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COMMUNITY ENTREPRENEURSHIP AND BUSINESS INITIATIVE (CEBI)



SEMI-ANNUAL REPORT

SUBMITTED TO:

USAID, ACDI/VOCA, NCBA

BY:

THE COOPERATIVE HOUSING FOUNDATION (CHF)

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A. CEBI Project Description

The CEBI Program is a three-year local economic development project, which is jointly implemented by CHF, ACIDI/VOCA (Agricultural Cooperative Development International/ Volunteers in Overseas Cooperative Assistance), and NCBA/CLUSA (National Cooperative Business Association/ Cooperative League of the USA). CHF has been designated as the lead agency.

Through the unique application of cooperative development principles, including a combination of community empowerment through democratically structured group-based organizations, cooperative business development and locally owned and controlled financial services, the three partner organizations are enhancing local economic development, increasing access to financial markets for historically disadvantaged township residents and their businesses, and creating employment.

The main goal of the Program is to develop the business and financial capacity of entrepreneurs and small business owners in the peri-urban black townships in Nelson Mandela Metropole (Port Elizabeth/Uitenhage/Despatch), and promote links between these historically disadvantaged businesses and mainstream businesses in the Eastern Cape region. This three-year program became operational in South Africa in September 2000 and, in its first year, is centered in Motherwell Township in Nelson Mandela Metropole. Program objectives include the following:

- Enhance local economic development and create employment in the disadvantaged communities
- Establish local business support centers in the disadvantaged communities
- Provide essential business training and financial services and develop strong community business leadership

The vision of the Program, as established by the CEBI management in coordination with local entrepreneurs, reads as follows:

“CEBI is a center of excellence dedicated to providing a customer responsive menu of consistently high quality financial services, business training and linkages.

“Together with the community, we shall promote economic growth and development so as to increase the standards of living and access to employment and business opportunities.”

The creation, development and promotion of small businesses in the peri-urban townships is done through the establishment of a CEBI center in Motherwell Township. The CEBI center comprises the following three units:

1. Administration and Planning Unit (APU), led by CHF
2. Business Creation and Training Unit (BCTU), led by NCBA/CLUSA
3. Financial Services Unit (FSU), led by ACIDI/VOCA

Administration and Planning Unit

The role of the Administration and Planning Unit includes:

- Developing and managing the local community economic development plan
- Organizing all CEBI activities such as workshops, conferences, networking opportunities, business round tables and local trade fairs that will generate business partnerships both inside and outside the township
- Developing and implementing a marketing strategy for CEBI
- Coordinating the activities of the three units of CEBI
- Managing the administration and accounting of the CEBI Program

Business Creation and Training Unit

The BCTU provides training, assistance, and encouragement to township residents developing new and existing businesses. It identifies potential group-based businesses and then assist cooperative or franchise members as they establish operations in accordance with the highest standards. This unit offers training in business management, marketing, financial management, business planning and costing and pricing. Additional services include assisting in drawing business plans, legal advice, tender advice / contract negotiation and market linkages. The role of BCTU includes;

- Creating and promoting cooperatively, employee or individually owned businesses, and linking them with demand in the mainstream economy
- Establishing business support services including market analysis, negotiation services and business certification
- Providing business skills training
- Establishing a job referral and matching service

Financial Services Unit

The role of the FSU includes:

- Developing and promoting financial services for businesses and entrepreneurs
- Increasing access to financial markets for peri-urban entrepreneurs
- Creating an economic development fund
- Establishing a Financial Services Cooperative linked to the Finasol Network
- Integrating ancillary financial services such as filing systems and funds transfer

Planned Outputs

The planned outputs of the CEBI Program for the first year are as follows:

- Assist 300 township residents to open new bank accounts with formal financial institutions
- Arrange skills training for at least 400 community members
- Assist in the expansion of 50 existing micro and small businesses
- Create 50 new individually owned businesses
- Facilitate access for community based businesses to at least 2 public sector contracts and subcontracts
- Arrange at least 10 marketing and service contracts from larger economic private sector community to be fulfilled by community businesses
- Operate a job referral center which places 50 township residents in temporal or permanent employment
- Create at least 2 business trade linkages connecting community and non-community business partners

B. CEBI Activities by Unit

1. Business Creation and Training Unit (BCTU)

Activities to date can be illustrated through objectives and action plans developed from research and a highly participative strategic planning session held in October 2000 with Motherwell participating. Refer to statistics in Addendum A for ascertaining quantity of progress.

Identification of Entrepreneurial Businesses in Mother well

While CEBI was still establishing itself as an organisation, the BCTU went out to research and visit various businesses available in Motherwell, which in turn assisted in marketing the services available to business owners. This process has continued through the year, and, in addition to introducing CEBI to business owners, the BCTU now looks for viable markets for the business owners in Motherwell.

Through the working relationship with the Motherwell community it has become evident that the people struggle to think beyond Motherwell, thus limiting their ideas to Motherwell only. In terms of new business ideas, many people still want to open businesses in markets that are saturated, such as spaza shops, hair salons, buying and selling clothes and sewing. Living in a limited business environment does not encourage creative and innovative thinking, for most people think that if one person is surviving in a particular type of business, they will be able to do the same. This challenge is being addressed in the Start-Up training programme.

The following businesses are proving to be viable, and CEBI is assisting them in terms of training programmes, business and financial advice and marketing and linkages.

- Motherwell Buy-Back Centre – recycling centre
- Siyakhulisa Women’s Group – catering, farming and flower arranging
- Ama-wele: making window and door frames out of used wood
- Women in Construction- assisting women involved in construction to gain access and skills into the male dominated sector
- Phuting Waste and Scrap Removal
- Vodacom Phones- this young man is expanding to creating a second cell phone centre (the customers come to his centre and plug into his cards with their phones as his prices are cheaper)
- Fabric painting: manufacturing, retail and trains community members on how to paint fabric
- Computer centre- a person who has two centres used for primary and secondary high schools- educational subjects are taught at his centres

New business ideas that have caught our attention and are receiving assistance:

- Driving school- there is no driving school in Motherwell and the competition in town is expensive

- Music school- a university graduate who wants to take kids off the street and introduce them to music
- Netball training: a lady who is training youngsters without a fee- assisting in formalising her business
- Video Café: 2 youngsters who are in the process of opening a video shop, they will be the only video shop in Motherwell.
(This business idea won first place at the CEBI Youth in Business Competition)
- Ceramic studio- a young technikon graduate wants to manufacture her own ceramic products and sell them
- Bed and Breakfast: a group of three ladies are working on a plan to open a Guesthouse just outside Motherwell- enroute to Addo Elephant Park
(The Manager took them to two luxury guesthouses to show the ladies how guesthouses are run)
- Home Care: Four women are in the process of being trained to start home care businesses

Successes

- Four of the six viable business ideas came from young people who have the drive and energy to make the business work
- The guesthouse group were overwhelmed from the visits to the existing successful businesses in town, and they learned a lot from the visits
- The support that the potential guesthouse has from the local tourism board
- The interest the Department of Social Development has in addressing issues such as Age Management and AIDS through the home care businesses
- Assisting the women in construction by putting them through a training programme that includes skills upgrade to tender advice to working with the local Department of Public Works in gaining access to contracts

Challenges

- One of the main challenges facing CEBI is the commitment on the part of the business owners or the potential business owners. They often do not respect appointments.
- Many of the business and potential business owners are involved in too many things, thus leading to a serious lack of focus. Many of them want to be involved in all sorts of businesses.
- Some of the business owners expect CEBI to do everything for them- such as looking for contracts, bookkeeping, etc.

Identification of Business Linkage Opportunities

The BCTU continues to approach corporates and other small businesses to introduce the services that CEBI provides and in turn describe the value it can add to their businesses.

The following companies have shown interest in working with CEBI:

- Pretoria Portland Cement (PPC): BCTU has given them a list of nine businesses in the area to which they can outsource business (a supermarket)

- Caltex: Referred an individual to CEBI to be trained in order to distribute paraffin for Caltex.
- Waste Trade: Are using Phuting Waste and Scrap Removal to remove scrap wood from various companies.
- South African National Defence Force (SANDF): Are going to use a flower arranger and photographer for their launch in July.
- Department of Public Works: Working in partnership in the construction industry by assisting contractors and sub-contractors to improve their skills and gain access to tenders and capital.
- Dept of Social Development: Working in partnership for the Home Care businesses and in addressing other issues such as aged, youth and aids.
- Dept. of Economic Affairs, Environment and Tourism: Working on the Xhosa Village proposal and also in creating markets for SMME's in the tourism sector.

The following companies also pledged support to CEBI:

- Coega Development Corporation
- East Cape Masters Building Association (ECMBA)
- SAPPI Waste Paper
- Pick 'n Pay
- Mining Development Agency (MDA)
- South African Women in Construction (SAWiC)
- Federation Plastics
- ENRUTE Foundation (National networking organisation)
- South African Council of the Aged
- Telkom
- PE and Uitenhage Tourism

The Traditional Craft Centre has taken six sample crafts from Motherwell crafters to Britain to determine what the market is for Eastern Cape/Xhosa Crafts. The idea is relatively unique in a sense that traditional ideas are combined with western ideas and the crafts are moving from curio status to crafts that can be used.

Successes

- The successes are evident from the number of working partners CEBI has established with the government and the corporates in the short period of existence.
- CEBI has developed a good reputation quickly and other organisations, companies and government departments are looking to work with CEBI

Challenges

- Corporates are still hesitant to out source business to the Motherwell businesses. Many have stated that it has been tried before and that it did not work out due to unreliability, poor quality and so forth.

Provision of Specialized Training For Existing Businesses

The programme for existing business owners include increasing sales, decreasing costs- which includes pricing, marketing and business planning. It has become evident that majority of the business owners have poor planning skills. After training, the Business Support Officer works on a short to long term plan with those owners who were not able to grasp the concept of planning.

Successes

- Evidence of implementation of knowledge gained into the running of the businesses- implementation of marketing ideas, increase in sales etc.
- Praise from the business owners themselves on the practicality of the businesses themselves
- Commitment and enthusiasm from majority of the owners in attending sessions

Creation of New Individually owned Businesses

In the previous report it was mentioned that COMSEC and ABS were to provide training to CEBI clients who had viable business ideas and wanted to start businesses. The two organisations did provide the training, but it was found that the level of the training did not match the needs of the clients, even though this was clearly explained to the two organisations.

The Training Officer now presents the Start-Up Training programme. The training programme is also very popular due to the it being very practical. Organisations like CHF International and the SANDF are sending people to be trained by CEBI.

Four groups have been trained so far and this also includes people who own businesses but have a low level of education and do not know the important aspects of running a successful business.

Successes

- Companies and organizations sending people to be trained in business
- Large number of people attending the training programmes
- Gratitude from many of the people for the direction CEBI gives them

Challenges

- People who attend the training often do not start due to lack of money or enthusiasm
- Lack of commitment as the Training Officer finds herself running after some of the people to complete their Business Plans and to action their plans
- People not paying for the course
- Many people expect overnight success in terms of financial gain

Provision of General and Technical Skills to the Motherwell Community

Various topics were identified when doing research last year, and the following topics have been presented by CEBI and other specialized organizations:

Business Plans: CEBI
Taxation: South African Receiver of Revenue (SARS)

- Labour Law: Department of Labour
- all aspects of taxation important to small businesses was presented
 - all aspects of the employer-employee legislation was presented

The SARS and the Department of Labour delivered their presentations at no cost as many governmental departments, organizations and companies want to support the growth of small businesses.

CEBI has developed good relationships with various credible organizations that provide technical skills. These organizations include:

- Industrial Electrical Training Institute (IETI): Twelve electricians need to upgrade their electrical skill levels. CEBI is awaiting approval for the project from the Department of Labour as they subsidise training programmes that create employment.
- Robins Trust: Four women are attending a four-month training programme where they are taught the relevant skills for Home Care. The women will start their own Home Care business with the support of CEBI.
- Bergzicht Training Centre: This organization will train a group of ladies on all issues related to the running of a guesthouse- August.
- Bethelsdorp Technical College: The college has trained nine women on 'educare' who will be used for the Job Referral System for babysitting. Additionally, businesses will be created in this line.
- East Cape Training Centre: This centre is willing to go into joint programme with CEBI in terms of any technical training needed as they supply a variety of courses.
- Department of Labour: The Department has funds specifically for the training of people in technical skills. If an institution can provide proof of employment creation, then the Department will subsidize the training by paying the training institution.

Successes

- Being able to offer information that the businesses request
- Good attendance to all the presentations offered
- Good relationships that have developed with the various organizations

Challenges

- The Department of Labour taking a long time to review proposals to subsidise training
- People believing that CEBI can pay for all types of training and at no cost to them
- Lack of commitment from a few clients attending the technical training sessions by not paying a small amount to cover transport costs or not attending at all

The Job Referral System

The system itself has now been established in terms of the system, the database, CEBI responsibilities and the screening and training of the clients on the database. The original database has been reviewed due to telephone numbers not working, clients not being honest and people moving to other provinces or even employment. It has become evident that a review of

this sort has to be done on a regular basis for telephone numbers in particular change or often do not work.

The BCTU manager also consulted lawyers on the legal aspects of finding temporary or permanent contracts for CEBI clients. He advised that all referrals be businesses for if something does happen to the client, then CEBI will not be responsible. For example, if CEBI sent an individual out to cut grass and he breaks a leg, CEBI will be responsible for all the medical expenses and all other expenses involved, theoretically the grass cutter worked for CEBI. So to avoid legal complications, the JRS encourages people to start their own businesses and those who do not want to be encouraged to work for those who do start. This in turn also creates sustainability for the Motherwell community in terms of employment.

CEBI recently started marketing the JRS concept in three newspapers, but only one response was received. The problem lay with the strategy as all the services were put into one advert. There is potential for this programme to work if the right marketing strategy is used. The customers in the suburbs and also the businesses need to be convinced that the services that are offered will add value to their lives.

Successes

- Getting the system up and going in such a short period of time, starting from the very beginning with minimal information to work from
- Receiving a good response from the Motherwell Community
- Establishing markets for the Motherwell community such as babysitting and pool cleaning-markets that can be used in referral

Challenges

- Updating the database as the clients do not inform the Unit of any changes
- People expecting jobs through the referral system
- People not wanting to start businesses and not understanding why they cannot be referred as individuals
- Ineffective marketing strategies

As mentioned above, the entire database has been reviewed and those clients who have let CEBI down, have found employment or have moved to another town have been removed from the database. Letters have been written to the specific clients informing them of the action taken. Letters have also been sent to clients whose telephone numbers have changed or are not working anymore, requesting them to inform CEBI of their interest in the JRS.

Many of the clients do not want to start businesses, and through the Orientation Programme the clients are informed of their options and one of them working for some-one else in the group who intends starting or expanding their business. CEBI has one lady in particular, Siziwe, she is starting a cleaning business and is employing people from the CEBI database, for the clients have been screened and trained. This in turn creates employment for the Motherwell community. Siziwe has already employed one person to assist and this will increase in time.

The range of services have increased in variety and include services such as photography, flower arranging and crafts that can be marketed to the businesses in particular.

Successes

- Ability to find temporary and permanent contracts without marketing the businesses
- Encouraging people to start businesses and to create employment
- Creating awareness of what professional performance entails.

Challenges

- Clients being fired by customers for stealing
- Lack of professionalism from a few clients: not arriving for interviews, arriving late for appointments and not being honest
- Clients not being reliable, although opportunities have been handed to them

Organizations like the ratepayers associations, Rotary Clubs and church ministers have been approached about the concept. There is mixed reaction in that there is support and also antagonism on the part of some ratepayers associations.

The Unit initially targeted three suburbs, but have identified one closest to Motherwell to aggressively market the concept.

Successes

- The JRS is supported by many, including political, community and church leaders
- The customers that have used the various services have all been satisfied

Challenges

- People are wary of the services offered in terms of the quality of the service and also the security aspect
- Sceptism and wariness of the customers is hard to overcome

Placement of Motherwell Residents in Temporary or Permanent Employment

The following permanent placements have been made thus far:

- Babysitting 1
- Gardening 2
- Plumbing 2
- Painting 1
- Electrical maintenance 1

There have been 8 temporary placements.

2. Financial Services Unit (FSU)

During the reporting period, the FSU loan fund became operational, and the first loans were issued. The first Loan Committee meeting was convened on 27 March, with the CEBI Executive Director, FSU Manager, BCTU Manager and CHF Country Director present.

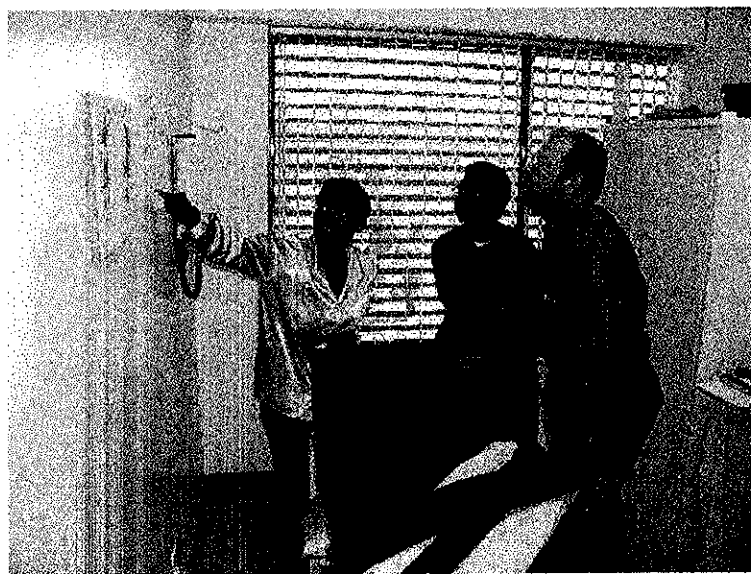
The FSU is now marketing the loans products in order to generate the required level of business activity. There have been management problems to deal with and a solution is being worked on.

Access to Finance

The following are loans that have been approved to date:

<u>Name of Client/Business</u>	<u>Amount Approved</u>
1. Ayanda Yani (Construction)	R24,000
2. Vula Construction and Civil (Construction)	R19,000
3. Nokuzola Silence (Reflexology Therapy)	R6,400
4. MD Fodi trading as M&N Cleaning (Product Manufacturing)	R10,000
5. Phuting Scrap & Waste Removals (Waste Removal)	R20,000
6. A Solisi t/a Unity For Life Training (First Aid Training)	R12,000
7. S Manqana Burglar Proof & Gates (Welding)	R4,000
8. Witbooi- WMN Electrical (Electrical Contractor)	R1,600
9. Hands-on Building Initiative (Construction)	R50,000
10. LG Maloyi Brickworks (Brickmaking)	R37,000
Total	R184,000

The Loan Committee has rejected four loan applications.



FSU Manager John Ahufayi and ACDI/VOCA representative Peter Parr meet with Nokuzola Silence of NS Therapies, a recipient of a CEBI business loan

As the FSU has to generate enough revenue in order to be financially sustainable, a portfolio of sufficient size must exist to generate enough revenue to cover all operational costs at the FSU level initially and CEBI in general. To be able to do that, there needs to be a constant flow of business into the system. Because of the slow start, this so far has not been happening at the required level. With the recent aggressive marketing drive it now appears that momentum is picking up, as there are an increasing number of clients coming in.

The other constraints identified appear to be the clients' inability or reluctance to draw up business plans, a prerequisite for loan applications. Although most of them will have gone through training on business plans, it still appears an area of dislike or an insurmountable task for the majority. Discussions are being held with the BTCU to see how we may have an in house facility to develop or help clients develop business plans.

Facilitation of Linkages With Other Financial Institutions

In an effort to attract quality clients, discussions have been held with the FNB and Standard Bank SME Sections and the Business Finance and Promotion Agency for linkages and referring of clients. A number of clients have been referred and two of the applicants assessed; Monde Mabala and Ashley Cock have been to CEBI through reference by FNB and the Business Finance and Promotion Agency respectively.

A meeting was held between Nelson Mandela Metropole Council, CEBI and National Urban Reconstruction and Housing Agency (NURCHA) on ways of partnering in assisting small and emerging contractors. Nurcha is an organization that is involved in evaluating, monitoring and guaranteeing small and emerging contractors up to 70% the value of the loan. The tripartite arrangement, which is still in the process of being worked out, would involve the Nelson Mandela Metropole in facilitating access to materials and CEBI providing working capital for labour and other running costs. Nurcha would then guarantee 70% of the working capital provided, with the Nelson Mandela Metropole agreeing to a cession of client's rights to payment to the level of CEBI's financing.

After discussions in March 2001, CEBI stated its final position communicated to FinaSol regarding the route CEBI would like to pursue in respect of FSCs. CEBI's position was to facilitate the establishment of a FSC, but with a degree of latitude on the products offered, staffing and day-to-day management of the development officer. This would allow CEBI to modify the operations to suit conditions that would be ruling in the Motherwell set up. FinaSol did not agree to this, and CEBI subsequently withdrew from negotiations.

CEBI is pursuing the savings and credit cooperative (SACCO) route through the South African Savings and Credit Cooperative League (SACCOL) to provide Motherwell with community banking services. A working committee has been set up to set up the facility. The Executive Director and FSU Manager represent CEBI. A workshop to finalise the operational plan is to be held in July.

Establishment and Implementation of a Loan Fund

With the loan tracking system that we have installed we have joined the Loan Performer users group for information and hints interchange.

The Director of Compliance ACDI/VOCA Headquarters (Bob Fries) approved the Loan Performer Tracking System. Crystal Clear of Uganda developed this package with support from the office in Johannesburg.

The system has now been installed. FSU staff underwent training on this software.

Establishment of CEBI Membership Savings Club

This has not taken off yet due to the need to link it up with the community banking facility, the latter process of which has been delayed as mentioned above.

3. Administration and Planning Unit (APU)

The following professionals are contracted by the CEBI Program:

- Pumlani Tyali (CHF) – Executive Director (mid September 2000)
- Chantel Cooper (NCBA/CLUSA) – BCTU Manager (mid October 2000)
- John Alufayi (ACDI/VOCA) – FSU Manager (mid October 2000)
- Jasper Skosana (CHF) – CBEC Manager (January 2001)
- Michelle Binns (CHF) – Project Assistant (Port Elizabeth office) (November 2000)
- Lungwe Dingela (NCBA/CLUSA) – Administrative Assistant (BCTU) (January 2001)
- Wendy Thandani (ACDI/VOCA) – Administrative Assistant (FSU) (December 2001)
- Zanele Xiphula (CHF) – Secretary (January 2001)
- Pamela Mahuwa (ACDI/VOCA) (February 2001)

There has been one resignation, that of Brian Bukula, the Marketing and Linkages Manager. His function has been taken over by Chantel Cooper.

An aggressive marketing strategy has been pursued manifesting itself into the development and distribution of information brochures, flyers and posters to market CEBI services to the Motherwell community, industry, government and targeted households. In addition there were advertisements put on local main and community newspapers. Except for the job referral system, the response has been tremendous.

C. Programme highlights

- Ms. Rita Taylor, CHF Visiting International Professional (VIP) specializing in the development and management of credit unions, visited the CEBI programme and introduced the idea of using the savings and credit cooperative for community banking.
- CEBI has been appointed to drive the SMME development component of the Motherwell Urban Renewal Programme launched by President Thabo Mbeki.
- CEBI has been asked by SERVCON to assist with the development of employment creation projects for their unemployed current and former housing bondholders.
- CEBI has been asked by the South African National Defence Force (SANDF) to assist with setting up cadres who are to be demobilized into businesspeople.
- On June 23rd, CEBI sponsored a Youth in Business competition, with the purpose of promoting entrepreneurship amongst the youth of Motherwell and promoting CEBI services. Twenty-two groups submitted business plans to the competition, and the top ten presented their plans to a panel of judges. The top three plans were awarded pledges of business plan development and implementation support from CEBI.



SC Cikolo of Father & Son Shoe Repair presents his business plan at the Youth in Business Competition on June 23rd. Mr. Cikolo won second prize.

In conclusion, there has been vast activity in the last six months of project implementation, resulting into the need for the organization to work smarter. Also the question of redefining the Motherwell boundaries has become another challenge. A plan is being implement to address the challenges highlighted in this report.

BCTU Statistics**Addendum A**

Programme	Number
<u>Existing Businesses on database</u>	128
<u>Start Up Businesses</u> - 2 up and going - 6 in process of starting	8
Business Ideas- people on database	92
<u>Business Linkages</u> (confirmed contracts) - 16 in the pipeline	5
<u>Training to Existing Businesses</u>	18 people
<u>Start Up Business Training</u> - 40 had business ideas - 26 already owned micro businesses	66
<u>Facilitation of technical training</u> - Educare 9 - Home Care 4 Potential - Electrical 12 - B & B 3 - Tenders 7	13
<u>Generic Training</u> – business plans/taxation/labour law	54
<u>Job Referral System</u>	
People on the database	105
Total contracts from referral- 7 permanent	15