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## **SOUTH AFRICA: SUSTAINABLE EMPLOYMENT MICROENTERPRISE DEVELOPMENT (SEMED) PROJECT**

**(Award No.674-G-00-00-00064-02/3)**

**(Project No. 674-6-00-00-00064-00)**

### **3<sup>RD</sup> QUARTERLY REPORT, FY'03 (01/04/2003 – 30/06/2003)**



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## EXECUTIVE SUMMARY

During 3<sup>rd</sup> Quarter FY'03, the SEMED Project achieved solid progress, as measured by its performance impact indicators in five (5) programmatic areas:

- **SO5: Increased Market-Driven Employment Opportunities Created**

In 3<sup>rd</sup> Quarter, FY'03, four hundred eleven (411) Market-Driven Employment Opportunities were sustained. To date the SEMED Project has achieved 58% of the annual target set for this indicator for FY'03, and 80% of the cumulative project target. Two hundred seventy-two (272) Market-Driven Employment Opportunities were created.

- **More Rapid Growth of Existing SMMEs**

During 3<sup>rd</sup> Quarter, FY'03, the SEMED Project completed one hundred eighty-nine (189) business transactions. To date the SEMED Project has attained 66% of the target for Number of Markets Identified for FY'03, and 96% of the cumulative project target. The Value Of Business Transactions Completed was R39,893,022

During 3<sup>rd</sup> Quarter, FY'03, women were involved in 39% of the Total Number of Business Transactions completed by the SEMED Project.

- **Markets for SMMEs Identified and Developed**

In 3<sup>rd</sup> Quarter, FY'03, the SEMED Project identified one hundred thirty-seven (137) markets for SMMEs, 33% of which involved women. The Value of Markets Identified in 3<sup>rd</sup> Quarter, FY'03 was R30,594,808. In addition, eighty-eight (88) SMMEs were assisted to establish markets with large entities, and seven (7) profitable product lines were developed and enhanced by the intervention of SEMED Project staff.

In the 3<sup>rd</sup> Quarter FY'03, markets were identified and developed in a number of economic sectors, including manufacturing, construction, transport, communication, services and wholesale and retail trade.

- **Enhanced SMME Capacity to Respond to Markets**

**Number of Privatized Public Enterprises:** SEMED Project staff assisted twenty-seven (27) clients during 3<sup>rd</sup> Quarter, FY'03 to access tenders for Government and Parastatal non-core activities. These tenders included road maintenance, construction, landscaping, training and catering. The contracts were valued at R5,426,428, representing 21% of the annual target for Value of Privatized Enterprises for FY'03.

**Entrepreneurs Receiving Business Training:** SEMED Project staff in the three (3) target provinces trained seven hundred thirty-six (736) entrepreneurs, 47% of whom were women, for a total of three thousand four hundred ninety-seven (3,497) hours of in-person business skills training. Training topics ranged from basic business skills training, tender submission and practical marketing skills training, to how to deal with finance and staffing issues. The Tycoon program, which covers the mass-media aspect of this indicator, will be launched in August 2003 on national radio and in one (1) provincial and one (1) national newspaper.

- **Increased SMME Access to Finance**

In 3<sup>rd</sup> Quarter, FY'03, the SEMED Project facilitated access to finance on behalf of twenty-five (25) SMMEs. The value of these transactions totaled R3,871,786 towards the FY'03 Access to Finance target of R60,999,500. To date the SEMED Project has achieved 75% of the annual target for this indicator, measuring the number of entities accessing finance. These transactions included six (6) loans, three (3) overdrafts, five (5) grants, one (1) hire purchase and one (1) negotiated instance of production credit. Traditional financing institutions facilitated only two (2) of these finance transactions.

### **SUPPORTING PROGRAMMATIC AREAS**

**HIV/AIDS Activities:** During 3<sup>rd</sup> Quarter, FY'03, SEMED Project staff in the three (3) target provinces distributed thirty-one thousand eight hundred (31,800) condoms and HIV/AIDS awareness materials at meetings attended by three hundred eighteen (318) entrepreneurs, of whom 44% were women.

**Performance Monitoring and Evaluation:** During 3<sup>rd</sup> Quarter, FY'03, all forms used for the collection of performance data were reviewed and revised. SEMED Project management analyzed project performance at the end of the 1<sup>st</sup> Quarter, FY'03, and developed revised strategies to reach annual targets. These strategies include increased project staff training, a greater emphasis on tenders between SMMEs and Government departments, a stronger focus on finance and more involvement by management in the setting and monitoring of individual and project targets. As the numbers attest, these revised strategies have produced the desired results.

**Staff Development and Training:** All staff received on-going training in the correct completion of the Performance Monitoring documentation. Training on provincial and individual targets, as well as counseling, has taken place where performance is below the expected targets.

**Finances:** The Financial Report, 3<sup>rd</sup> Quarter, FY'03, is presented in Appendix D. Expenditure for 3<sup>rd</sup> Quarter, FY'03 was R1,605,098 representing 7% of the total approved budget for the Project for FY'03 and FY'04. The SEMED Project is working within the constraints of the available budget and is closely monitoring the Rand/US\$ exchange rate and Project Burn Rate and its detrimental effect on the SEMED Project budget.

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## ACRONYMS AND ABBREVIATIONS

AIDS	Acquired Immunodeficiency Syndrome
BEE	Black Empowerment Enterprise
COP	Chief-of-Party
CTO	Cognizant Technical Officer
DCA	Development Credit Authority
DQA	Data Quality Assessment
DTI	Department of Trade and Industry
EM&I	Enterprise Management and Innovation (Pty) Ltd.
FY	Financial Year
HIV	Human Immunodeficiency Virus
KZN	KwaZulu-Natal
PMP	Performance Monitoring Plan
PDI	Previously Disadvantaged Individual
SCF	Southern Corporate Finance (Pty) Ltd.
SEMED	Sustainable Employment Micro-enterprise Development
SMME	Small, Medium and Micro-enterprise
SO 5	Strategic Objective Five (5)
SO	Strategic Objective
USAID	United States Agency for International Development
USAID/SA	United States Agency for International Development Mission in South Africa
US	United States

## **1.0 INTRODUCTION**

This 3<sup>rd</sup> Quarterly Report, FY'03, details the activities performed by the USAID/South Africa-funded Sustainable Employment Micro-Enterprise Development (SEMED) Project, (Project No. 674-6-00-00-00064-02/3) for the period 1<sup>st</sup> April 2003 to 31<sup>st</sup> July 2003.

## **2.0 PROJECT IMPLEMENTATION**

### **2.1 SEMED PROJECT PERFORMANCE, 3<sup>RD</sup> QUARTER, FY'03**

#### **2.1.1 Increased Market-Driven Employment Opportunities Created**

The SEMED Project's SO (Strategic Objective) level indicator is "Number of Market-Driven Employment Opportunities Created". On the first contact with a client, the SEMED Project Business Linkage Officer records the number of employees in a company – this is recorded as "sustained employment". Thereafter, the employment created is counted approximately three (3) months after the conclusion of a business transaction. The value of the business transaction is taken into account when recording employment generated. These figures are then pro-rated to reach the annual total for employment opportunities created. In 3<sup>rd</sup> Quarter, FY'03, four hundred eleven (411) market-driven employment opportunities were sustained, and two hundred seventy-two (272) market-driven employment opportunities were created. This contributed 17% to the annual performance indicator for Market-Driven Employment Opportunities Sustained and 40% to the annual performance indicator for Market-Driven Employment Opportunities Created.

This indicator is further disaggregated to provide an indication of the percentage of employment opportunities sustained for women. In 3<sup>rd</sup> Quarter, FY'02, 58% of market-driven employment opportunities sustained were positions held by women.

During 3<sup>rd</sup> Quarter, FY'03, SEMED Project Business Linkage Officers recorded two hundred seventy-two (272) new market-driven employment opportunities that can be attributed directly to the intervention of the SEMED Project. Forty-six per cent (46%) of these positions are occupied by women.

#### **2.1.2 More Rapid Growth of Existing SMMEs**

The SEMED Project promotes the increased commercial viability of SMMEs by creating market linkages, privatizing public enterprises and increasing access to finance. These contracts are called business transactions. During 3<sup>rd</sup> Quarter, FY'03, the SEMED Project completed one hundred eighty-nine (189) business transactions. The value of business transactions completed was R39,893,022.

During 3<sup>rd</sup> Quarter, FY'03, women were involved in 39% of the total business transactions completed by the SEMED Project.

#### **2.1.3 Markets for SMMEs Identified and Developed**

In 3<sup>rd</sup> Quarter, FY'03, the SEMED Project identified one hundred thirty-seven (137) markets for SMMEs, 31% of which involved women. Thirty-one per cent (31%) of the annual target for this indicator was achieved in 3<sup>rd</sup> Quarter, FY'03. The total value of these markets identified was R30,594,808. In addition, eighty-eight (88) SMMEs were assisted to develop markets with large businesses.

During the quarter, markets were identified in a number of sectors, including manufacturing, construction, transport, services and retail trade. The markets identified included eighteen (18) construction contracts, forty (40) contracts in the manufacturing sector, eleven (11) markets in the transportation sector, twenty-five (25) markets in the retail sector, and forty-three (43) markets in the services sector.

### **HIGHLIGHTS**

**Construction:** In 3<sup>rd</sup> Quarter, FY'03, SEMED Project staff assisted eighteen (18) SMMEs obtain construction contracts. The total value of these contracts was R4,365,199, with women being involved in one (1) of the eighteen (18) contracts. The value of markets identified for women in the construction sector for the 3<sup>rd</sup> Quarter, FY'03, was R76,692. Seven (7) of the eighteen (18) contracts were privatization deals, with a cumulative value of R2,160,144.

**Manufacturing:** SEMED Project staff identified forty (40) markets for SMMEs with companies involved in the manufacturing sector. The total value of these markets was R2,637,986, with R339,020 attributed to businesses with women (holding equity and management positions in the companies). Three (3) of these contracts were privatization deals, with a value of R2,038,720.

**Retail Trade:** Twenty-five (25) markets were identified by SEMED Project staff in retail trade. The total value of these markets was R2,054,571. Thirteen (13) of these markets, with a value of R1,129,036 were attributed to businesses with female involvement and three (3), with a value of R5,800, to privatization.

**Services:** Forty-three (43) markets were identified for companies in the services industry by the SEMED Project during 3<sup>rd</sup> Quarter, FY'03. The total value of these markets was R17,381,608, with eighteen (18) markets, with a value of R1,039,634, attributed to businesses with female involvement and thirteen (13), with a value of R211,427, to privatization.

SEMED Project Gauteng staff identified and developed sixty (60) markets, achieving 44% of the SEMED Project total for this indicator in 3<sup>rd</sup> Quarter, FY '03. The value of markets identified by SEMED Project Gauteng staff was R 17,823,954. SEMED Project KZN staff identified and developed sixty-eight (68) markets, achieving 49% of the SEMED Project total for this indicator in 3<sup>rd</sup> Quarter, FY '03. The value of markets identified by KZN Provincial staff was R12,370,357. SEMED Project staff in Limpopo Province identified and developed nine (9) markets, achieving 7% of the SEMED Project total for this indicator in 3<sup>rd</sup> Quarter, FY '03. The value of markets identified by Limpopo Provincial staff was R400,497.

#### **2.1.4 Enhanced SMME Capacity to Respond to Markets**

**Privatization of Public Enterprises:** Twenty-seven (27) public enterprises were privatized during 3<sup>rd</sup> Quarter, FY'03. SEMED Project staff assisted SMMEs to successfully tender for various non-core activities for several government departments, including road maintenance, supply of stationery; landscaping, construction and catering. The value of these privatizations totaled R5,426,428, representing 21% of the annual target for this indicator.

Limpopo Project staff was the most active in the privatization of public enterprises in 3<sup>rd</sup> Quarter, FY '03. They were responsible for sixteen (16) of the twenty-seven (27) privatization transactions, with a total value of R1,501,510. Gauteng achieved six (6) privatization transactions, with the greatest cumulative value, R3,540,510, and KZN achieved five (5) privatization transactions, with a value of R384,408.

**Entrepreneurs Receiving Business Training:** SEMED Project staff in the three (3) target provinces trained seven hundred thirty-six (736) entrepreneurs, of whom 47% were women, for a total of three thousand four hundred ninety-seven (3,497) hours of in-person business skills training. Training topics ranged from basic business skills training and tender completion, to practical marketing skills and how to deal with finance and staffing issues. The Tycoon program, which covers the mass-media aspect of this indicator, will be launched on national radio and in provincial newspapers in August 2003.

SEMED Project Limpopo staff trained two hundred ninety-five (295) entrepreneurs, for a total of two thousand four hundred thirty (2,430) hours of in-person training, contributing 40% and 69% to these indicators, respectively. SEMED Project Gauteng staff trained one hundred seventy-seven (177) entrepreneurs, for a total of five hundred seventy-five (575) hours of in-person training, contributing 24% and 16% to these indicators, respectively. SEMED Project KZN staff trained two hundred sixty-four (264) entrepreneurs for a total of four hundred ninety-two (492) hours of in-person training, contributing 36% and 15% to these indicators.

### **2.1.5 Increased SMME Access to Finance**

In 3<sup>rd</sup> Quarter, FY'03, the SEMED Project facilitated access to finance for twenty-five (25) clients. Thirteen (13) of these transactions, valued at R1,017,531, involved female entrepreneurs. The value of these transactions totaled R3,871,786 towards the FY'03 Access To Finance target of R60,999,500.

#### **HIGHLIGHTS**

Six (6) of these financial transactions were loans, with a cumulative value of R948,965. Five (5) grants were awarded to SEMED Project clients, with a value of R361,090; one (1) overdraft, with a value of R700,000; one (1) transaction involving production credit; two (2) transactions involving negotiation of a discount and one (1) hire purchase agreement. Traditional financing institutions facilitated only two (2) of these finance transactions.

SEMED Project Gauteng staff was involved in facilitating thirteen (13) SMMEs' access to finance. The total value of these transactions was R3,047,731. The SEMED Project KZN staff facilitated access to finance for eight (8) SMMEs valued at R326,482, and the Project Limpopo staff facilitated access to finance valued at R497,573 on behalf of four (4) SMMEs.

### **2.1.6 Gender Concerns**

All relevant Project Performance Monitoring Indicators are disaggregated by gender and province; however, there is only one (1) gender-specific indicator with a target in the SEMED Project, namely "the Percentage of Business Transactions that Involve Women in SMMEs". Women were actively involved (holding a position of responsibility in the operation of the SMME, as well as holding shares in the company) in 30% of all business transactions completed by SEMED Project staff during the reporting period.

For all other indicators disaggregated by gender, the active involvement of women in 3<sup>rd</sup> Quarter, FY'03 was also encouraging. Women were involved in 31% of the SMMEs for which the SEMED Project identified markets, and were actively involved in 52% of the SMMEs that accessed finance with the Project's assistance.

Women also represented 44% of the participants at SEMED Project HIV/AIDS awareness meetings during 3<sup>rd</sup> Quarter, FY'03.

### **2.1.7 HIV/AIDS – Awareness, Prevention and Mitigation**

During 3<sup>rd</sup> Quarter, FY'03, SEMED Project staff in the three (3) target provinces distributed thirty-one thousand eight hundred (31,800) condoms and HIV/AIDS awareness materials at meetings attended by three hundred eighteen (318) entrepreneurs, of whom 44% were women.

## **3.0 PERFORMANCE MONITORING AND EVALUATION**

During the month of April 2003 the SEMED Project took part in the USAID/South Africa Data Quality Assessment (DQA) exercise. The members of the DQA team were Mr. David Himelfarb, Consultant/Team Leader, Ms. Mary Pat Selvaggio, Director, Khulisa Management Services (Pty) Ltd. and Dr. Penelope Richards, Managing Director, e-fact Consultancy (Pty) Ltd.

On 3<sup>rd</sup> April 2003, Mr. Reibel, Chief-of-Party, AGRILINK II Project, Ms. Kristy Cook, Deputy-Chief-of Party (Administration), AGRILINK II Project, Ms. Susan Gale, Chief-of-Party, SEMED Project, Ms. Jennifer Robinson, Information Analyst, SEMED Project, and Mr. Allan Brown, Performance Monitoring Specialist, attended an initial briefing on the DQA at USAID/South Africa. Present were the team leaders of all the SO5 Partners, the DQA team and the responsible persons from USAID. It became apparent that the DQA would involve more than a simple Data Quality check; all performance indicator definitions were also under review.

On 7<sup>th</sup> April 2003, Ms. Gale, Mr. Höll, Ms. Robinson and Mr. Brown met with Ms. Mamba, Cognizant Technical Officer, SO5, USAID/South Africa, Mr. Himelfarb, Ms. Selvaggio and Dr. Richards. The purpose of the meeting was to discuss interpretations of definitions on the SEMED Project Performance Monitoring Plan.

On 14<sup>th</sup> April 2003, Ms. Selvaggio, Ms. Robinson, Ms. Gale and Mr. Brown met to perform the Data Quality Assessment.

On 29<sup>th</sup> April 2003, all USAID partners met to discuss the outcome of the DQA. The definitions of performance indicators and data points will change substantially; however, no firm definitions have been agreed upon. The recommendation from the DQA team is that the indicator "Employment Opportunities Generated" be discarded and a survey be implemented to ascertain this figure.

On 12<sup>th</sup> May 2003, Ms. Gale, Ms. Robinson and Mr. Brown met with Mr. Joel Kolker, SO5 Team Leader, USAID/South Africa, and Ms. Mamba. The purpose of the meeting was to discuss the Data Quality Assessment (DQA) worksheet review reply.

On 13<sup>th</sup> May 2003, Ms. Gale, Ms. Robinson, Mr. Brown, Mr. Reibel and Ms. Cook met to discuss and examine the proposed new Performance Indicators.

On 28<sup>th</sup> May 2003, Ms. Gale and Mr. Brown met with Mr. Kolker, Ms. Mamba, relevant USAID/South Africa staff and representatives of other SO5 funding partners. The purpose of this meeting was to determine definitions for the SO5 Strategic Framework and reporting implications.

During a meeting at the EM&I head office attended by Mr. Kolker, SO5 Team Leader, Ms. Mamba, SEMED Project COTR, Ms. Gale, SEMED Project, COP, Ms. Muller, D/COP and Mr. Höll National Finance Manager, Mr. Kolker advised that following discussions, there would be

no study as a result of the DQA; however, a company would be employed to find a definition for "employment opportunities". Further, the company would review the SEMED Project's reporting and determine the new format for reporting; targets would be reviewed and achievements of jobs created analyzed. Mr. Kolker stated that the new system should be in place by October 1, 2003.

## **4.0 PROJECT ADMINISTRATION**

### **4.1 PERSONNEL**

Please see Annexure E for the SEMED Project Organigram.

#### **KZN:**

The SEMED Project KZN office staff complement has remained complete as of the end of January 2003, with one (1) Provincial Manager, two (2) Business Linkage Officers and one (1) Administrative Assistant.

#### **Limpopo:**

The SEMED Project Limpopo office staff complement has remained complete as of the end of December 2002, with one (1) Provincial Manager, two (2) Business Linkage Officers and one (1) Administrative Assistant.

#### **Gauteng:**

Ms Robinson, Information Analyst resigned from the SEMED Project on 25<sup>th</sup> June 2003. She will however continue to be responsible for the Performance Monitoring of the SEMED Project as a consultant. The complement of SEMED Project staff in the Gauteng office remains complete with one (1) Chief-of-Party, one (1) Deputy-Chief-of-Party, one (1) National Finance Manager, one (1) Information Analyst, one (1) Administrative Assistant and four (4) Business Linkage Officers.

### **4.2 PROCUREMENT**

There has been no procurement by the SEMED Project during the 3<sup>rd</sup> Quarter, FY'03.

### **4.3 STAFF DEVELOPMENT**

On 9<sup>th</sup> April, 2003, EM&I held a workshop for all staff. The meeting was opened by Mr. Jaime Reibel, CEO and Director of EM&I, with a welcome address. Mr. Eamonn Quinn, Director and EM&I Group Corporate Counsel, EM&I, explained the company structure and its subsidiaries. Other topics covered during the course of the day were company policies regarding vehicle use; human resources regarding group benefits such as Medical Aid, Death & Disability cover and Provident Fund; HIV/AIDS education and the introduction of a company commission scheme.

On 10<sup>th</sup> April 2003, Ms. Susan Gale, Chief-of-Party, SEMED Project, opened the SEMED Project workshop by welcoming all staff. Topics covered in the workshop included a SEMED Project Power Point Presentation (Mr. Willie Höll, National Finance Manager, SEMED Project); Business Rehabilitation (Mr. Phillip Coetser, Gauteng Business Linkage Officer); Finance (Mr. Höll); Performance Excellence (Mr. Peter Situmulaho, Gauteng Business Linkage Officer); Information on Export Marketing and DTI Incentives were presented by Ms. Thandi Khumalo, Gauteng Business Linkage Officer; and, Targets and Performance Monitoring Reports (Ms. Jenni Robinson, Information Analyst).

On 11<sup>th</sup> April 2003, presentations were made by the Ms. Qedi Khumalo, KZN Province Manager, and Mr. Takalani Tambani, Limpopo Province Manager, dealing with the activities of the SEMED

Project in their respective provinces. These were followed by individual meetings with Ms. Gale and with Ms. Erika da Cruz, Human Resources Manager, EM&I.

On 20<sup>th</sup> May 2003, Ms. Susan Gale, Chief-of-Party, and Mr. Willie Höll, National Finance Manager, SEMED Project met with Ms. Maphomolo Tsiki, Manager Business Development Unit, Department of Trade and Industry (DTI), in Pretoria. The purpose of the meeting was to present the SEMED Project and its activities to DTI and to discuss DTI's request to use the SEMED Polokwane Office as its headquarters in Limpopo Province in order to provide SMME clients with information on DTI incentives and process applications for those incentives. A draft Memorandum of Understanding will be prepared and forwarded to the SEMED Project by early June 2003 to formalize the relationship.

On the same day Ms. Gale and Mr. Höll met with Mr. Mike Mjijake, Operations Manager, Gaumac, in Krugersdorp. The purpose of the meeting was to discuss ways of forming a working relationship between the two projects, which will facilitate increased assistance to SMME clients involved in the manufacturing sector.

The SEMED Project shared an exhibition stand with the AGRILINK II Project at the Royal Agricultural Show held in Pietermaritzburg from 23<sup>rd</sup> May 2003 to 1<sup>st</sup> June 2003. This trade fair was visited by 60,000 people. The opportunity provided the SEMED Project with market exposure that should result in a number of leads.

On 23<sup>rd</sup> May 2003, Mr. Mandlakhe Mkhwanazi attended an Export Marketing and Investment Assistance (EMIA) workshop in Durban organized by the Department of Trade and Industry with the purpose of promoting export trade and investment into South Africa.

During May, the SEMED Project Limpopo Province office embarked on an outreach program to municipalities within the Province. On 17<sup>th</sup> May 2003, Mr. Takalani Tambani, Provincial Manager, visited the Northam Municipality to facilitate a workshop on access to markets and business training for potential entrepreneurs.

On 19<sup>th</sup> May 2003, Mr. Tambani attended a meeting at the National Department of Transport in Pretoria about the Black Economic Empowerment (BEE) Survey in the South African Bus Industry. The purpose of the meeting was to facilitate and contribute to the drafting of a BEE strategy document to assist emerging entrepreneurs to access government tenders in the transport industry.

On 22<sup>nd</sup> May 2003, Mr. Tambani and Mr. Norman Molomo, Business Linkage Officer, attended a meeting at the Provincial Department of Social Development. The aim of the meeting was to introduce the SEMED Project's activities in the province, and to add value to the income-generating projects established by the Department.

Counseling sessions were held with all Business Linkage Officers and Managers during the last week of May and first two weeks of June 2003 to ascertain what difficulties were being experienced in achieving results against targets. The sessions proved helpful as there has been a marked increase in results, as can be seen by the June 2003 Monthly Report.

During the period 2/6/03-6/6/03, Ms. Gale, COP, and Mr. Höll, National Finance Manager, accompanied by the Limpopo Provincial staff, met with a various Provincial and Local Government Departments, SMME service providers and banks. The purpose of these meetings was to provide information on the SEMED Project and to establish a working relationship with

Government Departments. A number of useful contacts were made and it is hoped that an MOU will be signed with a number of Government Departments during the next quarter.

During their visit, Ms. Gale and Mr. Höll met with Mr. Takalani Tambani, Provincial Manager, Mr. Norman Molomo, and Ms. Nokuthula Nkondo, Business Linkages Specialists, SEMED Limpopo, to discuss problems they were experiencing in the field preventing them from meeting their performance indicators against targets. Suggestions were offered to increase performance and the meetings held with government departments/agencies resulted in numerous leads.

Mr. Willie Höll, National Finance Manager, represented Ms. Gale at the Africa Economic Summit in Durban from 11/6/03-13/6/03 (Ms. Gale had to attend an emergency in the U.K). Mr. Höll was asked to chair a discussion group "Entrepreneurship as a Driver of Development". The outcome of this discussion confirmed the importance of the provision of quality business development services to sustain and increase SMMEs. During the conference Mr. Höll took the opportunity to discuss the SEMED Project with a number of organizations and individuals.

#### **4.4 PROJECT DELIVERABLES**

In 3<sup>rd</sup> Quarter, FY'03, three (3) Monthly Reports were produced (April, May and June), and submitted to Ms. Gloria Mamba, Cognizant Technical Officer, SO5, USAID/South Africa.

#### **4.5 USAID COORDINATION**

During April, issues regarding the purchase of used furniture and leasing of non-U.S. vehicles were discussed with the Ms. Gloria Mamba, SO5, CTO.

Mr. Joel Kolker, SO5 Team Leader, requested and received data on the SEMED Project "in kind contributions" and the effects of the US\$/Rand exchange rate on the SEMED Project Co-operative Agreement.

On 21<sup>st</sup> May 2003, Ms. Gale, and Mr. David Mashilwane, Business Linkages Officer, hosted Ms. Dana Ott, S.A. Desk Officer, USAID/Washington, and Ms. Steffi Meyer, Program Office, USAID/South Africa, on a trip to Soweto to visit SEMED Project clients.

On 2<sup>nd</sup> June 2003, Ms. Gale, Ms. Estelle Muller, Deputy Chief-of-Party, SEMED Project, and Mr. Höll met with Mr. Joel Kolker, SO5 Team Leader, and Ms. Gloria Mamba, Cognizant Technical Officer, SO5, USAID/South Africa. The purpose of the meeting was to discuss the SEMED Project 2<sup>nd</sup> Quarterly Report, FY'03, the recent Data Quality Assessment and the SEMED Project evaluation due to take place in the second part of August 2003.

#### **4.6 REPORTING**

SEMED Project Monthly Progress Reports were submitted to the CTO on 20<sup>th</sup> May 2003, 23<sup>rd</sup> June 2003 and 16<sup>th</sup> July, 2003. On 2<sup>nd</sup> May 2003, the SEMED Project submitted the 2<sup>nd</sup> Quarterly Report, FY'03, to Ms. Mamba.

## 5.0 CONSTRAINTS/SOLUTIONS

**Constraint #1:** SEMED Project staff is still concerned with the number of hours spent on administration.

**Solution:** Program management as well as a number of reports are being restructured to address this concern.

**Constraint #2:** In reviewing “in kind contributions” in the SEMED Project budget, it is becoming clear that due to the lack of income in the provinces, it may be difficult to meet the targets set in the budget.

**Solution:** Ms. Gloria Mamba, SO5 COTR, has agreed to recognize overtime performed but not paid for by EM&I as a SEMED Project “in kind contribution”. Regular information on “in-kind contributions” is being disseminated to the three (3) SEMED Project Provincial Offices.

## 6.0 PROJECT ACTIVITY LEVEL OF EFFORT (LOE)

The SEMED Project Level of Effort for the quarter is shown in Appendix C. The majority of staff hours (48%) were spent in the following programmatic areas: a) market identification and establishing business transactions (22%); b) facilitation of access to finance (18%); and, c) business skills training (8%). The second highest level of effort was spent in Project administration (25%), with staff development and training at (6%) and performance monitoring and evaluation (3%).

## 7.0 FINANCE

The Financial Report, 3<sup>rd</sup> Quarter, FY'03, is presented in Appendix D. Expenditure for 3<sup>rd</sup> Quarter, FY'03, was R1,695,098. The 3<sup>rd</sup> Quarter, FY'03 expenditure represents 7% of the total approved budget for the Project for FY'03 and FY'04. The SEMED Project is working within the constraints of the available budget and is closely monitoring the Rand/US\$ exchange rate and Project Burn Rate and its detrimental effect on the SEMED Project budget.

## 8.0 PROJECTED 3<sup>RD</sup> QUARTER, FY'03 ACTIVITIES

### July 2003

- Submit 3<sup>rd</sup> Quarterly Report, FY'03 to USAID/South Africa.

### August 2003

- Prepare for SEMED Project Evaluation.
- Follow-up on MOU with DTI.
- Finalize SEMED Project client database.
- Continue to market the SEMED Project to government and donors.

## **September 2003**

- Prepare Annual Work Plan for FY04.
- Continue to arrange meetings with Chambers of Commerce, Provincial Departments and private sector companies requiring assistance with their BEE strategies.
- Finalize service provider database.

## ANNEXURE A: PERFORMANCE INDICATORS – FY '03 SUMMARY

PERFORMANCE INDICATOR	FY '03			FY '02			CUMULATIVE FY'01 TO PRESENT			
	Total	Target	%Achieved	Total	Target	%Achieved	Total	Target	%Achieved	
<b>SO.5 Increased Market-Driven Employment Opportunities Created</b>										
Number Of Market-Driven Employment Opportunities Sustained	1,433	2,455	58%	2,160	2655	105%	3,593	4,510	80%	
Number Of Market-Driven Employment Opportunities Created*	316	682	46%				316	682	46%	
<b>IR.5.1 More Rapid Growth of Existing SMMEs.</b>										
5.1.a Number of Business Transactions	464	701	66%	639	449	142%	1,103	1,150	96%	
5.1.b Percentage of Business Transactions that Involve Women in SMMEs	32%	50%	63%	24%	50%	48%	54%	50%		
5.1.c Value of Business Transactions	R 673,035,643	R 157,499,290	427%	R 166,180,103	R 184,722,710	90%	R 839,215,746	R 342,222,000	245%	
<b>IR.5.1.1 Markets for SMMEs Identified and Developed</b>										
5.1.1a Number of Markets Identified	344	449	77%	352	330	107%	696	770	90%	
Value of Markets Identified	R 624,928,368	R 79,499,790	886%	R 131,674,258	R 102,605,210	128%	R 756,602,626	R 173,105,000	437%	
5.1.1b Number of Profitable Product Lines Developed or Enhanced	11	70	16%	35	50	70%	46	120	38%	
5.1.1c Number of Markets Established with Large Entities	159	175	91%	141	155	91%	300	330	91%	
<b>IR.5.1.2 Enhanced SMME Capacity to Respond to Markets</b>										
5.1.2a Number of Entrepreneurs Who Receive Business Training - In Person	1,824	2,000	91%	304	300	101%	2,128	2,300	93%	
Number of Entrepreneurs Who Receive Business Training - Mass Media		150,000	0%	115,740	17,250	671%	115,740	167,250	69%	
5.1.2b Number of Entrepreneurs Hours of Business Training - In Person	7,227	4,000	181%	209	218	92%	7,427	4,200	177%	
Number of Entrepreneurs Hours of Business Training - Mass Media		1,800,000	0%	119,380	118,800	101%	119,380	1,918,800	6%	
5.1.2c Number of Value-Added Technology Transfers	11	70	16%	30	50	60%	41	120	34%	
5.1.2d Number of Privatized Public Enterprises	59	180	33%	141	50	282%	209	230	87%	
5.1.2e Value of Privatized Public Enterprises	R 33,855,886	R 26,000,000	127%	R 6,000,000	R 25,000,000	24%	R 39,855,886	R 51,000,000	77%	
<b>IR.5.1.3 Increased SMME Access to Finance</b>										
5.1.3a Number of Entities that Access Finance	61	81	75%	145	69	212%	207	180	138%	
5.1.3b Value of Finance Accessed by Entities	R 15,051,388	R 60,999,500	25%	R 28,505,845	R 57,117,500	50%	R 43,557,233	R 118,117,000	37%	
<b>HIV/AIDS</b>										
HIV 1 Number of People Who Received HIV/AIDS Education	1,194			2,211			3,405			
HIV 2 Number of Condoms Distributed	88,420			13,600			102,020			
* Indicator implemented in December 2002										
NTS No Target Set										

## ANNEXURE B: PERFORMANCE INDICATORS – MONTHLY SUMMARY 3<sup>RD</sup> QUARTER, FY'03

PERFORMANCE INDICATOR	April 2003		May 2003		June 2003		Third Quarter FY '03
	Actual	% of Women Involved	Actual	% of Women Involved	Actual	% of Women Involved	
<b>SO.5 Increased Market-Driven Employment Opportunities Created</b>							
Number Of Market-Driven Employment Opportunities Sustained	94	13%	107	51%	210	36%	411
Number Of Market-Driven Employment Opportunities Created*	189		75	64%	8	75%	272
<b>IR.5.1 More Rapid Growth of Existing SMMEs.</b>							
5.1.a Number of Business Transactions	35	34%	72	35%	82	23%	189
5.1.b Percentage of Business Transactions that Involve Women in SMMEs	34%		59%		23%		39%
5.1.c Value of Business Transactions	R 5,907,791	13%	R 4,921,665	38%	R 29,063,566	5%	R 39,893,022
<b>IR.5.1.1 Markets for SMMEs Identified and Developed</b>							
5.1.1.a Number of Markets Identified	28	39%	52	33%	57	26%	137
Value of Markets Identified	R 4,058,765	14%	R 3,055,675	39%	R 23,480,368	5%	R 30,594,808
5.1.1.b Number of Profitable Product Lines Developed or Enhanced	6		1		0		7
5.1.1.c Number of Markets Established with Large Entities	12		33		43		88
<b>IR.5.1.2 Enhanced SMME Capacity to Respond to Markets</b>							
5.1.2.a Number of Entrepreneurs Who Receive Business Training - In Person	227	47%	179	45%	330	49%	736
Number of Entrepreneurs Who Receive Business Training - Mass Media			0				0
5.1.2.b Number of Entrepreneur Hours of Business Training - In Person	975	48%	506	49%	2016	57%	3,497
Number of Entrepreneur Hours of Business Training - Mass Media			0				0
5.1.2.c Number of Value-Added Technology Transfers	4		1		1		6
5.1.2.d Number of Privatized Public Enterprises	4		8		15		27
5.1.2.e Value of Privatized Public Enterprises	R 550,946		R 1,128,136		R 3,747,346		R 5,426,428
<b>IR.5.1.3 Increased SMME Access to Finance</b>							
5.1.3.a Number of Entities that Access Finance	3	33%	12	67%	10	40%	25
5.1.3.b Value of Finance Accessed by Entities	R 1,298,080	17%	R 737,854	91%	R 1,835,852	16%	R 3,871,786
<b>HIV/AIDS</b>							
HIV 1 Number of People Who Received HIV/AIDS Education	318	50%	192	50%	186	31%	696
HIV 2 Number of Condoms Distributed	31,800	50%	17,500	50%	7,100	36%	56,400
* Indicator implemented in December 2002							
NTS No Target Set							

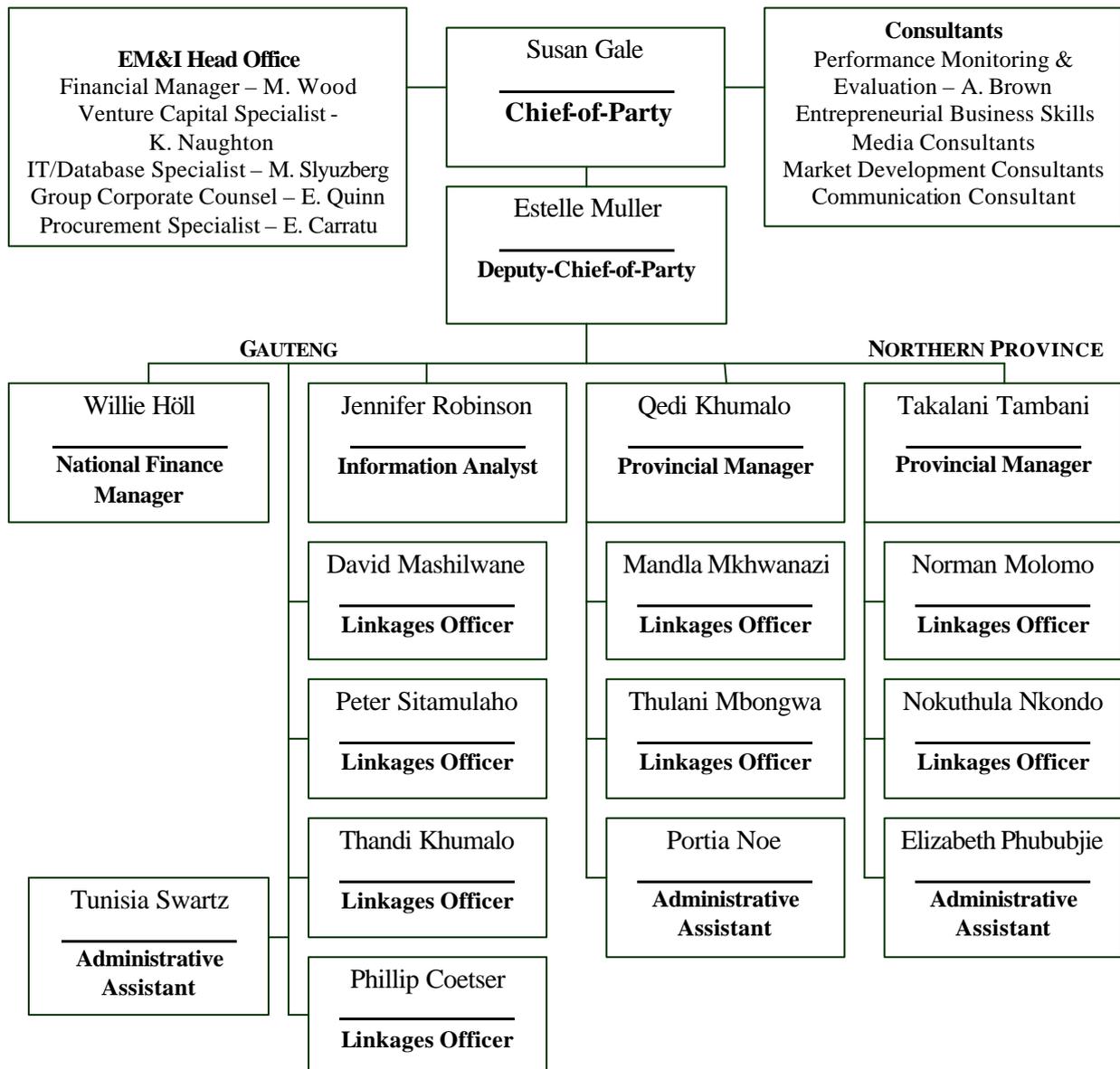
**ANNEXURE C: MAJOR ACTIVITIES LEVEL OF EFFORT CHART**

Component (Major Activity)	Average Personnel Salary & Benefits Rands	Person Months	Major Activity as % of Total Person Months	Chief-of-Party (# of days)	Deputy Chief of-Party (Program) (# of days)	National Financial Linkages Manager (# of days)	Financial Specialist (# of days)	Performance Monitoring & Evaluation Manager (# of days)	Business Linkages Officers (10) (# of days)
<b>PROGRAM</b>									
Markets Identified	209,510	9.7	22%	0.1	23.9	17.8	5.4	-	165.5
Business & Entrepreneurial Skills Training	77,516	3.7	8%	-	3.3	3.1	4.4	-	71.0
Technology Transfers	13,866	0.7	2%	-	0.3	0.1	-	-	14.6
Privatised Public Enterprises	15,597	0.9	2%	-	-	-	-	-	20.3
Access to Finance	147,105	8.1	18%	-	5.9	8.5	0.9	-	163.9
Development of Profitable Product Lines	9,022	0.5	1%	-	-	0.3	-	-	10.9
Establishing Markets with Larger Enterprises	24,017	1.4	3%	0.3	-	0.1	-	-	30.5
HIV/AIDS Education & Awareness	17,007	1.0	2%	-	-	0.8	-	-	21.5
<b>ADMINISTRATION</b>									
Project Administration	278,903	11.0	25%	52.4	9.5	9.9	-	-	2.1
Staff Development & Training	49,402	2.8	6%	-	4.9	4.0	-	0.4	36.3
Weekly Report Generation	25,971	1.1	2%	0.3	3.1	4.4	-	-	14.8
Monthly Report Generation	31,200	1.4	3%	0.4	4.3	5.8	-	-	5.6
Quarterly Report Generation	3,547	0.2	0%	-	-	0.3	-	-	-
Performance Monitoring & Evaluation	54,569	1.5	3%	-	2.1	2.4	-	11.4	1.4
Co-ordination	6,601	0.2	0%	1.1	-	1.0	-	-	0.1
<b>TOTAL</b>	<b>963,834</b>	<b>44.1</b>	<b>100%</b>	<b>54.5</b>	<b>57.1</b>	<b>58.3</b>	<b>10.6</b>	<b>11.8</b>	<b>558.4</b>

## ANNEXURE D: 3<sup>RD</sup> QUARTER, FY'03 FINANCIAL SUMMARY

Line Item	Approved Budget End FY'02 (US\$)	ACTUAL Total FY '01 (US\$)	ACTUAL Total FY '02 (US\$)	TOTAL EXPENDITURE FY '01 & FY '02 (US\$)	Remaining Budget End FY '02 (US\$)	Remaining Budget Rands	Budget FY '03 & FY '04 Rands	TOTAL BUDGET FY '03 & FY '04 Rands	ACTUAL 1st Qtr, FY '03 Rands	ACTUAL 2nd Qtr, FY '03 Rands	ACTUAL April 2003 Rands	ACTUAL May 2003 Rands	ACTUAL June 2003 Rands	ACTUAL 3rd Qtr, FY '03 Rands	ACTUAL 4th Qtr, FY '03 Rands	ACTUAL TOTAL FY'03 Rands	REMAINING BUDGET Rands
Salaries and Benefits	539,890	288,713	206,771	495,484	44,406	399,657	8,492,646	8,892,303	1,060,026	950,686	300,565	367,990	295,279	963,834	-	2,974,546	5,917,757
Consultants	32,375	8,763	23,181	31,944	431	3,878	1,020,308	1,024,186	36,312	350	-	-	-	-	-	36,662	987,524
Sub - Total	572,265	297,475	229,952	527,428	44,837	403,535	9,512,954	9,916,489	1,096,338	951,036	300,565	367,990	295,279	963,834	-	3,011,208	6,905,281
Allowances (Note 1)	-	-	-	-	-	-	775,868	775,868	97,003	80,587	55,000	21,528	16,638	93,166	-	270,756	505,112
Travel & Transportation	71,785	32,632	30,656	63,288	8,497	76,476	1,706,340	1,782,816	248,462	187,839	68,075	4,780	64,086	136,941	-	573,242	1,209,574
Mid-term Evaluation Costs	-	-	-	-	-	-	242,703	242,703	-	-	-	-	-	-	-	-	242,703
Other Direct Costs (Program Operations)	161,750	79,582	86,963	166,545	(4,795)	(43,152)	2,958,407	2,915,254	414,200	382,326	141,423	147,260	122,474	411,157	-	1,207,683	1,707,571
Sub - Total	233,535	112,214	117,619	229,832	3,703	33,323	5,683,318	5,716,641	759,665	650,752	264,498	173,568	203,198	641,264	-	2,051,681	3,664,960
Overhead	395,305	200,954	170,484	371,438	23,867	214,802	6,078,509	6,293,311	781,637	421,118	-	-	-	-	-	1,202,755	5,090,556
Equipment (Non-Expendable Property)	19,895	20,135	998	21,133	(1,238)	(11,144)	30,678	19,534	(600)	-	-	-	-	-	-	(600)	20,134
<b>TOTAL</b>	<b>1,221,000</b>	<b>630,778</b>	<b>519,053</b>	<b>1,149,832</b>	<b>71,168</b>	<b>640,516</b>	<b>21,305,459</b>	<b>21,945,975</b>	<b>2,637,040</b>	<b>2,022,906</b>	<b>565,063</b>	<b>541,558</b>	<b>498,477</b>	<b>1,605,098</b>	<b>-</b>	<b>6,265,044</b>	<b>15,680,931</b>

## ANNEXURE E: STAFF ORGANIGRAM



## ANNEXURE F: IN-KIND CONTRIBUTIONS

<b>IN KIND CONTRIBUTION SPREADSHEET</b>					
<b>R ' 000</b>	<b>1st QUARTER 10/02-12/02</b>	<b>2ND QUARTER 01/03-3/03</b>	<b>3RD QUARTER 4/03-6/03</b>	<b>OVERTIME 10/02-6/03</b>	<b>TOTAL</b>
<b><u>Type of In-Kind Contribution</u></b>					
Overtime				127,840	127,840
Training Materials		123,600	36,834		160,434
Business Skills	50,687	10,220	32,000		92,907
Technical Assistance for Tech Transfer/product lines	300,000	0	226,000		526,000
Business Plans	4,500				4,500
HIV/AIDS condoms/material	31,148	84,099	96,558		211,805
<b>Total:</b>	<b>386,335</b>	<b>217,919</b>	<b>391,392</b>	<b>127,840</b>	<b>1,123,486</b>
<b>Total in-kind Contribution 10/02-6/03</b>					<b>1,123,486</b>