A-00-05-00067-00) with VEGA, awarding a total of \$4,000,907, to manage a grants program in support of the Mission's 'Market-Driven Employment Generation' initiative. IESC serves as the implementing partner for VEGA and the South Africa Annual Program Statement Grants Administration (SAAGA) program managed activities for the South Africa Annual Program Statement Grants Administration (SAAGA) for a 33 month period from September 26, 2005 to June 30, 2008.

The SAAGA project design included two Annual Program Statement (APS 06 and APS 07) solicitations of grant applications from South African organizations implementing programs with goals to increase employment in South Africa by identifying and developing markets for historically disadvantaged agribusinesses and small, medium and micro-enterprises (SMMEs), enhancing their capacity to respond to market opportunities, and increasing their access to finance. The management role of the VEGA/SAAGA office was to (1) evaluate the applications received in response to the APS; (2) execute, manage and monitor the grant awards; (3) provide appropriate capacity building/technical assistance to the subgrantee organizations and (4) compile, report and disseminate data reflecting progress toward each grant's targeted results.

Program objectives were similar in the two APS solicitations, with the second year building from the first:

Program Objectives APS 06	Program Objectives APS 07
Identifying and Developing Markets for SMMEs and Agribusiness	
Enhancing the Capacity of Historically Disadvantaged SMMEs to Respond to Market Opportunities	Improve the Competitiveness of the Historically Disadvantaged Enterprises and Small Business
Increasing Access to Finance for Historically Disadvantaged Agribusiness and SMMEs	Affordable, transparent financial services/products available to support SMMEs
	Regulatory framework Supportive of Small Business Growth being Implemented
	Improved Quality of Workforce

The expected outcomes of the two grant programs were also similar:

Expected Outcomes APS 06	Expected Outcomes APS 07
(1) Increase in Market-Driven Employment	
<ul style="list-style-type: none"> • Net change in Private Sector employment of assisted enterprises 	<ul style="list-style-type: none"> • Net change in full-time equivalent jobs or income within assisted enterprises
(2) Growth of Assisted SMMEs and Agribusinesses	
<ul style="list-style-type: none"> • Number of sales by assisted enterprises • Value of sales by assisted enterprises 	
(3) Increased Access to Financial Resources for SMMEs	
<ul style="list-style-type: none"> • Number of Loans or other financial agreements supported • Value of finance accessed by supported enterprises 	
(4) Improved Capacity of SMMEs/agribusiness to respond to market opportunities	(4) Improved Business Environment for Small Business
<ul style="list-style-type: none"> • Number of SMMEs/agribusinesses assisted 	<ul style="list-style-type: none"> • Regulatory impediment to small business growth identified and intervention facilitated
	(5) Strengthened Vocational and Entrepreneurial Skills of Historically Disadvantaged Individuals
	<ul style="list-style-type: none"> • Number of individuals completing training courses • Number of trained workers gaining private sector employment • Number of apprenticeships developed and offered.

Subgrantee Selection and Grants Management:

The goal of the program was to implement a full grants management process for two APS applications through six primary project activities. VEGA/SAAGA managed the following process over the two APS cycles:

1. Screening of applicants prior to full assessments of proposals. (See Attachment A.1: Proposal Review Score Sheet and Attachment A.2 Pre-Award Questionnaire.)
2. Selection of grantees after proposal analysis by the Technical Evaluation Committee (TEC). The TEC was composed of three representatives from USAID, two from IESC, and one volunteer expert.
3. Disbursement of grants following approval of financial systems and operational improvements of implementing organizations
4. Organizational capacity building and institution strengthening, including USAID financial compliance guidelines workshop(s)
5. Programmatic monitoring and evaluation of grantees. Grantees were provided specific assistance in developing monitoring and evaluation

tools, as well as training in using USAID's TraiNet system. (See Attachment A.3: TraiNet Data Collection Form)

6. Financial monitoring and evaluation of grantees

A total of 183 proposals were submitted under the two solicitations, with seven organizations being selected for a total of nine grants. (Two subgrantees received funding organizations were funded under each under both APS 06 and APS 07.) All program objectives were reflected in the selection of subgrantee proposals with the exception of 'Regulatory Framework Supportive of Small Business Growth Being Implemented.' The quality and range of proposals submitted was outstanding. The following tables delineated by APS identify the successful applicants by program name, level of award and principle objectives.

APS 06

Grantee	Award	Program Objectives
#10775 World Education Ntinga Link II Program	\$350,000	(1) improve access to contract opportunities in construction, mining and transportation sectors (2) improve employment creation and job security (3) improve access to business finance (4) improve prospects for business survival and growth.
#10776 ECI Africa Employment Creation Through Agribusiness and SMME Development in the Free State	\$237,040	(1) develop agribusiness model to mainstream emerging farmers and entrepreneurs into commercial markets (2) identify and develop markets for horticulture, poultry and livestock products from emerging farmers (3) enhance capacity of emerging agribusiness to respond to market opportunities.
#10777 Mineworkers Development Agency Marula Nuts Products Program	\$344,215	(1) enhance capacity for operation as profitable and self-sustainable commercial enterprise (2) increase the income of rural women gatherers and processors (3) generate increase in sales
#10778 Natural Botanicals I	\$64,307	(1) created employment for HD women (2) increase commercial viability (3) improve capacity to capitalize on market opportunities

APS 07

Grantee	Award	Program Objectives
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#10869 Business Skills for South Africa PROCESS	\$348,291	(1) strengthen private capacity to support a competitive small business sector. (2) increase BDS competence is to stimulate a more vibrant and sustainable BDS market (3) increase services to emerging SMMEs.
#10870 Cape Town Regional Chamber of Commerce Integrated Small Business Development Programme (iSBDP)	\$256,337	(1) assist SMMEs to consolidate their businesses, identify new opportunities and develop business growth plans. (2) help SMMEs set realistic plans for immediate implementation (3) train and mentor 120 business owners, (4) train 30 mentors (5) strengthen partnerships with other SMME development agencies
#10871 Natural Botanicals	\$ 97,382	(1) produce upmarket labeling and five new products; improve bookkeeping and stock taking; and create more media visibility and advertising. (2) create business and employment opportunity for a further four to six women by introducing basket weaving. (3) continue train in good manufacturing principles and quality control.
#10872 World Education	\$499,255	(1) provide SMME training, mentoring, and firm-level upgrading (2) facilitates availability of quality business support services, through capacity building and technology (3) support SMME access to finance (4) advance best practice in public-private partnerships, inclusive black economic empowerment (BEE) and local economic development (5) support practical operationalization of existing policies.
#10873 Milk Producers Organizations <i>Sub Agreement #10873</i>	\$467,174	(1) increase incomes and employment opportunities for more than 2200 HD dairy farmers and farm workers by providing training in all aspects of dairy farming to increase farm and animal productivity (2) introduce a commercial farming approach to emerging HD dairy farming (3) develop models for cooperative dairy farming will also be tested

Program Management:

Dana Mullins served as Chief of Party from October 2005 through June 2007. Mary Kathryn Cope assumed responsibility for the program from July 2007 through to the end of activities in June 2008. Lynette van Niekerk and Dee

Morris provided program and financial management, while Jan Rockliffe-King was under contract as the Monitoring and Evaluations (M&E) Advisor throughout the program.

Volunteer Expert Technical Assistance

In keeping with VEGA's commitment to the use of volunteerism for the development of economic growth, SAAGA identified both international and South African volunteer experts who gave generously of their time in providing technical assistance to subgrantee organizations and their clients. Memoranda of Understanding (MOUs) were signed during the first grant period with two local organizations. My Father's House, a local church with strong social responsibility commitment, and Salesbytes, a private sector company doing pro bono work, served as platforms for the recruitment of South African Volunteer Experts. Both organizations have a database of business professionals interested in providing volunteer assistance in areas such as business development and management, marketing and sales training.

It is important to note that there were successful projects using both South African and international volunteer experts. One 'lesson learned' in the program is that while the concept of volunteerism was not written into APS, USAID/SA's choice of VEGA as the implementing partner introduced the use of volunteers to add value to the program. However, subgrantees were often uncertain about how volunteer expertise might fit into their approved scopes of work when introduced after the award. Future APS bids might consider factoring in the option of volunteerism in the program description of the solicitation so that proposals submitted would be inclusive of requests for volunteer expertise.

Six of the seven subgrantees utilized a total of eleven volunteer experts (VEs) to provide technical assistance and capacity building for both the grantee organizations and their clients being served. Three local South African VEs were sourced under the two Memoranda of Understanding developed in the first year of the program with My Father's House Church and SalesBytes. Both organizations are located in Gauteng Province. Eight international VEs (used in 10 projects) were identified through the IESC Skills Bank. The option to access volunteer assignments was discussed with subgrantees following their actual awards, so it was sometimes difficult to identify the precise place in which expertise would be most useful. Volunteer Experts bring both explicit and implicit value to and economic growth program such as SAAGA. This is the reason that it is recommended that the concept of volunteer placement be written into future APS descriptions.

The following chart outlines the type of assistance that was provided to each grantee:

Subgrantee Organization	Volunteer	Scope of Work <i>See Note Below</i>
Business Skills for South Africa	John Semida US	Export Trade
	John Anderson US	Trade Facilitation Regional/International Access
	BJ Shannon US	Business & Ethics
Cape Town Regional Chamber of Commerce	Tom Schechter US	Financial Management Training Module
	BJ Shannon US	Marketing and Sales Training Module
ECI Africa	University of Free State Staff SA	Training and Skills Development
Milk Producers Organization	Bill Eymon US	Financial Management for Emerging Farmers Access to Agricultural Finance Project Management
Mineworkers Development Association	Robert Kelley US/SA	Development and Training of Board of Directors.
	Margaret Bishop US	Market Strategy Local & International Trade
	Karen Aupiais SA	Financial Management Inventory Control
Natural Botanicals	Karen Aupais SA	Financial Management Business Record Keeping
	Suzanne Burgess SA	Marketing & Sales Customer Service
	Colette Bennett Canada	Packaging/Merchandising Pricing/Process Inventory Management Market Research
	Margaret Bishop US	International Trade Opportunities Planning Production
World Education	Edie Shannon US	Conflict Management Mentorship

Note: Additional information on each assignment can be found in Part III.

III. Objectives/Activities

The goal of the SAAGA program was to contribute to USAID/South Africa's objective for employment generation through the effective administration of small grants to South African organizations whose programs supported the growth of Historically-Disadvantaged SMMEs. The subgrantee programs were largely focused on capacity building in an effort to assist SMMEs in improving their business skills and entrepreneurship. Grantees were asked to address at least one of the following objectives:

1. Increased Market-Driven Employment
 - A. Net change in private sector employment of assisted enterprises
2. More rapid growth of SMMEs and Agribusiness
 - A. Number of sales by assisted enterprises
 - B. Value of sales by assisted enterprises
3. Improved capacity of SMMEs/agribusinesses to respond to market opportunities
 - A. Number of SMMEs/agribusinesses assisted
4. SMME/agribusiness access to financial resources increased
 - A. Number of financial agreements supported
 - B. Value of finance accessed by supported enterprises

Part III and IV of this report will review subgrantee activities and accomplishments as per the objectives stated above. In the case of the grantees receiving two awards, the information will be provided separately as each grant was based on a separate and different proposal.

APS 06

#10775

World Education Inc. -- Ntinga Link II Program

\$350,000

Background: LINK II was a follow-on of the Ntinga LINK project, undertaken through USAID's Office of Microenterprise Development as a new, experimental approach to market and business development for SMMEs in high-growth economic sectors. The original LINK project (2002-2005) focused on the construction sector, and worked with established and entrenched industry players to engage them in win-win relationships with emerging small business. The LINK II program maintained this market orientation, while incorporating "supply-side" approaches to developing SMME skills and capacity. In addition, LINK II aimed to widen project focus and outreach to sectors other than construction.

Goals and Objectives: The basic goal of LINK II was to increase economic and employment benefits for SMMEs operated by historically disadvantaged South

Africans, using a systematic approach to fostering win-win business interactions among established and emerging businesses. LINK II implementation was directed toward improving business practices and wealth-creation among black-owned SMMEs. South Africa's construction industry has been the main economic driver in the last three to five years. With the global increase in demand for platinum-group minerals, mining has also surged, impacting on demand for construction and infrastructure as well as transport and other services. Program objectives included:

- Improved access to contract opportunities, resulting in increased business sales;
- Improved employment creation and job security;
- Improved access to business finance; and, ultimately,
- Greatly improved prospects for business survival and growth

Target Beneficiaries: of LINK II were over 3,000 historically disadvantaged men and women operating, or aspiring to operate small businesses in construction, transport and mining-services sectors in Gauteng, North West, Mpumalanga and Limpopo Provinces. These clients received a combination of individual assistance, workshops, training and mentoring.

Activities: The activities of the LINK II were grouped into seven linked components: 1) Basic SMME support; 2) Advanced SMME Support; 3) LED/Public Private Partnerships in Target Municipalities; 4) Financial Intermediation and Innovation; 5) BEE Strategies and Support Services; 6) Expanding and Strengthening Business Service Providers; and 7) Business Networking and Relationship Building. The approach rested on four pillars:

- Access – to information, skills, knowledge, opportunities, resources;
- Process – making business and contracting processes more understandable;
- Capacity – improving SMME capacity to access and deliver on opportunities;
- Market relationships – Facilitating SMME's entry into and development of business relationships with established players, so as to even the playing field.

The components were implemented through a variety of mechanisms including:

- Delivery of relevant, sector specific workshops to improve business and entrepreneurial skills
- Organization and facilitation of industry-specific, large-scale information and stakeholder events (Access to Resources Seminars)
- Design and delivery of targeted Contractor Mentorship Initiative, to build skills, expand SMMEs markets, and improve prospects for finance
- Provision of individual support and advice
- Liaising with financial institutions and other resource providers.

LINK II's decision on when and where to engage with historically disadvantaged SMMEs was based on whether:

- There were sufficient numbers of appropriate SMMEs (i.e. a good mix of aspirant and existing) within the target sector and geographic area;
- There was substantial, large-scale economic opportunity or activity into which SMMEs could be mainstreamed;
- Local stakeholders and decision makers: 1) espoused linkages-friendly approaches to SMME development (i.e. business-like rather than being charity driven); 2) offered opportunities or appropriate resources (e.g. information, skills, access to materials, finance, etc.); 3) offered sufficient economic or contract/outsourcing opportunities for SMMEs; and 4) were willing/able to contribute towards the costs of service outreach and delivery;
- Local SMMEs saw interest or value in LINK II approaches and services

Achievements: LINK II's most pronounced achievement was in demonstrating how innovative, market-oriented business linkages support and services can grow small, historically-disadvantaged businesses and create "market driven employment". During the one-year grant (10 months of operation) LINK II provided information, skills and opportunity leads to over 3,000 SMMEs, and helped to generate or sustain over 2,700 jobs (797 new jobs; 1972 jobs maintained; and 1,109 jobs for women). LINK II assisted SMMEs to achieve documented sales valued at R77.3 million, and facilitated R4.6 million in finance.

During the short operation period, LINK II was able to adapt approaches and respond to new opportunities, as well as tackle unforeseen constraints. It designed new services to respond to deeper needs the program uncovered. Through open, transparent and responsive efforts LINK II was able to establish and use strong industry relationships, provide quality, timely and responsive services and obtain reliable data to better measure achievement. The program activities improved and enhanced SMME's knowledge and skills base, and contacts with opportunity holders, laying strong foundations to bridge the gap between South Africa's informal and formal economies.

Challenges: The implementation of the program faced the following challenges and problems:

- Bureaucracy and politics in large-scale public and private sector entities can delay and hamper project deliverables;
- Access to Finance remains a major constraint;
- Interference and/or corruption within the tendering process;
- Short project timeframe constrained or sidelined issues that take time and effort to address.

Lessons Learned: The program provided valuable insights into the dynamics of the South African business environment, and into what it takes for the "small guy" to break in and succeed, such as:

- Working through organs of local government enables more focused and meaningful outreach to SMMEs
- Designing and delivering intensive industry-relevant training and mentoring to a small group of high-potential SMMEs brings demonstrable

- returns, in terms of sales, jobs, and improved performance and sustainability:
- Engaging established industry players on a business-like basis is an equally important practice the project team has honed:
 - Obtaining third-party contributions for training events leverages limited project resources.
 - Business linkages are integral and essential to LINK II's approach to emerging small business development. LINK II depended on consistent engagement and involvement of approximately 30 construction, transport and mining industry stakeholders, as well as municipalities and key business organizations. Relationships established between the bigger players and black SMMEs unlocked information, technologies and business opportunities that were essential for SMME growth.

Volunteer and Other Support:

VEGA Volunteers were not utilized in this project. However, numerous representatives from South African banks, insurance firms, compliance agencies, and membership or regulatory bodies were utilized on a volunteer basis for workshops and seminars to make presentations, engage in question sessions, and provide advice to large numbers of SMMEs. Established firms and local government entities also provided significant contributions including venues and catering for seminars and workshops.

#10776

ECI/Africa – Employment Creation through Agribusiness and SMME Development in the Free State
\$316,054

Background: Many new black farmers experience serious production and cash-flow problems on entering into agriculture. The matter is worsened by new entrants and developers, who regard farming as a low skill, non-competitive, easy-income-earning opportunity. Compounding problems include lack of knowledge about existing market opportunities; limited capacity and capital to respond to market opportunities; and information asymmetry. In this program, ECI/Africa and the University of the Free State (UFS) through its Lengau Agri Development Center partnered to create an agribusiness model to mainstream historically disadvantaged farmers and entrepreneurs in and around Mangaung Municipality, into commercial markets in an effort to stimulate economic growth and market-driven employment.

Goals and Objectives: The overarching goal of the project was increase employment among emerging farmers and agribusinesses and increase growth and income through improved production, facilitating access to market and access to business skills and business development services that enable them to compete in those markets. Specifically the project objectives were to:

- develop an agribusiness model to mainstream emerging farmers and entrepreneurs into commercial markets;

- identify and develop markets for horticulture, poultry and livestock products from emerging farmers; and
- enhance capacity of emerging agribusiness to respond to market opportunities.

Target Beneficiaries: The program targeted 169 black emerging farmers and agribusiness people, of whom 114 were women. Indirect beneficiaries were the families of the emerging farmers who benefited from improvements in the families' economic conditions.

Activities: Five target areas were addressed:

- Information gathering, subsector analyses and baseline development: including developing an understanding of market dynamics for poultry and horticulture and value chain studies; training for 12 people from Lengau Center and UFS. The subsector analyses utilized a rapid investigation tool to validate, quantify and qualify market opportunities available to SMMEs, as well as their constraints. Baseline data was collected on projects set up by the Department of Agriculture, the National Agriculture Farmers Union, the Municipality and the UFS.
- Mobilization, screening and selection of enterprise: Enterprises were screened with assistance of all stakeholders and with support of extension agents. Initially, 33 enterprises were identified for support. Two livestock enterprises, feedlots, were identified at a later stage.
- Training needs assessments: were developed and conducted for each agricultural sector. These assessments also included ABET, gender and HIV/AIDS issues.
- Training, guidance and mentorship: A comprehensive training program was developed to enhance farmers' capacities in production planning and in business skills, and to better enable them to respond to market opportunities. The training was primarily conducted by the UFS.
- Market linkages: This component facilitated market linkages between the SMMEs and different buyers. The overall goal was to create sustainable and beneficial relationships between project beneficiaries and commercial entities where they could sell their products.

Achievements: Positive achievements in the poultry sector as a result of the program include: improvements in production input and output through links to better breeders and input suppliers and increased profits through links to abattoirs, butcheries and retail stores. In horticulture, participants benefited from higher quality vegetables through mentoring in better growing practices, and from more profitable market linkages. Some participating livestock farmers are now better skilled in branding, dehorning, castration, vaccination and herd care and herd quality improvement programs.

In all sectors farmers have acquired an understanding of the benefits of market linkages and have improved their business skills, including business planning. Some of the entrepreneurs, during the period of the program, managed to obtain

small amounts of finance, and some managed to obtain contracts through their linkages made through the program.

The program was also instrumental in increasing collaboration among local government, provincial departments, NGOs, and the university in working on the most effective ways and means to bolster emerging small farmers.

Challenges: The challenges faced by the program was that most enterprises in the poultry and horticulture subsectors were micro in size and had more pronounced constraints at the lower levels of the value chain (production, input supply) than they had for higher value chain functions such as market access. Effectively dealing with these constraints in the time frame of the program was very difficult.

Lessons Learned: Most of the emerging farmers with whom the program dealt had initially come together and/or begun small agribusinesses in response to availability of government grant or other support. One year is inadequate to change the mind set of those whose venture into agribusiness was motivated by government support into agricultural entrepreneurs. Further, the micro nature of most of the enterprises meant that more individual care, attention, capacitating in production, and hand holding was needed than was originally anticipated in the project design.

Volunteer and Other Support:

Voluntary contributions by the University of the Free State and other stakeholders were critical to the success of the program. The agricultural facilities, including a functional office for the Agribusiness Unit were available at the Lengau Agricultural Development Centre. Three hydroponics and four poultry projects that had been started by the Lengau Agricultural Development Centre formed a foundation for the project activities. Overall, nearly 1500 hours of time (conducting training, attending meetings, evaluation, mentoring and skills development) were contributed by UFS staff and students.

#10777

**Mineworkers Development Agency – Marula Nut Products Program
\$344,215**

Background: Marula Natural Products (MNP) was established some years ago with an initial investment by the Mineworkers Development Agency (MDA). MDA is an NGO that aims to provide jobs and economic development opportunities for mineworkers, their families and communities. MNP (Pty) Ltd is jointly owned by the MDA and a community trust and aims to plough back profits into community development. MNP is based in Bushbuckridge Municipality, a rural area of South Africa, with a population of 500,000 living in approximately 200 settlements. The area has high unemployment, dependency and poverty rates and low levels of economic development.

MNP's fundamental business is the production of marula products, and, specifically, marula oil. Marula trees grow wild and prolifically throughout the area, with approximately 10 trees per hectare. Annually, each hectare can produce two tons of fruit. Marula has a wide variety of by-products with a versatility of uses. Fruit is edible, can be used for juice and for some alcoholic beverages. The kernel of fruit can be pressed for oil for cosmetics including tissue oil, hand cream, body lotion and soap. The product is organic and the oil is highly prized for its rich cosmetic properties. MNP's business, production of marula oil, is very simple on the surface, but its supply chain is very complicated. It consists of 25 villages and 1600 suppliers, mostly village women, who gather fruit and who crack marula nuts to supply the kernels needed for oil production. The gathers/nut crackers work informally as time from other household tasks and family responsibilities allow.

Goals and Objectives: The overall goal of this sub-agreement was to restructure MNP from a donor-dependent initiative to a profitable and self-sustainable commercial enterprise. Subsidiary, but nonetheless important, objectives included increasing the incomes of approximately 1500 rural women gatherers and processors, and generating R2,450,00 (\$350,000) in sales to stimulate MNP.

Target Beneficiaries: The program is targeting 1500 poor rural women gatherers and processors as well as MNP staff who will benefit from MNP's becoming a viable and sustainable enterprise. Additional beneficiaries include the families of the women.

Activities: The following activities were implemented during the program:

- evaluating and restructuring all processes and practices at MNP such as harvesting, production, marketing, equipment, staffing, and financial and administrative practices;
- developing an effective business plan;
- capacitating the MNP board of directors and management staff to be effective in their respective roles;
- training and developing the beneficiaries (community members and marula suppliers) to understand the marula industry and their respective roles in it;
- providing state of the art equipment for MNP and the suppliers to increase supply – particularly of shelled kernels.

Important outputs included:

- 84 learners representing 42 communities trained in entrepreneurship, supply chain management and production focusing on marula oil;
- Oil pressers were upgraded from manual to hydroponics' systems;
- The fruit, oil and cosmetic markets were evaluated and strategic and business plans developed

- All aspects of kernel production, oil extraction, timing and costs were evaluated, and a more efficient nut cracking equipment was developed and patented;
- MNP infrastructure, including a laboratory and equipment for oil testing, an office and a computer network, and nut drying racks were set up;
- MNP management systems were implemented;
- Staff members were trained in entrepreneurship and the use of the systems.

Achievements: Progress was made in providing MNP with skills to move from being primarily donor-dependent to a potentially profitable enterprise with prospects for generating meaningful income for its workers and community. MNP is better positioned to be a player in the very profitable world market for marula oil. During the project:

- Incomes were increased for 1500 rural women
- Oil sales totaling R2,450,000 were generated
- More efficient nut cracking machines were introduced
- The oil pressing system was upgraded from manual to hydraulic system with capacity to increase oil production by 30 tons per month.

Challenges: MNP still faces challenges. With the increase in sales comes the responsibility to maintain good production levels to meet contracts. The company has better tools of technology and training. However, staff competence and productivity levels are still low while dependency on donor funding is high. It will be important for the organization to remain consistent in its efforts to be more entrepreneurial.

Lessons Learned: MNP is a basic business but with potential for profit. However, a critical element in its success is maintenance of a highly complex supply chain consisting of 25 villages and 1500 producers of kernel for oil production. The producers of the kernels are rural women working informally as they can take time from other tasks. This makes the business vulnerable as production of oil is dependent on the supply of kernels supply. The degree to which MNP can develop and motivate this supply chain will determine long term success.

Objectives, time-frame and budget require more extensive research when setting up a project of this nature. Turning a donor-dependent, income generation scheme into a profitable business is difficult. It takes sufficient time not only to develop new business plans, but also to develop entrepreneurial outlook at the board level, among the staff and particularly among the kernel suppliers.

Project performance indicators and planned outputs had to be revised during the course of the program, given the understanding by the organization as to the actual definition of job creation. In the end, the project reported on the numbers of rural women receiving increased income as a result of marula gathering and sales to MNP

Volunteer and Other Support:

Robert Kelley – Organizational Capacity Building and Board Development
Margaret Bishop - Market Strategy

10776

**ECI/Africa – Employment Creation through Agribusiness and SMME
Development in the Free State
\$316,054**

Background: Many new black farmers experience serious production and cash-flow problems on entering into agriculture. The matter is worsened by new entrants and developers, who regard farming as a low skill, non-competitive, easy-income-earning opportunity. Compounding problems include lack of knowledge about existing market opportunities; limited capacity and capital to respond to market opportunities; and information asymmetry. In this program, ECI/Africa and the University of the Free State (UFS) through its Lengau Agri Development Center partnered to create an agribusiness model to mainstream historically disadvantaged farmers and entrepreneurs in and around Mangaung Municipality, into commercial markets in an effort to stimulate economic growth and market-driven employment.

Goals and Objectives: The overarching goal of the project was to increase employment among emerging farmers and agribusinesses and increase growth and income through improved production, facilitating access to market and access to business skills and business development services that enable them to compete in those markets. Specifically the project objectives were to:

- develop an agribusiness model to mainstream emerging farmers and entrepreneurs into commercial markets;
- identify and develop markets for horticulture, poultry and livestock products from emerging farmers; and
- enhance capacity of emerging agribusiness to respond to market opportunities.

Target Beneficiaries: The program targeted 169 black emerging farmers and agribusiness people, of whom 114 were women. Indirect beneficiaries were the families of the emerging farmers who benefited from improvements in the families' economic conditions.

Activities: Five target areas were addressed:

- Information gathering, subsector analyses and baseline development: including developing an understanding of market dynamics for poultry and horticulture and value chain studies; training for 12 people from Lengau Center and UFS. The subsector analyses utilized a rapid investigation tool to validate, quantify and qualify market opportunities available to SMMEs, as well as their constraints. Baseline data was collected on

- projects set up by the Department of Agriculture, the National Agriculture Farmers Union, the Municipality and the UFS.
- Mobilization, screening and selection of enterprise: Enterprises were screened with assistance of all stakeholders and with support of extension agents. Initially, 33 enterprises were identified for support. Two livestock enterprises, feedlots, were identified at a later stage.
 - Training needs assessments: were developed and conducted for each agricultural sector. These assessments also included ABET, gender and HIV/AIDS issues.
 - Training, guidance and mentorship: A comprehensive training program was developed to enhance farmers' capacities in production planning and in business skills, and to better enable them to respond to market opportunities. The training was primarily conducted by the UFS.
 - Market linkages: This component facilitated market linkages between the SMMEs and different buyers. The overall goal was to create sustainable and beneficial relationships between project beneficiaries and commercial entities where they could sell their products.

Achievements: Positive achievements in the poultry sector as a result of the program include: improvements in production input and output through links to better breeders and input suppliers and increased profits through links to abattoirs, butcheries and retail stores. In horticulture, participants benefited from higher quality vegetables through mentoring in better growing practices, and from more profitable market linkages. Some participating livestock farmers are now better skilled in branding, dehorning, castration, vaccination and herd care and herd quality improvement programs.

In all sectors farmers have acquired an understanding of the benefits of market linkages and have improved their business skills, including business planning. Some of the entrepreneurs, during the period of the program, managed to obtain small amounts of finance, and some managed to obtain contracts through their linkages made through the program.

The program was also instrumental in increasing collaboration among local government, provincial departments, NGOs, and the university in working on the most effective ways and means to bolster emerging small farmers.

Challenges: The challenges faced by the program was that most enterprises in the poultry and horticulture subsectors were micro in size and had more pronounced constraints at the lower levels of the value chain (production, input supply) than they had for higher value chain functions such as market access. Effectively dealing with these constraints in the time frame of the program was very difficult.

Lessons Learned: Most of the emerging farmers with whom the program dealt had initially come together and/or begun small agribusinesses in response to availability of government grant or other support. One year is inadequate to change the mind set of those whose venture into agribusiness was motivated by

government support into agricultural entrepreneurs. Further, the micro nature of most of the enterprises meant that more individual care, attention, capacitating in production, and hand holding was needed than was originally anticipated in the project design.

Volunteer and Other Support:

Voluntary contributions by the University of the Free State and other stakeholders were critical to the success of the program. The agricultural facilities, including a functional office for the Agribusiness Unit were available at the Lengau Agricultural Development Centre. Three hydroponics and four poultry projects that had been started by the Lengau Agricultural Development Centre formed a foundation for the project activities. Overall, nearly 1500 hours of time (conducting training, attending meetings, evaluation, mentoring and skills development) were contributed by UFS staff and students.

10778

Natural Botanicals I

\$63,308

Background: Red Cedar/Wupperthal is a woman owned/operation business in the Cedarberg area of the Western Cape. It had, with previous USAID assistance, established a small, but productive operation making specialty rooibos soap products for the tourist trade, hotels and guest houses and for export. Under the subaward, this group was linked with the Aurora Women's Network operating as Aurora Fijnbosch Soap, a rural women's group on the remote west coast who were in the earlier stages of developing an enterprise to make other specialty soaps.

Goals and Objectives: The goal of this subgrant was to create employment for previously disadvantaged rural women by assisting in the growth of two small soap-making enterprises in isolated areas of the Western Cape. The objectives included:

- Development of Business Management Skills, including financial management
- Training in Quality Control and delivery of a standardized product
- Diversification of product range
- Training in Packaging, Marketing and Sales

Target Beneficiaries: The project targeted rural women living where employment opportunities are few, irregular and harsh -- mostly seasonal work on farms. The aim of the project was not only to supply them with jobs, but also with technical and business training and marketing and other workplace skills. These skills not only add value to their current business enterprises, but also greatly enhance their future employment opportunities. The enterprise selected was ideal in that soap-making is neither difficult nor intense, nor requiring of expensive and sophisticated equipment. There is a good local and international market for specialty and organic soaps. The challenge however lay in training

the women to maintain the production chain, with continuous quality control and standards, while also learning critical workplace and basic business skills.

Activities: The main program activities included acquiring and setting up equipment, training in basic workplace skills and factory principles; technical training in soap and other body product making, growing, distilling and blending essential oils; establishing signature fragrances; a range of basic business skills including computer use, record keeping and accounting. At a higher level, the women were trained in marketing, placing and executing orders, package development, and to understand concepts such as turnover and profit. The two groups received mentoring and training separately, but also had four opportunities to come together to share experiences and learning.

Achievements: During the one-year life of program, both enterprises made strides in developing as viable businesses. Red Cedar staff members were significantly strengthened in business and marketing skills. Their more focused approach resulted in increased turnover and profit, improved products, product presentation and product diversification, and expanded marketing including into export. Increased sales from R110,000 to R150,316 resulted in an almost 300% increase in staff salaries. Red Cedar also had excellent media exposure (in the South African press, O [Oprah Winfrey's] Magazine, on South African television and in Germany). The Aurora Fijnbosch Soap group mastered product production, and basic business and marketing skills. They began to sell a small range of well presented products to local hotels and guest houses, tourist shops and at craft markets.

Turnover increased for both groups, with 15 women in full or part time capacity. The program created an equivalent of 9 full time jobs. Conservatively assuming a family size of 4, this employment directly benefited 60 people. In the case of Red Cedar, the business and publicity surrounding it has had important indirect benefit on the isolated Wupperthal community in Red Cedar has brought a significant cash injection to the community and the publicity surrounding it has attracted tourists to the town. In addition the Red Cedar gives back to the town by providing support to a crèche, a scholarship for one Grade 9 child, and tea and snacks to old people on the day they come to town to receive their pensions.

Challenges: There were several challenges. First, it proved to be more difficult to integrate the training and development of the two groups for several reasons. Geographically, the two groups are geographically distant. More important, however joint training was hampered by the difference in the level of social cohesion, education and business experience between the two groups. In groups of this nature and size and community circumstances, social cohesion and mutual respect and trust are a very important in ensuring smooth development and running of a business.

Marketing represented another significant challenge. Both businesses needed skills development regarding the importance of marketing, developing good marketing techniques, and encouragement to have the confidence to make

contacts with potential customers. They also needed considerable guidance on the design and presentation of products and on packaging.

Lessons Learned: In a small group business an equitable level of social and educational development is important to smooth group work. Participants with minimal or no formal education may be unable to carry a full work load (e.g. can't take phone messages, or record transactions) and the extra burden on more educated participants may cause conflict.

Informal and hands-on training was used to incorporate the less educated or illiterate. Much effort went into a strong team spirit. Furthermore, the pace of training and business development was set at the appropriate level for the learners. At the same time, participants were encouraged to make decisions, be assertive and take responsibility for the businesses.

Volunteer and Other Support:

Karen Aupais	Financial Management/Business Record Keeping
Suzanne Burgess	Marketing/Sales/Customer Service
Collette Bennett	Packaging/Merchandising/Pricing/Process/Inventory/Market
Margaret Bishop	International Trade Opportunities/Strategic Planning/Production Management/

The subgrantee also benefited from considerable "informal" volunteer and community support. For example, The Moravian Church that owns the land and buildings in Wupperthal made the soap factory building available to Red Cedar at no charge.

APS 07

#10869

**The Business Skills of South Africa (BSSA) Foundation (BSSA)
348,291**

Background: BSSA's program has entailed strengthening the professional competencies of independent small business development service (BDS) providers to SMMEs in the three provinces of Mpumalanga, Free State/Northern Cape and Eastern Cape. The intervention specifically targeted the strengthening of SMME business development service providers, in order to overcome market deficiencies in the provision of business support services to SMMEs. BSSA's training programmes and trainers are all South African Qualification Authority (SAQA) accredited which allows learners to acquire Further Educational Training (FET) College credits toward an academic diploma.

Goals and Objectives: The goal of this program is to strengthen private capacity to support a competitive small business sector. The long-term aim is to increase BDS competence is to stimulate a more vibrant and sustainable BDS market, and increase services to emerging SMMEs. The primary objective of the

program was to improve the skills and knowledge of selected BDS providers by providing training in BSSA's "PROCESS" – a business adviser training program, and in the "Build A Better Business Toolkit". It is anticipated that the long term outcome of this training will be an improved BDS environment providing useful guidance and services to emerging SMMEs.

Target Beneficiaries: The direct beneficiaries of the program were BDS providers in three provinces who gained knowledge and skills to improve their business. Indirect beneficiaries are the SMME clients of the BDS providers who will receive improved advice in building their businesses. The provinces were selected as there is currently a weak BDS markets in each of these regions, further, the costs of government interventions to date, has led to a very limited footprint for "**strategic services**" throughout all three provinces, as well as limited **operational and strategic** services in the Free State / Northern Cape.

Activities: The approach to strengthening BDS provision included the following two part methodology during the ten month implementation:

- application of BSSA's "Build a Better Business" toolkit. This toolkit is designed to assist BDS providers in determining the strengths, weakness opportunities and threats in a business ("Overview Health Check") and then selecting critical issues – all to be done jointly with a client.
- training in selected elements from BSSA's SAQA accredited training programme for business advisers called "PROCESS".

The two training programs were preceded by a needs assessment of participants to determine areas of importance and those where BDS competencies needed strengthening. Both training programs included significant practical work wherein the trainee BDS provider works with one or more client SMMEs, testing the skills and tools he/she has gained through the training. Specific modules included:

- Business Appraisal Training
- Market Assessment Training
- SMME Consulting Skills Training
- Financial Assessment Training
- Business Planning Training
- Manufacturing Appraisal Training
- Business Monitoring Training

Achievements: Training sessions were completed, with 56 of the original 75 BDS providers completing the course. Achievements of this programme should be considered from two perspectives. The first is directly attributable to work done under the grant with BDS providers, and the second is the impact of that improvement on their clients, which is anticipated but not measured under the grant:

- strengthening of the personal competency of the service providers. While formal competence assessment by SAQA accredited assessors followed by moderation, has not been completed. Informal assessment indicates a highly satisfactory increase in theoretical competence.

- providing an anticipated downstream impact flowing from the increased competence of the BDS providers on the businesses of their clients. While it has not been possible to measure this impact (given time frame required for meaningful assessment), each participant in the program was required to do field work with an estimated 5 SMMEs per month. This provides a total population of approximately 2,625 SMMEs which have received some benefit of the program.

Challenges: SMMEs and BDS providers often find the financial aspects of business more challenging than the other business skills. This was clearly demonstrated, especially amongst BDS providers in the Free State and Mpumalanga where the average score in tests in this module was low. The challenge was addressed by offering a refresher intervention.

The length of the program posed a challenge to commitment from learners. Although to deal with this issue BSSA accepted more than the 25 planned learners at the beginning. Nonetheless the drop out rate was higher than expected resulting in only 56 learners completing the program.

Lessons Learned: The lessons learned include:

- The strengthening of personal competency of BDS providers led to an increase in confidence both in marketing and delivering BDS services to the target market.
- While the one-year time frame did not allow for measuring the impact of the improvement of BDS providers skills on their client populations, the flow down aspect of the program is reason for doing the kind of training that BSSA provided under the grant. To this end, future such program might consider developing a tentative baseline with a specific set of clients in order to be able to determine impact, even within a short time frame.

Volunteer and Other Support:

John Semida	Export Readiness
John Anderson	Market Development
BJ Shannon	Business Ethics

10870

Cape Regional Chamber – Integrated Small Business Development Programme
\$256,337

Background: The Integrated Small business Development Programme (iSBDP) targeted assistance to SMMEs in the Western Cape to consolidate their businesses, identify new opportunities and develop business growth plans. Through a structured training and mentoring process, iSBDP helped SMMEs set realistic plans for immediate implementation.

Goals and Objectives: The basic goal of iSBDP was to provide an integrated business skills training and mentoring program to improve the competitiveness of historically disadvantaged small and micro enterprises. iSBDP's primary objectives were:

- To develop enterprise awareness and skills of SMME owners by creating a fully integrated learning program
- To strengthen business development service providers (iBDSP) through the mentorship program.

Target Beneficiaries: 120 SMME/business owners and 30 iBDSP/mentors as well as strengthening partnerships with other SMME Development Agencies.

Activities: The principle activities of iSBDP were grouped into the following areas:

- Business Planning and Development: assisting SMME owners to develop new financial, marketing and management plans, outlining the business' strategic and operational priorities to ensure better running of the business and fewer business mistakes.
- Development of Clear Business Objectives and Action Plans: establishing clear business objectives with specific action plans and timelines in each key result area to guide the owner in implementing the strategy, and to identify and address obstacles.
- Development of Effective Business Systems and Processes: consolidating business systems to facilitate effective implementation and monitoring of critical factors in the health and growth of the business.
- Establish a Strong and Viable SMME Development Program: attracting support from other funding agencies.
- Strengthening Local/Regional Partner Networks: establishing and solidifying key partnerships with stakeholders involved in Local Economic Development and organizations that provide service to SMMEs.

Achievements: The iSBDP was successful in assisting SMME owners to (numbers refer to percentage of participating businesses reporting improvements based on skills developed in the training program:

- Increase cash flow (75%)
- Decrease costs (57%)
- Reduce long term liabilities (31%)
- Improve record keeping (73%)
- Improve planning (82%)
- Increase awareness of business opportunities (70%)
- Develop business plans (35%).

The program further noted improvement in attitude and behavior of SMMES as perceived by the mentors (using the Likert scale, an attitude measurement instrument). In this regard, measurements regarding self awareness, transformation, empowerment, confidence, application were sampled to demonstrate results from the integrated approach combining training and mentorship.

Challenges: The perception of most SMMEs is that there is neither time nor money for business development services. Despite their understanding of the need of such services, the challenge is often to get a commitment for the level of involvement necessary to make a substantial difference in their companies.

Lessons Learned: There are many aspects of the program which have provided important learnings. Among these are:

- Clarity of goals and articulation of roles and objectives for both groups (SMMEs and Mentors) is essential from the outset.
- Workplace mentoring is less productive than offsite mentoring, as focus can be more directed to strategic issues rather than immediate distractions.
- Peer workgroups can be more productive than one-on-one mentoring
- Crisis management requires consultant expertise rather than mentoring.

Volunteer Support:

Tom Tschetter – Financial Management for SMMEs

B.J. Shannon – Marketing Strategies for SMMEs

#10871

Natural Botanicals II

\$97,382

Background: This sub agreement marks the third round of USAID funding for Red Cedar/Wupperthal – a small group of rural women building a rooiboos product enterprise in an isolated area of the Western Cape. These women have established a small, but productive business making and selling soap and other specialty items for the tourist trade, hotels and guest houses and for export.

Goals and Objectives: The goal of funding under this sub agreement was to bring Red Cedar to a higher level of entrepreneurship for the target enterprise and to create employment for other women through the introduction of weaving baskets as packaging for Red Cedar's soap and cosmetics. These skills not only add value to their current business enterprises, but also greatly enhance their future employment opportunities. The enterprise selected was ideal in that soap-making is neither difficult nor intense, nor requiring of expensive and sophisticated equipment. There is a good local and international market for specialty and organic soaps.

Target Beneficiaries: The project targeted employee base for Red Cedar made up of rural women living where employment opportunities are few, irregular and harsh -- mostly seasonal work on farms. The aim of the project was not only to supply them with jobs, but also with technical and business training and marketing and other workplace skills.

Activities: Principal activities under this grant included:

- Marketing & Web site Development with a view to upscaling presentation
- Marketing Strategy (Trade Shows) included training on selection and preparation for appropriate trade shows.
- Financial Skills Development included additional Pascal training to insure transparency and appropriate fiscal management.
- Product Diversification has been an important aspect of growing the business through wider appeal to broader target market.

Achievements: During the period Red Cedar consolidated itself as a viable business. It now has a product line of ten rooibos based beauty products, and has developed upmarket branding with logo, a website and brochure. It registered as an exporter with the South African Revenue Services and has obtained a distributor in Germany. It also has a distributor in Cape Town and expressions of interest from Gauteng, and continues to market well at specialty markets and trade shows, as well as in Wupperthal where it has become a real tourist magnet.

Red Cedar has been successful in maintaining paid employment for 9 rural women. During this award period the company has greatly improved its business management, and has reached a point of financial stability where it can now pay its members a monthly salary, with a quarterly bonus based on sales. The lives of each participant have changed remarkably. Their self confidence has grown with their business skills, and their income has significantly improved their lives and their families'. Red Cedar also contributes to the Wupperthal community – awarding a bursary the best scholar in Grade 9, the highest grade in the Wupperthal School.

Challenges: The primary challenge for Red Cedar will be to maintain its momentum toward consolidation of its members' business skills and toward growth of the business. For all its success so far, it is a tenuous business. However, even should the business fail in time, the skills and confidence developed by its members through starting up and running this small business will continue support them in the improvement of their lives. The challenge however lay in training the women to maintain the production chain, with continuous quality control and standards, while also learning critical workplace and basic business skills.

Lessons Learned: In a small group business an equitable level of social and educational development is important to smooth group work. Participants with minimal or no formal education may be unable to carry a full work load (e.g. can't take phone messages, or record transactions) and the extra burden on more educated participants may cause conflict. For this reason it was necessary to insure that appropriate informal and hand-on training was used in order to create a strong team spirit.

Volunteer and Other Support:

Volunteer support was used extensively in first round of funding rather than the second.

#10872

World Education Inc. -- Ntinga LINK 2007

\$499,894

Background: Ntinga Link 2008 represents the third follow-on in a series of LINK projects undertaken initially through USAID's Office of Microenterprise Development as a new, experimental approach to market and business development for SMEs in high-growth economic sectors. The original LINK project (2002-2005) focused on the construction sector, and worked with established industry players to engage them in win-win relationships with emerging small business. The next, the LINK II program and LINK 2007 II program, maintained this market orientation, while incorporating supply-side approaches to developing SME skills and capacity. In addition, LINK 2007 aimed to widen project focus and outreach to sectors other than construction and, more broadly, to engage the public sector and corporations in linkages to benefit emerging business.

Goals and Objectives: The basic goal of LINK 2007 was to promote economic participation and improve benefits to South African SMES by fostering win-win business interactions and linkages among and between established and emerging businesses. LINK 2007's primary objectives were:

- To improve the competitive edge of SMEs using sector and location-specific interventions to address relevant business and technical information, skills, and performance.
- To design and implement interventions so as to propel SMEs into higher-value linkage opportunities.

To attain the objectives the program continued its previous focus on the economically active sectors, and those in which many emerging SMEs cluster, of construction, transport, and, occasionally, mining-related or other manufacturing and support services. Specific indicators for these objectives are targeted in the next section of the report.

Target Beneficiaries: 2500 historically disadvantaged men and women operating, or aspiring to operate small businesses in construction, transport and mining-services sectors in Gauteng, North West, Mpumalanga and Limpopo Provinces. These clients received a combination of individual assistance, workshops, training and mentoring.

Activities: The activities of the LINK 2007 were grouped into five interlinked components:

- Enhancing SME Competitiveness: through provision of basic and advanced business training, individual and technical mentoring; firm-level upgrading and supporting business linkages.

- Improving the Availability of Quality Business Support Services: through capacity building of service providers and government agencies, and use of web-based SME database tools.
- Supporting SME Access to Finance: by introductions and improved interactions with financial institutions.
- Promoting Best Practice in Public-Private Partnerships: by engaging large companies, small firms and public sector agencies to address corporate and community needs and priorities.
- Supporting Operationalisation of Existing BEE & LED Policies: through advice, capacity building, and development and delivery of effective business linkage and procurement services and strategies.

Achievements: LINK 2007 capitalized on the work in the previous LINK programs and inherited a primed and ready market of institutions requesting LINK services. This allowed the program to exceed performance targets as shown in the table below, and significantly build the capacity of SMEs to engage in business.

Aside from meeting or exceeding most performance indicators LINK 2007 has made overwhelmingly positive contribution to SMEs skills and knowledge levels, often in a sector which they had worked for several years with little success. This new knowledge was, in most cases, applied immediately to bolstering business or obtaining new business. SMEs were able to generate new sales, and submit numerous tenders. Their levels of confidence and professionalism has grown immensely.

Challenges: Access to finance was the most challenging element of the program. Cronyism and corruption were also hindrances in the sectors targeted.

Lessons Learned: The program provided valuable insight into the dynamics of the South African business environment, and into what it takes for SMEs to break in and succeed. They included:

- Engaging with local municipal and government structures to improve outreach, targeting, and opportunity access: In the current South African context is nearly impossible to undertake program activities without implicit or explicit buy-in and support of local officials. While such engagement may not always result in positive inputs by local officials, it will, at least ensure that the program is not obstructed.
- Cost-Benefit of Providing Intensive Individual Mentorship: LINK 2007 conducted three mentorships during the program – two in Construction and one in Transport using qualified specialists actively engaged in training and tendering in a sector. Even in the short time period, the program used many consultant hours and inputs, supported only 12 entrepreneurs and was costly. However, the LINK 2007 team believes that the mentorships were well worth the cost, bringing long term and sustainable impact to the beneficiaries.

Volunteer and Other Support:

Edie Shannon - Business negotiations and conflict management; Cash-flow management; Business ethics; and Business counselling skills.

10873

Milk Producers Organization - Dairy Enterprise Development and Employment Initiative
\$467,174

Background: The Milk Producers Organization (MPO) has been involved in the empowerment of historically disadvantaged (HD) farmers and farm workers for over two decades. MPO represents over 85% of all milk producers in South Africa and is uniquely positioned to have a lasting impact on the development of the historically disadvantaged dairy farmers throughout the country. Working within the construct of the national framework of the AgriBEE (Black Economic Empowerment), MPO has capacity to provide technical assistance intervention and can focus on building and strengthening commercial dairy farming practices for HD dairy farmers and farm workers.

Goals and Objectives: The primary goal set for the program was to build the capacity of HD dairy farmers, dairy farm workers, emerging farmers, and dairy farm cooperatives through improved animal production, improved management and enhanced access to finance. The objectives included:

- increasing incomes and employment opportunities for historically disadvantaged dairy farmers and farm workers by providing training in all aspects of dairy farming to increase farm and animal productivity
- introducing a commercial farming approach to emerging dairy farming.
- developing models for cooperative dairy farming the hours of training provided to assisted enterprises under the program.
- increasing access to agricultural finance for emerging farmers..

Target Beneficiaries: The direct beneficiaries for the program were 2,200 farmers and emerging farmers in Mpumalanga, Limpopo, KwaZulu Natal, Eastern Cape, Free State and Gauteng.

Activities: Key activities under the program included;

- Dairy Farm Management – MPO provided 119 courses, including 86 5-day, two 3-day and 30 1-day courses. A total of 1,280 farm workers and 797 emerging farmers (27% female) were trained. Training programs were enhanced by the introduction of a mentorship program to consolidate experience in a practical context.
- Share Milk Scheme – Four models were observed with a carefully constructed SWOT analysis developed to provide recommendations for farmers considering this approach to agricultural development in South Africa.

- Dairy Cooperative Management – provided assistance in organizational management, financial management, business management, legal registration, governance, profitability and operations.
- Business Development Service Provision/Consultation – specific assistance to selected cooperative, in cooperation with the Free State University.
- Access to Credit – under subcontract to Land O’ Lakes (LOL), development of a emerging farmer/livestock producers financing model in partnership with four SA banks: First National Bank, Standard Bank, Ithala Bank and Uvimbu Bank.

Achievements:

Certainly one of the outstanding achievements of the program is in the number of courses that were developed and delivered under the program to emerging farmers and farm workers. In addition, significant partnerships regarding technical capacity were nurtured throughout the life of the program. These include partnerships with BDS providers trained under the program (Farm Vision, Research Solutions, Luyanda Ngome and Zandisile Jack),; with the Rural and Urban Livelihoods Program, (an NGO promoting more prosperity for the poor through productive use of capital assets); the Kings Project (Limpopo Province), the Chris Hani Municipality, the National Development Agency, the South African Business International Business Linkages (SAIBL) Program and the University of the Free State.

Research into rural financing under the program produced several noteworthy findings including that there is a significant market for agricultural lending to emerging farmers, Through the K-Rep consultancy some inroads were made into expanding rural financial services particularly with First National Bank, Standard Bank, Ithala Bank and Uvimba Bank. New lending models for emerging farmers were developed and presented to stakeholders including new small rural banks and two major banks.

Challenges: The challenges have included the relatively short period of the grant given the enormity of the demand for such services. As in all such situation, expectations have been raised, but activities are unsustainable at the current level. New funding is required. Monitoring and evaluation have been a challenge for the organization more accustomed to outputs then to measuring results.

Lessons Learned: The important lessons gained from this program are:

- The use of BDS providers as shown the benefit of service level capacity building both for providers and for beneficiaries..
- Points of entry into communities are important in order to obtain buy-in and support of dairy and livestock clients.. Teaming with counterpart organizations helps to extend the work being done.
- Competition in the emerging farmer market space appears to be key in the continued debate regarding key characteristics of successful lending models.

Volunteer and Other Support:

Bill Eyman – Access to Agricultural Finance

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Selected Success Stories have been noted. (See Attachment B.) However, many more stories have been generated throughout the course of this program. These other stories can be found in the final reports for each subgrantee (Attachment C) along with more detailed reporting on various activities/results within each program.

IV. ACCOMPLISHMENTS/RESULTS

The VEGA SAAGA Monitoring and Evaluation Advisor met with each of the subgrantees early IN EACH program to discuss reporting requirements, relevant USAID performance indicators and their detailed definitions. Subgrantees were given templates for quarterly reporting of outcomes against indicators. Site visits were made to subgrantee project sites and organizational headquarters by the M&E Advisor as well as the SAAGA COP and Program Coordinator to observe program progress and provide assistance where needed with M&E issues/reporting.

The general program objectives of the combined USAID/South Africa employment generation program are: increased market-driven employment; more rapid growth of SMMEs; improved capacity of SMMEs to respond to market opportunities; and SMME access to financial resources increased.

Given the parameters provided in each APS, it is not particularly useful to develop a composite table of impact/results since the nature of an APS is that each proposal targets the specific indicators it chooses. In the nine awards made under the two solicitations, no two had the same scope of work or targeted the same specific population. Several subgrantees worked with a set number throughout the grant period (NB, BSSA, CRC) , while others were continually bringing in new participants (ECI, MDA, WE, MPO).

Furthermore, it is difficult to accurately assess the actual impact of the program in such a short time frame, particularly in the areas of job creation and rapid growth of SMMEs. This is a gradual process which often takes years rather than the 12 month period allowed to the subgrantees. Therefore the information herein presented should be viewed as a snapshot in time.

It is recommended that USAID consider a longer term impact study on the subgrantee results in a year. As it is now, information is incomplete in many areas and/or is premature in reporting. Therefore the aggregate figures will tell only a partial story. This is true even in the case of the two subgrantees that received two grants, as each grant was slightly different, so cannot be considered as continuity from one year to the next.

All that being said, however, it is remarkable to note what inroads have been made with regard to capacity building, both for the target populations in each program as well as the subgrantee organizations themselves. Taking the key objectives of the program, the SAAGA program assisted in the following ways:

- Nearly 5,000 jobs were created/saved
- Over R300 million was generated in sales contracts (10:1 return).
- Over 8,000 HD individuals/enterprises received business skills training (majority female).
- Over R40 million in financing was accessed

The full story is told in the individual subgrantee indicator performance tables found below.

APS 06

World Education Ntinga Link II

The impact of innovative, market-oriented business linkages support and services in 'creating market driven employment' led to the generation and sustainability of over 2,700 jobs (797 new jobs; 1,972 jobs maintained 1,109 jobs for women). Documented sales were valued at R77.3M (over five times targeted figure) and facilitated R4.6M in finance. A key result of the program has been the establishment of strong industry relationships, which laid significant foundations for bridging the gap between South Africa's informal and formal economies.

WE Link II Indicators	LOP Targets	LOP Actual
Number of Jobs (new/saved)	1,800	2,769
Female	180	1,109
Number of Sales Contracts	50	39 ¹
Female	5	31
Rand Value of Sales Contracts	R15,000,000	R77,280,165
Female	R1,500,000	R26,515,389
Number of SMMEs Assisted	2,500	3,062
Female	250	1,359
Finance Accessed (Bank Loans)	50	13 ²
Female	3	4
Total Hours of Training	8,000	76,691
Female	800	28,954
Rand Value of Finance Accessed	R10,000,000	R4,618,051

Note: Figures disaggregated by gender refer to female owned/managed enterprises.

¹ *Total Rand Value of Sales Contracts exceed LOP Targets, while actually number of contracts was less than expected, meaning that each contracts were of higher value. Number of Sales Contracts by Females was much greater than anticipated.*

² *Financial Accessed actuals were less than anticipated given the nature of clients eventually participating in the program.*

ECI Africa

ECI Africa leveraged the grant funding with other funding to field test the use of market based principles with micro level farmers. The conclusions were mixed as there were individual successes with emerging farmers, but the late start of the program inhibited the full scope of work, as there was much great task in capacity building than had been originally anticipated. Quality was an issue, so more attention needed to be placed at that level in order to achieve market linkages for participants.

In all sectors farmers have acquired an understanding of the benefits of market linkages and have improved their business skills, including business planning. Some of the entrepreneurs, during the period of the program, managed to obtain small amounts of finance, and some managed to obtain contracts through their linkages made through the program. The program was also instrumental in increasing collaboration among local government, provincial departments, NGOs, and the university in working on the most effective ways and means to bolster emerging small farmers.

ECI Africa Indicators	LOP Targets	LOP Actual
Number of Agribusinesses Supported	50	30 ¹
Net change in Private Sector Employment by assisted enterprises	50	330
Value of Sales Transactions by Supported Enterprises	R3,000,000	R2,379,928 ¹
Number of SMME agribusinesses gaining access to market	300	300
Number of financial agreements signed by supported SMMEs	30	30
Number of entrepreneurs receiving business skills training	100	171
Female	40	114

Note: Figures disaggregated by gender refer to female owned/managed enterprises.

¹ Implementation of the program was delayed unexpectedly, so the some Actuals were less than anticipated, since the original plan had been based on full year of participation.

Mineworkers Development Agency

MDA's primary goal was to develop a plan for economic sustainability in its marula nut products activity. Having long been funded through NGO/donor funds, the task of establishing a commercially viable enterprise with prospects for generating increased income workers has been challenging. Funds from the VEGA SAAGA program were leverage with a Technoserve program also working with MDA's marula nut producers. Fortunately, Technoserve funding was for multiple years so the collaborative work begun under this program has continued. However, a true evaluation of the impact will only be possible in several years time, when it is possible to see if there has been sufficient income generation and implementation of skilled management techniques.

MDA Indicators	LOP Targets	LOP Actual
Number of rural women receiving an increased income from sale of marula	3500	1599
Rand value of sales	*	R2,450,000
Number of people trained	*	84
*No targets for number or value of sales established.		

Note: Final M&E information for MDA has been difficult to obtain, and not always reliable in reporting. It is interesting to note that while SAAGA and Technoserve leveraged resources, the length of the Technoserve program has allowed for more intensive work. To this end, MDA's monitoring and evaluation was tied to the Technoserve program. Further the time frame for the actual implementation missed the harvest period, so the number of women participating was less than had the timing been more appropriate.

Natural Botanicals I

In a small business, the measure of success rarely reflects large increase in employment numbers, but does provide increase in revenue through better quality project, more intense marketing, diversification of product and good management practices. In the end, the real measure of success is the long term viability of the business, which is now solidly placed within the community.

NB I Indicators	LOP Targets	LOP Actual
Change in number of jobs (FTE's)	12	9
Number of Sales	1150	2775
Value of Sales	R110,000	R150,316
Hours of training received by individual entrepreneurs	2,900	3,101

APS 07

Business Skills for South Africa

BSSA's program included both informational and qualitative objectives. The achievements include strengthening the personal competency of the BDS providers as evidence both in self assessment as well as in the SAQA credentials. The impact of increased competence of the businesses can only be determined in the long term through follow-up assessments in the next 1-2 years. However, upon conclusion of the program the learner who had been engaged in the eight month program of capacity building provided substantive anecdotal support for their success in applying their enhanced practices.

BSSA Indicators	LOP Targets	LOP Actual
Number of firms receiving USG supported assistance to improve management practices	75	70
Number of people trained (Each person participating in an eight month training program requiring one week per month classroom attendance)	75	58

Note: The length of the BSSA program (eight months), combined with the one week/month commitment by the participating BDS Provider is useful in explaining the lower Actuals. This program was offered in only three provinces and some participations were coming from other provinces to participate. Participants were all also fully engaged in private practice throughout the program. The changes in numbers can be attributed to one/all of these possibilities. In the end, the group receiving certifications was fully committed and makes a strong base for improvement of BDS services in the areas served.

Cape Town Regional Chamber of Commerce

The integrated approach of training/mentoring that was utilized by CRC was successful in assisting participants in increasing case flow (75%), decreasing costs (57%), reducing long term liabilities (31%), improving financial controls (73%) and improving aspects of planning (82%). The program noted

improvement in attitude and behavior of participating SMMEs, using such measures as self awareness, transformation, empowerment and confidence.

CRC Indicators	LOP Targets	LOP Actual
Number of SMMEs assisted to improve management practices	150	148
Female		77
Number of firms receiving USC supported assistance to improve management practice (Each participant attended 12 training sessions and completed 10 hrs of mentoring)	120	90

Note: The CRC program also included multiple sessions over a period of three months. Attrition in numbers completing the course can be explained by life circumstances which resulted in some participants having to withdraw. This is an interesting aspect of the long term training activities and is a lesson to be learned in the planning of such activities.

Natural Botanicals II

The second SAAGA grant allowed Red Cedar to firmly itself as a viable business. The company diversified into a line of ten roibos based beauty products, and has developed upmarket branding with logo, a website and brochure. It registered as an exporter with the South African Revenue Services and has obtained a distributor in Germany. It has reached a point of financial stability where it can now pay its members a monthly salary, with a quarterly bonus based on sales. Confidence of the owners has grown incrementally with the growth of business. There has been an interesting by-product of the activity in the economic impact on the community, for as Red Cedar has increased its business, there is a greater demand for services to support the company, as well as increased income to circulate within the community. These are the intangibles not measured by the project, but greatly important when working with micro businesses at this level.

NB II Indicators	LOP Targets	LOP Actual
Net change in private sector employment of assisted enterprise	6	6.75
Number of sales contracts supported	150	151
Rand value of sales contracts supported	R12,000	R73,740
Number of hours of training received	200 hours	164 hours

World Education Link 2007

The Ntinga Link 2007 exceeded its indicators in almost every aspect of the project. When combined with the successes of Ntinga Link I & II, the impact on the targeted sectors (transportation, construction, mining) is likely to be felt for some time to come. These are difficult sectors for SMMEs in that the competition levels are high and bidding process requires detailed understanding of the

tenders offered. As described in the table below. LINK has been successful in reaching large numbers of HD businesses, with accent on gender in non-traditional sectors. SMMEs were able to generate new sales, create jobs, access finance and improve practice. Levels of confidence and professionalism have grown immensely.

WE Link 2007 Indicators	LOP Targets	LOP Actual
No. of SMEs assisted to improve management practices	2,500	3,375
No. of SMEs successfully accessing finance	25	23
Value of finance agreements entered into by SMEs	R10,000,000	R37,467,972
No. of sales made by assisted SMEs	50	132
Value of sales made by assisted SMEs	R30,000,000	R224,639,884
Net change in private sector employment of assisted SMEs (Full Time Equivalent)	200	1,479
All jobs supported/created	2,000	2,376
No. of participants trained in LINK workshops	1,800	2,322

Milk Producers Organization

The successful integration of small/emerging dairy farmers into the commercial work of dairy production is essential for the development of the sector in the years to come. MPO implemented an aggressive training program combined with a system of mentoring for participants. The long term results from this project can only be properly assessed over the seasons to come as the time frame has been too short to see practical results given the seasonal impact of dairy farming. The areas addressed have been the key ingredients for long term success: herd management, appropriate business skills, access to finance, models for emerging farmers/cooperatives/communities and public/private partnerships. To this end, the level of activity for the MPO/LOL partnership has been impressive for the time involved. The true impact can only be assessed in the years to come when it is clear that there are successful HD emerging commercial farmers.

MPO Indicators	LOP Targets	LOP Actual
Net change in private sector employment of assisted enterprises	420	405
Female		109
Number of finance agreements reached	2	0
Rand Value of Finance Agreements	350,000	1,200,000
Number of firms receiving USG supported assistance to improve management practices	108	234
Female		69
Number of people receiving training		2077
Female		551

IV. Lessons Learned/Recommendations

The information in this section applies to the overall implementation of the grants management of the program, as lessons learned by individual subgrantees have been included in the summary sections for each organization. There are a few key lessons that are important to highlight:

1. It is important to make a careful distinction in the APS solicitation between capacity building for successful grant recipients and the administrative function for the grants manager. Not every solicitation will include both, but when both are included, the role of the grants manager can be easily blurred when the grantee may not understand the need for its own capacity building. This can also be addressed in the early stages of developing grant agreements, but the baseline needs to be built into the overall intention of the program from the outset.
2. Building volunteerism into the program has added value to the organizations participating. However, this component can be strengthened if the solicitation for proposals includes a brief description of this aspect of the program. In this way, each applicant is given a change to assess the best place in which to use volunteer expertise. When the option of using volunteer experts comes after the award, there may be confusion as to how it will fit the program description.
3. When the APS limits proposal submission to organizations which have full local registration, then the solicitation should have a short brief on the programmatic and financial requirements under USG funding. This should be in simple outline, rather than only by reference to USG guidelines. Most local organizations, even if experienced in handling donor funds, will have systems that are not necessarily compatible with USG requirements. While few would refuse funding given the complications of fiscal reporting, it would be easier for all to have a 'pre-solicitation conference' that would outline the essentials of USG reporting.
4. Selection of grantees is a complicated process requiring review not only of proposal design, but also assessment of the possibilities for achievability in the time frame with the target population. Further review should be done on the capacity of the organization to handle the reporting requirement, both programmatic and financial. Candidates should not be eliminated on this basis, but the grants administrator must have sufficient funding and flexibility to insure that grantees spend more time on the implementation of the program than on understanding the basics of USG fiscal reporting.

All in all, the VEGA SAAGA grantees participating fielded good programs grounded in solid development practice. The lessons learned will simply enhance the process in another similar situation.

In using the APS procurement method, USAID/South Africa achieved a broad diversity of activity, covering most of the country. The APS programs successfully addressed the key issues of employment generation/maintenance and increased income generation for historically disadvantaged South Africans. This is a significant accomplishment for the period of time involved and is recommended for a way forward when looking at diversified economic growth opportunities in the years to come.