

# HIT THE GROUND RUNNING

A hand wearing a red sleeve is holding a white, star-shaped tag. The tag is suspended by a thin white string that extends upwards from the top of the frame. The background is a solid, vibrant pink color.

*Doing  
Micro Business  
Training in  
South Africa*

FINLAND – SOUTH AFRICA  
ASSOCIATION

HIT  
THE GROUND  
RUNNING



DOING MICRO BUSINESS TRAINING  
IN SOUTH AFRICA

KAYAMANDI TOWNSHIP, NEAR  
STELLENBOSCH, IS ONE OF THE AREAS WHERE  
ENTREPRENEURS HAVE BEEN TRAINED.



## **Hit the Ground Running —**

Doing Micro business training in South Africa

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# PREFACE

PUTTING PEOPLE first – Batho Pele – is a challenge of human development. Access to basic education, health care, shelter and employment is as critical to human freedom as political and civil rights. It is the basis of human dignity. Each right is valuable in itself, but each one is also part of a larger entity. For example, the right to privacy is meaningless unless an individual also has the right to personal inviolability and shelter. Having access to adequate, safe and secure housing substantially strengthens the ability of people to enjoy certain additional rights, too.

Social and economic issues are dynamically interrelated. Community development entails people's economic empowerment, which affects key aspects of social development. In invigorating our township and rural communities, which are home to the majority of South Africans, we need to foster the potential of people as the key resource of the country. This is one of the aims of the Accelerated and Shared Growth Initiative for South Africa (ASGI-SA), which seeks to halve poverty and unemployment rate in South Africa by 2014. A valuable example of how to promote sustainable livelihoods at the level of community development is the micro entrepreneurship project, run by the Finland – South Africa Association and its partners in South Africa. This also gives an excellent possibility for

businesses here in South Africa to be active in social development. Mentoring, business awards and other forms of involvement are tools to strengthen partnership between those who have gained entrepreneurial skills and those who are starting out. All this must be accompanied by job creation objectives.

In describing the process and progress of the project to nurture micro business training and activity, this booklet provides a valuable tool for other such ventures. Its aim is to draw on the experiences of the women and men involved as entrepreneurs, the best practices discovered and developed by the project, and the lessons of partnership. It is recommended as required reading for all those interested in micro business development in South African communities.

TOKYO SEXWALE

*Minister of Human Settlements*

*Honorary Consul General of Finland in South Africa*



FEZEKA NOTSHOKOVU IS A SKILLED CRAFTSPERSON IN MAKING BEAD WORK. SHE LEARNED THE BASICS OF BEING AN ENTREPRENEUR FROM A GSDT COURSE IN 2007.

## INTRODUCTION

THIS HANDBOOK DESCRIBES the first phase of a project to nurture and support small-scale business activity in South Africa, run from 2005-2009. In doing so it aims to inspire other actors in the field by describing the activities and achievements of the project and sharing individual stories, lessons and best practices.

The project has been carried out by several partner organizations in South Africa and supported by the Finland-South Africa Association (FSAA). The project is titled 'Developing Micro-Entrepreneurship in South Africa'. It is based on three pillars: entrepreneurial training and support, innovations modelling and a North-South partnership. These pillars form the wider context of the project. The main point of the project has been to work towards giving people in impoverished areas the skills and support needed to begin to break out of poverty by running their own survivalist or micro enterprises.

There is much potential and a growing range of opportunities in South Africa to do this from both state and civil society arenas. But South Africa has inherited from its colonial and apartheid past an enduring crisis of inequality, poverty, joblessness and underdevelopment. This is exacerbated by the HIV-AIDS pandemic, affecting an estimated 11% of the population overall, but over 30% in poorer areas.

Nearly 60% of people in South Africa live in poverty, with these levels rising to well over 70% in some provinces, according to the Human Sciences Research Council. Estimates of the unemployment rate in South Africa vary from about 23% to 40% nationwide, while in many townships and rural areas it comes close to 70%.

There remain too few ways for people in poor areas in South Africa to get support, even if they have good ideas for creating a business or want to bolster an existing one. Getting started or re-started is often difficult. This is where the idea of giving people basic business skills, mentoring, seed funding, and follow-up support comes in as part of a process of development from below. These types of support can help give the traction needed to move forward.

The project between the South African NGOs (also known as Non-Profit Organizations, NPOs) and the FSAA has been one where donor funding from the North - in this case via the FSAA through project funding mainly from the Finnish Ministry for Foreign Affairs - has been channelled to the South African partners to be used to support individuals, mainly women and youth from rural and disadvantaged communities.

By October 2009, the project has given over 1,700 people business training and follow-up mentoring. The majority of them, 87%, are women. The training target, which was redefined in 2008, of having trained 1,700 people will be met by the end of 2009. The project has been a learning process, for the FSAA and its partners in South Africa especially regarding partnership development and work between Southern and Northern organisations. It has had to adjust its sights to fit various realities and learn about partnership. In this sense it has encountered many of the challenges that face North-South development projects.

This handbook is therefore designed to do two things: to look at what has been done and how, and to serve as a guide for similar efforts. Such similar initiatives touch on different inputs from NGOs, government, development agencies, the private sector, and places of learning that offer courses for small-scale business activity.

The project has undergone various changes since it was started. The aim here is not to map all details how the project was implemented but rather to consider how the project now appears in light of what was done and what was learnt.

The next period of the project will be run from 2010 to 2012, if Finland grants another round of funding. This handbook is therefore an attempt to take stock of some of the main experiences of the project so far. To this end we tell the story of the project by describing its work and achievements, sharing the stories of some of the people involved, looking at the lessons learned and best practices developed and suggesting ideas for future work in the area of nurturing small-scale businesses within a transformational framework.

The bulk of the information used in this handbook is drawn from reports compiled and written by one of the partners, HOPE Africa. These reports were largely written for the project's internal use. This handbook attempts to summarise the basics of the project for wider use. This is not an academic study and so uses terms and concepts fairly freely. However, we do provide an appendix with a list of basic terms used in this kind of project, plus a list of the sources that were used in this handbook and which are otherwise relevant to the work we describe here.

MARK WALLER  
*journalist, FSAA member*



MONWABISI NOWETU HAS A TAVERN WITH HER WIFE SYLVIA IN BLOEKOMBOS TOWNSHIP, CAPE TOWN. SYLVIA ATTENDED THE MICRO MBA COURSE ORGANISED BY THEM BALITSHA AND WAS GLAD OF THE CHANCE TO LEARN ABOUT PRICING AND BUDGETING.

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1

## THE MICRO ENTREPRENEURSHIP PROJECT: WHO AND WHAT'S INVOLVED?

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### Aims

The project on support for small-scale business efforts in South Africa started as a result of the FSAA's interest to help alleviate poverty and unemployment in the country. At the end of the 1990s and early 2000s it was in touch with several South African organizations to see what sort of project work could be done.

They came up with idea of 'entrepreneurial training' as a necessary way of alleviating poverty in South Africa. This idea had been successfully applied by the MicroMBA, located in Cape Town. The idea was that people would be given the bases for establishing 'micro businesses' to earn enough income to get out of poverty and to have a better quality of life. This would have a knock-on effect by helping communities get out of poverty and being part of a rising level of social and economic development in South Africa. On a grander scale it aimed at contributing to macro economic policy in South Africa in terms of the development of private enterprise.

The total accumulated budget for the project is over 800 000 euros, 9 million rands. The Finnish Ministry for Foreign Affairs funded 695 000 euros. The remaining has been funded by project partners in Finland: Finnish Evangelical Lutheran Mission, Finnish

Businessmen Mission and Federation of Finnish Enterprises. The project has also been supported by several companies and parishes and voluntary work.

The project has three interrelated components:

- *Business/entrepreneurial training in South Africa*
- *Innovations Modelling in economic development*
- *North-South Dialogue to create a momentum for Finnish-South African business relations*

The first component comprises the main substance of the project, while the last two help explain the approaches of the project and its context.

The aim has been to build these pillars of the project in unison. They are seen as mutually complementary. Part of the learning experience of the project has been to find ways to further these aspects of it in workable ways. Most of the funds have been used to training and mentoring of the micro entrepreneurs/businesses.

## Partners

Below is a brief description of the participating organizations. At first there were ten of them, including the FSAA. This was later reduced to six. The partners that dropped out did so because they were unable to arrange training for the prospective entrepreneurs. The current partners, in alphabetical order, are:

**Health, Opportunity, Partnership and Employment in Africa (HOPE Africa)**, a social development organization of the Anglican Church of Southern Africa. HOPE Africa was initially the coordi-

nating organization in South Africa and training provider. Later, it has focused on the innovations and North-South partnership aspects of the project.

**The Evangelical Lutheran Church in Southern Africa - Development Service (ELCSA-DS)**, located in Johannesburg, uses the FSAA project funding for business training in the Eastern Cape, KwaZulu-Natal and Limpopo. It focuses on cutting poverty and on social development and income generation in rural areas.

**The Thembalitsa Foundation**, based in Somerset West, Western Cape, a non-denominational Christian community development organization, focuses on transforming people to a point of self-reliance in three areas: health, education and training.

**The Greater Stellenbosch Development Trust (GSDT)**, based in Kayamandi, near Stellenbosch, Western Cape, focuses on community projects including basic business skills training and mentoring, educational programmes for children, and cultural and artistic programmes.

**The Elgin Learning Foundation (ELF)**, based in Grabouw, Western Cape, serves disadvantaged communities in mainly rural areas through education, training and development. Within this it focuses on small business development and on local economic development through the use of cooperatives.

**The Finland-South Africa Association** is a Finnish-based NGO of some 200 members. It was started by members of the Finnish anti-apartheid movement and registered as an NGO in Finland in 1991. It is a non-partisan, non-denominational friendship organisation, promoting human contacts and understanding between the new South Africa and Finland. Project partners in Finland are the Finnish Evangelical Lutheran Mission, the Federation of Finnish Enter-

prises, and the Missionary Union for Businessmen. The FSAA's role is to raise funds in Finland, oversee the overall carrying out of the project, report to the donors, and ensure that the work of the project is reported to the Finnish Ministry for Foreign Affairs.

In addition, the firm Micro-MBA has been closely associated with the project from the outset, a first as a project partner organization. Because funding rules preclude partners that are not non-profit-making organizations, Micro MBA is now linked to the project through the services that it provides for five of the six current South African partners. The initiative offers a basic course in starting and running a business, and a course for trainers and mentors. The South African partners have used both types of course for their entrepreneurs and for the mentors who assist them. We'll look at the role of Micro MBA in the training work undertaken by the project in more detail a little later (page 27), in the section on training.

## Forms of businesses

The forms of business that the project promoted were small. In SA these scale of businesses are called as survivalist businesses, micro enterprises or very small businesses. These terms are not equivalent to e.g. Finnish terminology. We list the definitions of these in the appendix, together with of the other terminology that is used in the field covered by the project.

Enterprises cover things like running spaza shops, guest house management, giving driving lessons, hair dressing and selling hair-pieces, bead making, welding, dress making, running a butchery, running a bakery, running a crèche, and so on. These are all community-rooted business ventures of varying size and ambition. They are the sorts of activity needed to promote community development in urban and rural townships.

The essence of the project is to give people enough skills and support to try to get started in some kind of enterprise. What is more complex is the effort to assess the form, content and impacts of the project in measurable ways. This was to be done when the project has been evaluated from time to time. The evaluations and reports helped map where the project was going and what needs to be changed or enhanced within it.

Each of the South African partners has its own way of working, and often different points of emphasis within the community or communities it deals with. This invariably influences such things as the way these partners recruited people who were to receive business training, or the way they used different types of training.

It also shaped the character of their outreach in different communities. For instance, the Thembalitsha Foundation deals closely with people's psycho-social problems in a very poor area. Doing so is seen by the organization to be necessary as part of building up people's confidence and self-esteem, which is needed in order to nurture a taste for business.

The differences in working methods and approach among the partners have meant that they have each brought their own styles to the project work. This is not qualitatively measurable, but it is the mark of a versatile project design that it can be applied flexibly.

We'll next look at the different components of the project, starting with entrepreneurial training and the processes related to it. We'll then look at the second and third pillars of the project in light of this.

HUNDREDS OF ENTREPRENEURS HAVE BEEN TRAINED BY ELCSA-DS IN THE POOR RURAL AREAS OF LIMPOPO PROVINCE, WHERE MICRO BUSINESSES ARE AN IMPORTANT PART OF EFFORTS TO CREATE SUSTAINABLE LIVELIHOODS.



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## 2

# TOWARDS BUSINESS BUILDING

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THIS SECTION of the handbook looks at the work to support the people who have passed through the project in their efforts to become entrepreneurs or to further an existing enterprise. Initially the aims of the project within its training component were characterised broadly: skills training; education; women and youth empowerment; the creation of sustainable livelihoods; and to use an integrated community development approach within communities. In 2007 the goals were put in clearer terms:

- *Entrepreneurs - strengthen the skills of those who operate businesses;*
- *Start up businesses - support people who want to start businesses so that they can become entrepreneurs; and*
- *Self-employability - encourage people to engage in self-employment activities or to find formal employment.*

### Recruitment

Recruiting people to joining the entrepreneurial schemes is not as straightforward as it might first appear. Here we look at the different recruitment methods of the partners in South Africa. They vary according to the character of their overall work and the type(s) of community they work in. Recruitment is not simply a matter of announcing to people that training is available, and then asking them form an orderly queue to fill in a form. It is a process. In poor

areas work is so hard to come by and one's own business so hard to get going in poor areas that organizations would be inundated with applicants if they did not have a recruitment process.

### **Evangelical Lutheran Church in Southern Africa – Development Service (ELCSA-DS)**

The ELCSA-DS decides on the provinces where it provides services on the basis of the National Poverty Index report. It studies the Municipalities' Integrated Development Plans (IDP) to identify the poorest municipalities with the fewest services. Most of the selected municipalities are traditional rural villages, and it is important to get permission to enter them from the Chief.

The point of this needs assessment is to get an idea of the developmental needs of villages and the level of skills within them. This way the potential services offered will meet the villages' needs. During the needs assessment process village members form a project committee, which has the responsibility of the running of the project.

The role of the field worker employed by ELCSA-DS is to facilitate the process and provide training based on the needs identified by the village. Villages are aware of ELCSA-DS's services because the fieldworkers are based in villages and so there is no need for advertising and marketing strategies to recruit people. So there is no special selection process for the entrepreneurial training available through the project. A limiting factor has been a lack of training books, due to expense, for use in the Micro MBA training course.

### **Scarce resources**

**Providing training courses and start up help is not an automatic exercise. This except from the Field Visit Report by MARI LOTVONEN concerning the ELCSA-DS's organization of Micro-MBA training shows some of the difficulties of arranging courses in impoverished rural areas.**

**In terms of conducting the Micro MBA trainings, the most common problem was a difficulty of finding training venues and especially venues that have tables and chairs. Most of the villages do not have a community hall or municipal building that could be rented out. Even if there is a school in the village, the school hall is available only during school holidays. For example, in Eastern Cape training typically takes place at someone's home and beneficiaries themselves organize enough tables and chairs. Another expressed issue was that there is no start up capital opportunities for people to buy more stock in order to expand their businesses or even to start their own businesses. Also, the fact that existing business owners are not able to attend to the course on five consecutive days was also expressed as a difficulty when conducting the Micro MBA trainings.**

**Regarding the beneficiaries' background, the most common issue was that beneficiaries generally have a low level of education and literacy. Often this means that the Micro MBA training takes longer than five days, because the trainer has to spend more time in teaching each topic.**

### **Elgin Learning Foundation (ELF)**

The ELF works closely with the local government and uses information from the local municipality information, mainly Integrated Development Plans (IDPs) in service planning. ELF's services are

advertised in local newspapers, information is spread by word of mouth and students at the college share out the information on the training courses. The ELF also has an internal advertisement system whereby students already at the college are encouraged to attend other training courses provided by the ELF. The ELF has two strategies that they use to select students for the training courses. The first is to find students with similar needs and then provide a suitable training course. The second is to select students for an existing course. Selection is based on trainers' existing knowledge and understanding based on training experience.

### **Greater Stellenbosch Development Trust (GSDT)**

The GSDT advertises its services and Micro MBA training on its website, and by meeting government and business representatives at its centre in Kayamandi township, just outside Stellenbosch. Lately GSDT has observed that the most efficient way of advertising is using a load hauler from a car. Applicants complete an application form, which explores their business details such as the product or service they deal in, how long the business has been in operation, business growth plans, reasons to become an entrepreneur and expectations from the training course. Based on this information, each candidate is interviewed by a volunteer human resource expert. The GSDT aims to select people who it feels clearly have the aptitude and drive to be entrepreneurs. If the applicant is selected for the Micro MBA training, the GSDT compiles a beneficiary profile which is updated during the mentoring process.

### **Hope Africa**

HOPE Africa started the groundwork in recruiting trainees by alerting priests in different dioceses about the programme. E-mails were

circulated to stakeholders, which included church priests, municipalities, NGOs and business practitioners in the various areas. This was followed by letters to the entrepreneurs, which were circulated to those parishes that had shown an interest. Posters were put up at public libraries, and initial meetings to inform the community were organised by priests.

### **Thembalitsha Foundation**

The Thembalitsha Foundation aims to provide services to very poor communities. Often newspaper and other forms of advertising do not reach people in such communities. Once, however, training was announced in the media and the organization unexpectedly had a large crowd of people turn up to register. Generally, information about the training scheme is spread by word of mouth. Thembalitsha does not have a rigid recruitment strategy, but rather one that is flexibly based on community relationships, community consultation and needs assessments via care workers. Care workers refer people to Thembalitsha's classes based on observed need and how this can be solved by earmarking the breadwinner in the family unit to receive assistance to make a viable income. Compassion-based interventions in a family crisis, poverty-related crisis or community upheaval (such as the xenophobic attacks of May 2008) often open the way for welfare care as a first point of contact. Once that has been established, Thembalitsha then moves to the next stage of intervention, business training.

As we've seen, it does not merely target people who appear that they will make good business people, but people who may not at first appear entrepreneurial due to lack of education and self-esteem. Thembalitsha therefore works to motivate people to opt for educational empowerment via business training. The organization notes that due to South Africa's past and current levels of poverty, people

in poor areas often have little self-confidence about starting up an enterprise. Illness, family problems, gender discrimination and the persistence of colonial/apartheid attitudes – where people were indoctrinated over many generations to feel inferior and incapable of being anything other than the servants of whites – are pervasive problems in townships and other poor communities. Thembalitsha finds that these often have to be tackled before people are ready to embark on business training.

In general, the people who are recruited have some form of a relationship with Thembalitsha's other services, including its AIDS clinics, school for youth at risk, preschools and community health education. Themba Training conducts a pre-training interview with potential candidates for the training, which serves as a selection method. During this the trainer aims to establish beneficiaries' level of literacy, language preferences and commitment to the training as well as their ability to set aside time for at least two months for the initial phase of training. Training, motivation, mentoring, access to start-up capital and practical assistance are the 'Big Five' factors of success, according to Themba Training, and are the reason why over 70% of its trainees are still in business a year after being trained.

## Training

Training is one of the most crucial facets of developing entrepreneurial skills among the people covered by the project. The components of these skills are not difficult to grasp and are easily learned. They enable people starting up such things as small retail outlets, such as spaza shops, to separate the money they earn into what is needed to buy stock, pay employees, cover transport needs, and so on, and what can be used as home income. Basic skills, such as how to use a calculator, how to write up accounts, how best to buy stock and how to write up a business plan to use when applying for fur-

ther support or loans are quickly learnt and equip people with the best ways of navigating the market.

The project assumes that entrepreneurship is a skill as such and that the courses and mentoring given are part of skills training. However, in order to become employed some vocational skills are needed, for instance construction, plumbing, craft skills and service sector expertise. These were outside of the focus of the present programme. The partners should have access to appropriate training courses in professional skills training and assist the trainees getting access to such training.

As we saw above, training takes up the main share of the project budget as used in South Africa. This is not surprising as spending on training needs to expand to cover more and new people each year. From the start of the project until the end of 2008, 1,289 people received entrepreneurial training. The main training course used has been the Micro MBA One Up basic business skills course. This course was created in 1988 following research at the grassroots level among the informal sector in the Western Cape. 87% of all the people trained in the project went through the five-day Micro MBA One Up course.

This is usually offered as an intensive course that teaches people the basics of using strict administrative and managerial skills. The course covers:

- *investigating the market*
- *using a calculator for business*
- *buying*
- *costing & pricing*
- *selling*
- *writing a business plan*
- *money management*
- *stock control*

The course books are available in six of the official South African languages: English, isiZulu sePedi, isiXhosa, seSotho and Afrikaans. The Micro MBA One Up course has been found to offer good basic skills to partners who do not have their own course curricula. All the partners, except the Elgin Learning Foundation (ELF), use the Micro MBA One Up. The ELF runs a range of courses accredited with the National Qualifications Framework at its Small Business Department to help mainly unemployed people start and sustain small businesses. ELF includes e.g. the Financial Life Skills training course, the Documents for Financial and Banking Processes course and the Manage Personal Finances course.

*“I started* the Thelex Driving Academy as soon as I was able to get a car. Since attending the training course and mentoring I registered the business, because I realised that it is good if it has its own business name and bank account. The training has also helped me to create business links. I charge R110 a lesson and collect payments in advance. The training taught me to set clear terms in pricing lessons. For instance I make sure that if people want to cancel a lesson they must tell me at least five hours in advance. It’s a simple rule that I wouldn’t have thought of. When I get enough capital, I’ll get another car and expand the business. It’s an interesting occupation because I am helping people get qualified and move forward.”

**Martin Thelejane**  
Kayamandi, GSĐT



Partners have found that the Micro MBA courses can be used flexibly to suit the different needs of their work with people. Them-balitsha, for example, uses Micro MBA but supplements it with simpler training work. The threshold of Micro MBA is sometimes too high for people and so needs to be supplemented with supporting skills. Though an intensive course when done all at once, the course can be split up into sections and spread over a longer period. That way the different parts of the course can be supplemented by support work, advice, back-up explanatory help, and so on.

## Materials development

To ensure interactive participation and to acknowledge the inherent and/or acquired knowledge and experience of the entrepreneurs, HOPE Africa decided to use the experiential learning model as the basis for the training programme. HOPE Africa wanted to offer a course that would address practical solutions to the many business challenges that face entrepreneurs. The material used included the Start Your Business, Micro MBA, Unesco Business Course and HOPE Africa's training material.

Attention was drawn to the many resources available at local libraries regarding business information. The Simplified Start Your Business manual was mainly used, which allowed entrepreneurs to write their own notes. Facilitators could include their own material or adapt the given material depending on the needs of the entrepreneurs. Assignments were included after each session to focus the attention of the entrepreneur on the eventual writing of the business plan. The questions posed focused on the pertinent issues to be addressed. The training course is named 'Unlocking the potential of local entrepreneurs'.

An assessment of the project was carried out in 2008 that covered a sample of just over 100 people who were trained under the project the

year before. 77% of the people surveyed used the Micro MBA course, while the rest attended the course offered by the ELF.

97% of the people interviewed for the survey said that the training courses used taught them new skills concerning business management, how to start a business, money management and how to make and use profits. 24% said that they could have done with additional course subjects, such as bookkeeping, financial management and market research.

## Stimulating a sense of business

Part of entrepreneurship involves creativity and product innovation. In recognising that creativity, product innovation and product development have a direct impact on the success of an enterprise. ELF has, in turn, recognised the need for specialist intervention in these areas. Through such intervention, ELF wishes to address the following issues:

- Identify products and materials which are imported and can be produced locally at reduced cost and in accordance with market needs.
- Identify potential successful entrepreneurs from the disadvantaged sector
- Transfer creativity and product development skill/knowledge to these new entrepreneurs
- Create new business cases for rural areas
- Transform these cases into potential new enterprises
- Develop new products for these companies
- Attract investment for the production facilities of the new products
- Support new enterprises with product and business improvement

Elgin Learning Foundation

MUSA HAS A SPAZA SHOP AT DOORANBACH TOWNSHIP, CAPE TOWN. HIS TOP PRODUCT IS COLD DRINKS, AS HE'S BEEN ABLE TO SAVE MONEY TO BUY A REFRIGERATOR.



## Mentoring

Mentoring is another of the features of the business training part of the project that was introduced as the project developed. It soon became clear to the partners that a longer period of mentoring was needed after training as the Micro MBA course includes only three months of mentoring. As the GSDT points out on its website, fewer than 2% of small enterprises in South Africa survive longer than two years. Training is not always easy to apply in real life situations without a good basis of experience behind you. There's a saying that it takes a thousand days to make a business sustainable, which indicates the need for prolonged mentoring.

### Creating a best practice

After Micro MBA training, participants are assisted by trained mentors to internalise the study material and apply it in practice for a period of three to nine months. The next level of mentorship is the linking of entrepreneurs in Kayamandi with successful business owners or people in Stellenbosch. During periodic meetings the established business leaders help the new entrepreneurs to analyse and improve the various facets of their small businesses.

Greater Stellenbosch Development Trust

Mentoring has become a crucial aspect of some of the partners' work in sustaining the activity of the people who have passed through the training course work that they offer. Most of the entrepreneurs need help in applying the things they have learnt at a theoretical level. As far as the beneficiaries are concerned, mentoring is the practical extension of training. For the partner organizations it is when the challenge of assisting their beneficiaries most pronounced.

The partner organizations use different approaches to mentoring. It usually takes place through one-on-one meetings between the entrepreneur and the mentor. One of the partners has successfully experimented with group mentoring. One aim of mentoring is to link the entrepreneurs with existing businesses. Some of the entrepreneurs have tried out mentoring using local business people, but most are mentored by a trainer/mentor appointed by the training organization. It is not easy to get business people on board.

The impact assessment conducted in 2008 suggest that about half of the trained entrepreneurs are mentored afterwards. Overall the mentoring process assists entrepreneurs to become more successful and grow their businesses. On a personal level, mentored entrepreneurs told that because of the mentoring, they have become more disciplined and motivated. Their self confidence increased and they learned to implement problem solving techniques in their businesses as well as in their personal lives. Entrepreneurs also hoped that mentors would motivate them, listen and really understand the entrepreneur and give guidance.

Here are some of the different approaches to mentoring.

### **Elgin Learning Foundation**

The ELF has a mentoring and coaching programme that lasts from twelve to twenty-four months, depending on the beneficiary's needs for further assistance. Most mentoring lasts a year. It consists of four discussions with the beneficiary a month, twice by phone and twice in a personal meeting. The ELF has a written diagnostic tool that is used to assess how the beneficiary is managing and in what areas he/she needs more help. When this is clarified the mentor follows the case up by seeing whether the beneficiary has managed to do the things worked out in the previous meeting. The assessment

tool is also used to check when the beneficiary is ready to continue without the mentor's assistance. The aim is that following the mentoring strategy the entrepreneur can:

- \* *manage his/her own finances;*
- \* *cope with banking processes;*
- \* *buy from wholesalers;*
- \* *keep financial records;*
- \* *maintain stock control;*
- \* *do pricing and costing; and*
- \* *make a business plan.*

### **Greater Stellenbosch Development Trust**

The GSDT's mentoring programme lasts for a year. For the first three to six months the trainer mentors the entrepreneur, and for an additional nine months the beneficiary is linked with a business owner who acts as a mentor. During programme the mentor meets with the beneficiary two or three times a month for at least a couple of hours. The aim is that following the mentoring strategy the entrepreneur

- \* *can apply the training skills, such as making Weekly Money Management sheets*
- \* *is more confident due to being exposed to practical business work*
- \* *benefits from the relationship with the mentor;*
- \* *has access to more marketing opportunities; and*
- \* *has access to modern technology such as email, electronic quotation and order forms, and websites.*

GSDT recruits business owners to become mentors mainly through contacts with existing businesses in the area. Business mentors offer their services voluntarily. The GSDT signs a mentoring contract

with business mentors who commit themselves to meeting with the entrepreneurs twice a month for nine to twelve months. The aim of recruiting mentors in this manner is to match entrepreneurs to similar businesses to ensure that the entrepreneurs get advice and support relevant to their own business. The mentors have to complete a mentoring form for each meeting with the entrepreneur. The mentoring guidelines focus on:

- \* *working out the financial needs of the new/existing venture*
- \* *identifying and presenting business ideas and opportunities*
- \* *managing the business*
- \* *managing the financing of new ventures*
- \* *matching the opportunity for new ventures to market demands*
- \* *making a business plan for a new venture*
- \* *preparing financial records for financial and banking scrutiny.*

The mentoring form also records the mentor's comments on business areas where the entrepreneur needs help, how the knowledge from the training course is being used in the business, the time spent with the beneficiary and whether business income has increased since training.

One of the best practices achieved by GSDT is to involve business students from Stellenbosch University in mentoring work. Not only does this give the students hands-on experience in the business environment of community development, but it broadens their awareness of practical efforts to tackle poverty, and it also allows the entrepreneurs to benefit from the cutting edge business learning the University uses.

### **Hope Africa**

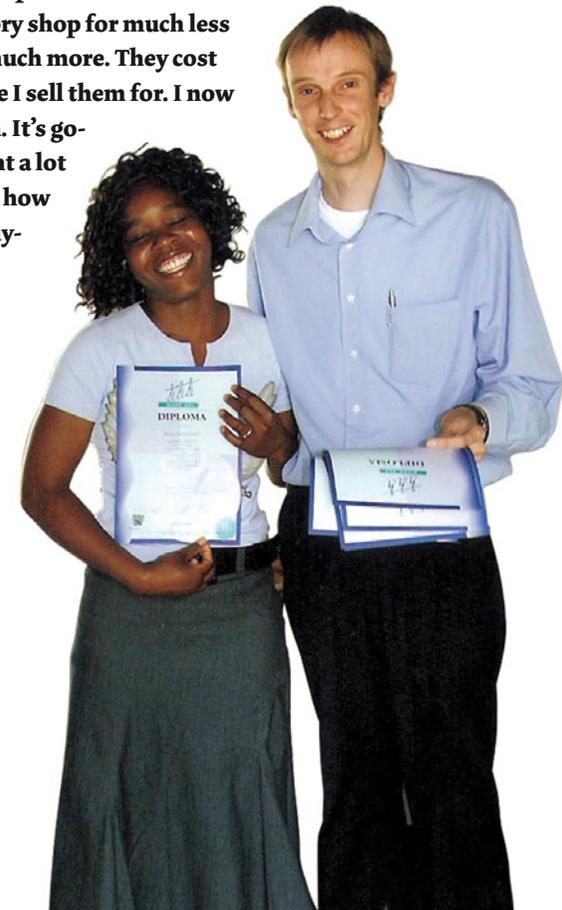
The mentoring phase is termed "Capitalising the Entrepreneur". In

order to gain an objective view of those mentored, the facilitators swapped towns and conducted initial interviews with groups of entrepreneurs whom they had not trained. The information gained during the initial interviews was then returned to the original facilitators for mentoring purposes. The facilitators then took on the role of mentors with the groups of entrepreneurs they had trained, using the inputs received during the interviews. To capitalise on this opportunity, mentors explored different ways of interacting with those mentored, such as sector specific, challenge specific, and more.

**"I began my business with R800 start-up money. I sell wigs and hair pieces outside the shopping centre and at other sales points. I found there was a big demand for them. What has helped most is that I am able to buy from the factory shop for much less than I sell them for much more. They cost about 20% of the price I sell them for. I now make R6000 a month. It's going well and I've learnt a lot about what to do and how to manage money, buying and selling."**

### **Sylvia Dzimbahete**

Crossroads,  
Thembalitsha  
Foundation



## Thembalitsha Foundation

The Thembalitsha Foundation initially provided compulsory mentoring meetings for its entrepreneurs over three months. In 2007 the Foundation started developing a six-month mentoring programme where the trainer has a monthly mentoring meeting with the beneficiary. The Thembalitsha Foundation is planning to recruit Xhosa speaking volunteers to mentor beneficiaries on a condition that the volunteers have completed the Micro MBA One Up training course as a knowledge base for mentoring entrepreneurs. Thembalitsha's mentoring programme looks at:

- *whether the entrepreneur is still running his/her business*
- *what the main problems are that the entrepreneur faces*
- *whether the entrepreneur had to get a loan, if the business was started following the training course*
- *whether the entrepreneur has carried out the advice received at the previous mentoring session.*

In addition to the mentoring programme over six months, Thembalitsha has used group mentoring. This started in October 2008, and gained good feedback. Group mentoring has been effective in encouraging and motivating entrepreneurs as well as providing practical advice to businesses. Thembalitsha has found that about 80% of the entrepreneurs it supports have a business up and running and making a profit after a year. The point is to take people from zero level income to an adequate level of subsistence. Those entrepreneurs who find a breakthrough line of business are an exception.

## Seamless training and mentoring

**This is an overview of the Thembalitsha Foundation's entrepreneurial course. It integrated training and mentoring in ways that merge the theory of the course with the practice of starting and running a business.**

**Weeks 1-8: Part time course, covering the 8 modules of the Micro MBA curriculum (market investigation, using your calculator - financial and numerical literacy, buying; costing and pricing; selling; making a business plan; money management and Stock control).**

**Week 9: Launch of the business and half of the start up capital is awarded. Visits to factory shops and wholesalers arranged.**

**Week 12: First mentoring visit.**

**Week 16: Second mentoring visit.**

**Week 20: Third mentoring visit, and awarding of the second half of the start up capital. Visits to factory shops and wholesalers arranged.**

**Week 24: Fourth mentoring visit.**

**Week 28: Trainee reunion and combined workshop for the graduates.**

**During the entire 28 week period, we encourage business owners to keep daily records of turnover and stock purchases. These statistics are then either used to help them formalise a business which can access the formal banking systems and lead to expansion, or to strengthen their survivalist business to a point of employing others in the family unit.**

**Thembalitsha Foundation**

## Mentoring conclusions

Overall, the use of mentoring and receiving start-up funding in the project appear to have a good effect on how entrepreneurs feel about their enterprise and are more likely to use some standard financial management practices. The Impact Assessment report on the results of training in 2007 involved a sample survey of the beneficiaries, 53 of whom had a business at the time of being interviewed.

The report made some instructive findings about the difference between people who were mentored and given start-up funds and those who did not get start-up money and were for the most part not mentored. The differences are shown in Table 1. covering the activities and views of the 53 business owners.

Of the 1,289 people trained under the project, 92 of them were trained using courses other than the Micro MBA One Up course, as mentioned earlier, while the rest underwent Micro MBA training.

Based on the beneficiary information as partners have provided for the LED Database, 41% of the beneficiaries (523 out of 1 289) had businesses or are self-employed before they participate in entrepreneurial training courses. 31% percent of the 523 businesses are in the agricultural sector, 27% are in the retail sector, mainly comprising spaza shops run from the home, and 10% involve dressmaking and textiles. 76% of business owners are women. 64% of the women entrepreneurs are from rural areas and in 2008 some 31% of the women entrepreneurs were under 35 years old.

**Table 1.**  
Activities and attitudes in managing a micro enterprise

	Entrepreneurs who were mentored and received start-up funding (16)	Entrepreneurs who did not receive start-up funding (37, of whom 11 were mentored)
Put money aside for stock	94%	78%
Record monthly sales	88%	54%
Record amount paid suppliers	81%	54%
Write down salary amount	56%	43%
Sell for credit	56%	54%
Do not record credit amounts	67%	75%
Do not estimate how much pay suppliers	13%	41%
And do not estimate monthly sales	13%	38%
Has business problems	88%	62%
Feel that business is growing	63%	57%
Would accept employment and would stop business	50%	70%
Are planning to expand business	13%	27%
Has business bank account	44%	43%
Has business bank account	38%	35%
Has registered business	25%	22%

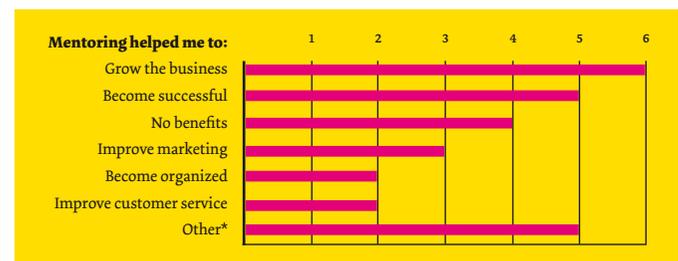
Source: Lotvonen / HOPE Africa, 2008

**Table 2.**  
Comparison of results from 2007 and 2008 impact assessments

	2007 89 interviewees		2008 103 interviewees	
	N	%	N	%
Had business at the time of interviews	49	55	53	51
Current business started after training	14	29	16	30
Entrepreneurs mentored after training	26	53	27	51
Registered businesses	24	49	12	23
Businesses in rural areas	20	41	38	72
Women entrepreneurs	29	59	41	77
Were given start up award	N/A	N/A	16	30

Source: Lotvonen / HOPE Africa, 2008

**Figure 1.**  
The general value of mentoring for the entrepreneurs (N=35)



\*Make decisions and plan, do proper stock buying, work with finances. Source Lotvonen / Hope Africa 2008

**I started** my seamstress business in 2006. I decided to start Qhayiya Designs because I like sewing as a hobby, but that alone is not enough to run a business successfully. Before taking the Micro MBA Course, I knew nothing of pricing and marketing. I also used to sell products on credit, but now after the course I have learned the importance of demanding prepayment before buying fabric for a customer's dress. Qhayiya designs offers clothes, tracksuits, teddy bears and also repair services.

In November 2007, I travelled all the way to Finland for the FSAA exchange program to invest export opportunities and to represent the project. I received seed funding worth R15 000 from the Cape Winelands Municipality to buy more machines, and other specialized sewing equipment as well as fabric.

I have now started to work as a Micro MBA trainer and as a mentor for other aspiring entrepreneurs in my community. I named my business after my son, Qhayiya, and I hope that he will take over the business one day.

**Nomthandazo Cynthia Mdletye**  
Kayamandi, GSDT



**Figure 2.**

Entrepreneurs who were mentored (n=27)  
and not mentored (n=26)



Source Lotvonen / Hope Africa 2008

In Figure 1. are some of the findings concerning mentoring activities carried out by the partners, which were included in the Overview Report commissioned by HOPE Africa in 2008. They show the general value of mentoring and the areas in which mentoring appears to help most.

The mentoring aspect of the projects is a main focus of activity. The partners jointly created and decided to use the new monitoring document in April 2009. (See box on page 53.) There was an obvious interest by all in the process and the good practices that can be developed through it.

It is clear too that many of the people who are now working as entrepreneurs after being trained by the project find mentoring valuable, particularly when it comes to keeping track of how they use cash. They value the chance to discuss their progress with people who can give practical advice.



## Start-up capital

People aiming to launch a micro business generally need start-up funds, unless they are able to put some of their own money into the venture. For many people, it's impossible to start up an enterprise without some cash in hand to buy stock, rent a business premises or get two and from markets or factory shops.

From 2008 it has been possible to give a start up fund in the project for 25 % of the trainees, R800 in 2008 that was raised to R 1200 in 2009 due to inflation. In 2008 three of the partners - the Elgin Learning Foundation, Greater Stellenbosch Development Trust and the Thembalitsha Foundation - provided start up funds for their entrepreneurs.

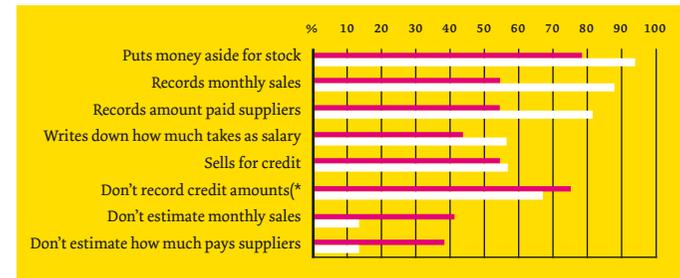
→ *ELF uses start up capital to help entrepreneurs start and sustain their own small businesses. ELF administers the start up funding together with the Faith Based Alliance, which administers the funding.*

Entrepreneurs can qualify for R3,000 start up capital, based on their assessed competency. This is paid out in three instalments. The entrepreneur says what he/she needs the start-up capital and the FBA then buys the goods or equipment. ELF has provided start-up funds out of its own budget before joining the project.

- During 2008 the GSDT gave R800 start-up capital to 25% of entrepreneurs based on merit and after the initial three-month mentoring period following training. The point is to enable entrepreneurs to buy stock, pay rent for a business premises, pay rent arrears, service equipment used in the business or cover transport to markets. The criteria GSDT uses in making start-up payments are that recipients must have completed the mentoring sessions, kept regular cash use records using the Weekly Money Management sheet method, and made progress in developing business marketing. It also checks whether the recipients have put together financial documents to establish financial needs and can set out a six-month action plan for how the start up money will be used and what it will gain.
- The Thembalitsha Foundation started giving R800 start-up awards in 2007 to 20 of its beneficiaries who successfully completed the training course. The point is to enable people to buy stock or equipment either to get going or to bolster an existing business. To boost the impact of the start-up funding, Thembalitsha introduced the idea of 'smart buying', where people use their start up funds to buy goods from factory shops and wholesalers that can then be sold at market price for many times more. In other instances the funding is used to buy equipment, such as freezers, which are needed for a business.

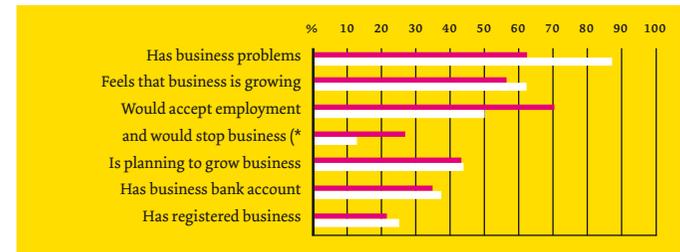
The experiences of using start-up awards have been good, but the problems are that the start-up funds are either too small or are not available to enough trainees. Some partners get funding from other sources for bigger start ups and some have decided to raise funds to give the start up award to most of the trainees.

**Figure 3.**  
Start-up funding receivers (n=16)  
and others (n=37) – financial issues



Source Lotvonen / Hope Africa 2008

**Figure 4.**  
Start-up funding receivers (n=16)  
and others (n=37) – other issues



Source Lotvonen / Hope Africa 2008

Figure 3. compares the financial record keeping of the entrepreneurs who received start-up funding and those who didn't. Figure 4. compares how entrepreneurs who did and didn't receive start-up funding feel about their business.

The findings suggest that the entrepreneurs who received the start up capital are more likely to record how much they pay for supplies and calculate monthly sales. They are also more likely to put money aside to buy stock than entrepreneurs who did not receive the start up capital.

In South Africa micro lending has not yet gained the same popularity as in many other countries (e.g. Grameen Bank). Some of the micro business training programmes seem to discard this issue and prefer to advocate for normal banking practises and relations. Alternative micro financial resources are in high demand. The threat is that the micro entrepreneurs would have only to rely on loan sharks and similar high interest loan channels.

## Shaping and using innovations

We'll now look at the pillars of the project to do with Innovation Modelling and the North-South Dialogue. They help explain the work of the main substance of the project, which is to nurture entrepreneurs.

*“I have a Butchery* selling fresh meat but also providing a braai for people in the community to have cooked food here, and cold drinks. I employ four people. I enrolled for the MBA course and this especially helped me develop a business plan. I didn't have any earlier business experience. It helped me get into partnership with people, and I was then able to start up the business within a very short space of time. I started it on 31 December 2008. The training has given me enough knowledge to run a business myself and not to have to work for someone else. My business is registered and I have a bank loan to make some improvements to the premises.”

**Thando Mpemnyama**  
Kayamandi, GSĐT



THESE WOMEN WERE TRAINED BY ELCSA-DS  
IN MOUNT FRERE, KWAZULU-NATAL.



The innovation modelling part of the project is meant to put together the experiences gained and to share them to help further the project as a whole. At best the idea of modelling innovations supposes that the partners in South Africa cooperate with one another and share information on their activities so as to investigate what works and what doesn't and work out new training and mentoring models and methods that would contribute towards designing new economic models. This has yet to happen, though a start has been made with the creation of MEDA, mentioned below.

In one sense innovation modelling has the highly ambitious goal of articulating new patterns of economic practice in South Africa. But so far it has provided a more modest service, by enabling the management of the project to be monitored and scrutinised. These are innovations in their own right, as they create a basis for extending the training, mentoring and entrepreneurial aspects of the project in durable way. So far innovation activities, especially impact assessment and comparative analysis, have been only way to produce collective information on the impact of training, mentoring and

start up capital on trained entrepreneurs. In order to be innovative and to base the changes and modifications of the training and mentoring, changes should be based on factual information on how past activities have impacted on trained beneficiaries. Without accurate information, changes are often based on gut feelings and might not address the needs of the final recipients of the project.

At present, these are the most important facets of the project. Since 2007, HOPE Africa has coordinated the Innovation Modelling and North-South Dialogue aspects of the project in South Africa. It took on these tasks after stopping being the coordinating organization for the project. In its work on Innovation Modelling HOPE Africa has developed a number of practical and easily applied activities, which we'll now look at.

First is the Local Economic Development (LED) Database, which HOPE Africa developed in consultation with the other project partners in 2007. The database is used to gather all training, mentoring and beneficiary information at one source. LED takes its name from the government strategy called the National Framework for Local Economic Development. This framework aims to tackle major problems of unemployment and poverty in South Africa. LED as a strategy for reconstruction in South Africa is what the project on Developing Micro Entrepreneurship is all about.

The database has information on organizations, training courses, training venues, trainers, mentors and beneficiaries (the entrepreneurs). You can look up the training and mentoring details of each of the beneficiaries that have passed through or are currently on the project programme. On the page 52 are graphics of what the beneficiary and mentoring database forms look like.

Using these forms, which can be accessed at the click of a mouse, the database enables the project to keep a record of the training and

## LED Database beneficiary form

The screenshot shows a web-based form titled "Beneficiaries" with a sub-tab for "Mentoring". It contains various input fields for personal details such as First Name, Surname, Gender, SA Citizen status, Date of Birth, Race, and Language. It also includes sections for Residential Address (Street, Postal Code) and Contact Details (Home, Work, Mobile, Fax, Email, and Other phone numbers). There are checkboxes for employment status and business decision status, and a dropdown for highest level of education. Buttons for "Save", "Delete", and "Print" are visible on the right side.

## LED Database mentoring form

The screenshot shows a web-based form titled "Beneficiaries" with a sub-tab for "Mentoring". It features a "Training/Assessed" section and a "Follow-up" section. The "Follow-up" section includes dropdown menus for Contact Date, Contact Type, Contact Reason, Assessed Issue, and Trainee/Mentor. It also has date pickers for Business Start Date and Close-down Date, and a checkbox for "Needs More Assistance". A "Remarks" field is provided at the bottom. Buttons for "Save" and "Delete" are present on the right.

mentoring of the people supported in their micro business work. HOPE Africa updates and develops the database. The aim is that during the second phase (2010-2012) of the project all the partners will have copies of the database, which will continue to be updated within the project.

The strength of the database is that you can use it to form beneficiary

The screenshot shows a printed form titled "FSAA PARTNERSHIP STANDARDISED MONITORING REPORTING FORM - 2009". It is divided into several sections:
 

- Personal Information:** Fields for Name of monitor/mentor, Name of trainee, Telephone number, Date of Birth, Gender, Date of business started, Date of visit/contact, Time arrived, Time departed, and Length of phone call.
- BACKGROUND QUESTIONS:** A series of questions with checkboxes for "Yes" or "No", asking about business type (Trader, Producer, Service Provider), weekly turnover, weekly stock spend, weekly transport spend, product types, and start-up capital.
- GENERAL QUESTIONS (Please circle Yes or No):** Seven numbered questions regarding financial record-keeping, new business starts, business expansion, turnover improvement, product/service changes, marketing/advertising, and funding access.
- OPEN QUESTIONS:** Three numbered questions about specific problems, action plans, and mentor recommendations.
- Signatures and Date:** Fields for the signatory's name and date.

profiles and plan and map training. Its weakness is that it does not yet give information of the kinds of business run by the entrepreneurs who have been trained and mentored, nor does it show how people's businesses may have altered. The database is nevertheless a valuable innovation in the project for collecting key information. There was much improvement to this in the April 2009 meeting when all the partners agreed to use the new monitoring form on a

monthly basis with their trainees (see above) where from the data is put into the LED database.

Second, there is the basis for a monitoring tool for use within the project. A structure for this was made in 2007 and the information needs of the method were shared among the project partners. This instrument has as yet been left unused. However, as the project develops its second phase (2010-2012) and as there are efforts among the partners to liaise on the different aspects of their work - as we see with the creation of MEDA - the need for a monitoring tool gets more important.

Third, there is the use of baseline information and impact assessments, the aim of which is to gain information on people's progress after they have received business training. HOPE Africa started an impact assessment in 2007 of a sample of 89 out of the 421 people trained by the various partners from 2004-2006. The use of impact assessments give a good overview of the trends of the direction of the project its durability in terms of making a lasting impact on people's livelihoods.

Fourth, there is the use of comparative analyses. This became possible when a second impact assessment was carried out by HOPE Africa to look at the impact of the project in 2007. This surveyed 103 of the 533 people who were trained in 2007. They were interviewed in mid 2008 and the impact assessment report was issued at the end of the year. As more impact assessments are made, comparative analyses of trends within the project can develop. This gives some perspective within the course of the project as a whole in qualitative and not just quantitative ways.

Fifth, in 2008 HOPE Africa developed a networking strategy. This is designed to investigate the networking activities that communities use to further their own economic development. It is relevant par-

ticularly in communities where there are a number of organizations working on tackling poverty. Towards the end of 2008 a networking strategy case study was issued by HOPE Africa to assess the impact of the use of training, mentoring and start-up capital in the rural community of Robertson, Western Cape. This case study showed the importance of open and constant communication between stakeholders, and the value of people being a part of a community development process in their entrepreneurial work.

These different tools are what make up the Innovation Modelling component of the project. Some of the innovations have developed as a result of the training process, which being run at a grassroots level has been able to spot what changes and additions are needed. The tools of the Innovation Modelling aspect of the project can be used variously to map the course of the project and to make changes where needed. They presuppose a degree of collaboration among the partners that is only in its formative stages. If the project develops its three component parts in unison, the innovations created in the process will enable the project to gather more momentum in its work and impact.





**“I was** unemployed for a long time. In 2007 I got a change to go to the business course at Elgin College on Financial Management. There I learned how to look for business opportunities and came up with the idea to establish a pest control business. I got a start up of R3000 from the ELF and with that money I was able to buy the machine and chemicals. My brother is helping me out with the business and in this way we make money for the whole big family. My services are needed a lot in the neighbourhood as I work cheaper than big companies. My marketing goes most by word of mouth, but I also share leaflets about my business. “

**Alwin Williamson,**  
Grabouw, ELF

## The North-South Dialogue

The North-South Dialogue focuses on networking and the development of partnerships within South Africa and to and from South Africa and Finland. By the end of 2008, there had been eight conferences, arranged by HOPE Africa as part of the N-S Dialogue. These forums set out information on entrepreneurial training programmes and strategies and LED issues for the private, public and civil society groups that took part in them.

Two international visits to Finland have also been organized by FSAA and HOPE Africa, in which delegations from South Africa met Finnish local partners, businesses and various institutions. In addition FSAA initiated a sponsorship campaign in Finland in cooperation with the Federation of Finnish Enterprises (Suomen Yrittäjät) in 2007. The campaign is targeted at 70 000 companies in

CAPE TOWN IS ONE OF THE WEALTHIEST CITIES IN SOUTH AFRICA BUT HAS A POVERTY LEVEL OF 30%, ACCORDING TO THE SOUTHERN AFRICAN REGIONAL POVERTY NETWORK – WHICH IS COMPARATIVELY LOW FOR THE COUNTRY.



Finland with the aim of raising awareness about social entrepreneurship and developing countries among Finnish businesses and to raise funds for the Project. This contact is still in its early stages, but has resulted in information sharing, small amounts of funding support and a visit to South Africa under the auspices of the project by Finnish business people.

The North-South Dialogue in theory has fairly boundless potential, since it concerns such broad things as awareness-raising in South African and Finnish society of one another's contexts, in addition to those of economic development. Half of the South African partners reckon that direct links with Finnish-based organizations would benefit them in terms of sharing information and knowledge, to increase the sources of funding and to share networking ideas. Whether such opinions are born out in practice still remains to be seen.

The aspect of the project is also potentially the most ambitious in terms of bridging two very different parts of the world across a wealth and development gap that anyway characterises relations between the global North and the global South. Its potential is

largely unrealised and faces many obstacles, most of them deeply rooted historically.

The N-S Dialogue component of the project forms a necessary setting for its other more palpable activities. Without it there would be little context for the business training component. The dialogue ostensibly goes to the heart of notions of North-South partnerships envisaged in earlier Finnish anti-apartheid solidarity and subsequent development cooperation frameworks.

Networking seminars in South Africa formed a crucial part of North-South dialogue aspect. Several networking events in South Africa, have raised awareness of entrepreneurship in South Africa and in Finland. During the networking seminars, a broad spectrum of information about entrepreneurial training programmes, strategies and Local Economic Development issues have been shared by private, public and civil society institutions. During the networking events, speakers from government and private institutions shared their experiences with the project partners as well as with direct beneficiaries of the project.

MANELISI FAYO IS PROUD OF HIS  
JABULANI STORE LOCATED IN A CONTAINER.  
HE WAS TRAINED BY GSDT.



## — 3 — TAKING STOCK OF THE PROJECT —

### Running the project – some lessons

Always on a learning curve, the ways in which the project has been run have changed over time. The aim has been to simplify things, both in financial admin and when it comes to reporting to the main donor, the Finnish Ministry for Foreign Affairs. Initially, the project embraced all the partners under a single agreement. Inevitably perhaps, this led to problems to do with making payments, coordinating work, reporting and accountability.

In 2007 the partnerships within the project were re-set so that each of the South African partners had a bilateral agreement with the FSAA. This makes things easier concerning making payments, reporting and general communication, and overall links with the FSAA. The Finnish Foreign Ministry reckons that the use of bilateral agreements has strengthened the project and given the FSAA a clearer role in strengthening cooperation between the partners. This clearly means more work for the FSAA. Evaluation and monitoring of the project has also taken place by the Finnish foreign ministry, in particular through a field visit in 2007, which provided good feedback on the work of the project.

The downside of working only with bilateral agreements has been that the partners in South Africa have tended not to liaise among one

another concerning the progress of the project. As a result the three interrelated components of the project (training, innovations N-S dialogue) have not been furthered to the extent they could have been.

### **Spotting the need for capacity building**

**Hope Africa did not directly conduct entrepreneurial training during the most of the project period. Through the network organisation, Faith Based Alliance for Social Development (FBA), Hope Africa was involved in community development process in nine rural towns in Western Cape. The Elgin Learning Foundation is another main partner in the FBA. The FBA process focused on sustainable livelihoods and food security. Within the project soup kitchens in communities were initiated and it was soon concluded that feeding alone would not be a sustainable way to ensure sustainable livelihoods for people and for that reason, capacity building aspect, namely entrepreneurial training, mentoring and a start up capital projects were started within the FBA Project.**

The project partners have generally felt a need for the flexibility offered by bilateral agreements with the FSAA coupled with better networking among the partners as a whole. One effort to bring the partners together around the three components of the project was by forming a coordinating committee, which was done in 2007. This did not take off. Instead, there has been some informal networking among partners, which has been more productive than using a formal structure

A further step forward came in May 2009, when four of the partners created the Micro Enterprise Development Alliance (MEDA). This will help during the second phase of the project, 2010-2012 (if funding is granted), by easing the work of the partnership and enabling the South African partners to speak with one voice when needed.

## **Working partnerships**

Most of the South African partners have felt that there needs to be more progress to better define communication channels, monitoring and evaluation processes and further joint responsibility in these last two areas. In 2007 FSAA appointed a part-time project coordinator in Finland, and most of the partners reckon this has greatly improved communications between them and the FSAA, even at the simple level of getting prompt answers to emails.

Relations between the different partners in the project have been shown to improve when there is clarity and consensus on what to do and how to do it. There has been an effort to obviate the classic problem of many North-South development projects, where donors are not on a level playing field with recipient organizations and individuals because of the leverage they have as funders or channels for funding. There is always a danger of this resulting in 'attitude problems' by donors unless there is some vigilance in this area.

Notions of partnership have been developed within the field of development cooperation generally in Finland and many other countries in the North. This happened especially during the 1990's amidst an overall critique of development practices. There is always room for improvement on this front no matter how good partnership appears.

Better communications helps this, but there also has to be a conscious effort to take the qualitative issue of partnership on board. The first Impact Assessment report prepared for the project, issued in January 2008, contains valuable examples of partnership perspectives, particularly those worked out by the Finnish Service Centre for Development Cooperation (known by its Finnish acronym KEPA), an umbrella organization for development NGOs in Finland. The FSAA is a member organization of KEPA.

**I have** my own seamstress business. I've done a two-year sewing course in Durban and in 2002 established my own business. I use to run my business from home, but as I got more customers, I was able to rent a little shop from the town mall. 2006 I went to the Micro MBA course. I learnt a lot in the course, for example to do pricing right. There I got to know Phumzile, who is now my partner in the business. The most challenging thing in the business is hard competition and people pushing prices down. I still trust in the future: we both have the talent and skill to do the work we love.

**Sbongile Florence Nxumalo**  
Vryheid, ELCSA-DS



The main aspects of good partnership, according to a KEPA study of 2004, are trust, transparency, honesty and democratic decision-making within and between Northern and Southern organizations. Written agreements and funding by themselves do not result in the commitment of partner organisations. Real commitment comes from shared goals, participation and actual work. The main benefit of the partnership should be that it enables partners to learn from one another and from the process. Partnership should build the capacity of the Southern organisations in order for them to continue the process after the Northern organisation withdraws.

So far we've seen how the project on Developing Micro-Entrepreneurship in South Africa 2005-2009 has developed during its short life. It is clear that efforts to help people develop sustainable livelihoods through small enterprise work are not easy, even though the obstacles they face are not unfathomable. The combined use of the intelligent recruitment of people, training, start-up assistance (when possible) and mentoring appear to pay off in terms of giving people the best bases for getting their business off the ground.

The use of the innovations component of the project can also directly support the training/mentoring processes. The LED Database is a valuable tool here. There is nevertheless no formal recorded information on how the majority of beneficiaries have fared once they were trained.

The second Impact Assessment report prepared by HOPE Africa and issued in December 2008 looks at the progress of people included in a sample of beneficiaries trained in 2007. Out of 103 people interviewed, 53 had started businesses after training, and of them 64% were making an income from the business. The income made by 17% of them was under R1,000 a month, well below the poverty line.

There is clearly a need for more information of this kind, to see how

the people trained are managing and what the problems they face are. This is important on two counts: to adjust the project work as needed to try to tackle the barriers that people face in breaking out of poverty, and to look at small entrepreneurial development in broader community and societal settings in South Africa in general. As one of the recommendations of the Overview Report, issued by HOPE Africa in December 2008, states:

*The project provides an excellent opportunity to collect information on the SMME sector, sustainable livelihoods and the impact of the entrepreneurial training, mentoring and start up capital issues. The collected information would be an ideal platform to influence on policies and strategies regarding SMME development in South Africa. In order to ensure that policy recommendations are responsive of the needs of the communities and beneficiaries, the policy recommendations needs to be substantiated by facts collected from the grass root level, which the project partners are currently doing in their individual capacity.*

We'll return to this point later, as this issue concerns the broader perspective of the project and its future within the context of development in South Africa, which we consider at the end of this handbook.



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PROJECT.

In taking stock of the immediate conclusions and needs articulated near the end of the project's first funding phase the following points have been made:

- *The project has improved the capacity of the individual partner organisations to carry out training programmes and other objectives.*
- *The partners have been exposed to a range of diverse organisations that ultimately leads to more awareness, education and exchange of information.*
- *New partnerships and relationships have been created during the project period.*
- *The project has enabled cooperation between South Africa and Finland at a practical implementation level and exposed the members of FSAA to the current realities in South Africa and vice versa.*
- *The project has enabled beneficiaries and trainers to travel to Finland during international exchange symposiums.*
- *Partners have learnt more about Local Economic Development (LED).*
- *The project has produced new knowledge about training, mentoring and start-up awards as well as other LED information through the seminars and networking.*
- *The project has revealed the importance of investing time in joint project planning and relationship building amongst partners.*

Most of the problems of project management have been dealt with during the joint project meetings, and there always needs to be proper time made for such discussions. Looking ahead to the second phase of the project, 2010-2012, some of the practical challenges are involved in the following proposals from the 2009 Project Review:

- *Ensure the project plan is specific, practically feasible to implement and measurable within the time, capacity and budget constraints.*
- *Make training a specialised project on its own with mentoring and start up awards.*

- Training, mentoring and start up capital should be standardised in order to produce comparative results.
- Create enough capacity for the training organisations to be involved in data collection and analysis in order to compile comparative studies.
- Ensure that partners participate on an equal footing and to have similar focus on and approach to poverty alleviation and Local Economic Development.
- Define the geographical locations of the project.
- Relate reporting requirements to the project objectives and ensure that they are specified at the outset and updated when necessary.
- Specify and update the decision-making and communication structures, plus the roles and responsibilities of partners within the project when necessary.

These issues mainly concern the practical running of the project in South Africa. In terms of the potential expansion of the project there is also a need to look at its nationwide applicability, as the bulk of its emphasis has been in the Western Cape.



## Filling the gap

**One of the things that emerges clearly from the experience of the project is that there needs to be more done on the North-South Dialogue component in Finland. In particular there is a need to increase exchanges in a wide range of areas between South Africa and Finland. Outreach to businesses has proved difficult.**

**One reason for this is that there is a generally low level of contacts between South Africa and Finland that catch public attention. There is a pressing need for sustainable projects in arts and culture, sport, education, social policy, health, housing, environment, and land use and agriculture. Their creation would undoubtedly influence the climate of business interest in Finland in the practices of the project on developing micro entrepreneurship.**

## Best practices

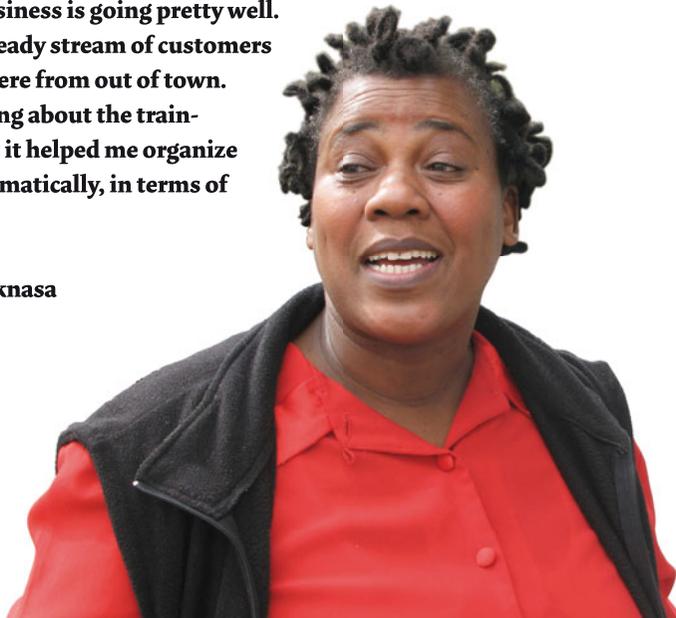
Since it started, the project has been shaped and changed to fit existing realities and to build on the best practices that have emerged along the way. These best practices are not necessarily unique to the project or its narrow creations, but they do typify its achievements. The best practices include general and specific ones. Some are the achievement of specific partners and are not practices by all of them.

- Targeting entrepreneurial development specifically at tackling poverty in poor areas
- Giving a systematic profile to basic subsistence livelihood development
- Placing available training programmes (Micro MBA) within a definite context of entrepreneurial development

- Taking a holistic approach to the situation of beneficiaries, involving their psycho-social situation, self-esteem and individual potential
- Developing mentoring strategies
- Using experienced business people and business students in mentoring.
- Using start-up funding
- Identifying 'smart buying' in entrepreneurial activity
- Creating a database to monitor the situation of the entrepreneurs
- Using formal Needs Assessment and Outcomes Assessment questionnaires to help with the estimating the results of training over two-year periods
- Networking with public employment schemes and government programmes
- Assisting the trainees' banking contacts and to making them eligible to funding

*“My whole family* help out in running the homestay (bed and breakfast), so you could call it a family business. We have an upstairs bedroom which is very comfortable for our guests and we provide good home cooking. We need to encourage more people to visit Kaya-mandi, because it is a very friendly and welcoming place. I find that business is going pretty well. There is a steady stream of customers who come here from out of town. The best thing about the training was that it helped me organize things systematically, in terms of accounts.”

**Ntombi Maknasa**  
 Kayamandi,  
 GSDT



## **Best practice: Problem surveying and diagnosis**

**Thembalitsha surveyed the weakest candidates and have come up with the most common reasons for failure. They have done the survey by phoning, meeting and visiting the business of the weakest graduates.**

**They focused on a handful of the weakest graduates this month to come up with diagnosis of the most common problems the trainees face, and then decided to innovate around that to solve those problems.**

**The four most common problems are:**

- 1) Lack of marketing skills.
- 2) Highly de-motivated due to low self esteem.
- 3) Limited product offering/ too specialized product offering.
- 4) Lack of hard skills, such as a plumber, chef or driver.

**Thembalitsha is now creating materials/ sourcing people who will be able to offer additional training in some of these areas, and also calling on the mentors to focus on finding suitable ways of addressing these areas each time they meet the trainees for a mentoring meeting. Mentors will focus more on these areas when training people in the first eight weeks of theory instruction.**

VIVIENNE MKETI HAS BEEN ABLE TO ESTABLISH TWO SUCCESSFUL SPAZAS IN ROOIDAKKE, GRABOUW. SHE HAS ATTENDED SEVERAL SMALL BUSINESS COURSES ORGANISED BY THE ELGIN LEARNING FOUNDATION.



## — 4 — WORKING IN CONTEXT —

*Unemployment is one of the most pressing economic and social problems facing South Africa today. The social impact is particularly severe in the context of a fragile social safety net for the poor and a small under-developed informal sector. It is accepted that economic growth is an important contributor to addressing unemployment and poverty. But so is deepening the employment absorbing capacity of that growth path.*

HUMAN SCIENCES RESEARCH COUNCIL,  
CENTRE FOR POVERTY, EMPLOYMENT AND GROWTH

The project on developing micro entrepreneurship does not take place in a vacuum, divorced from the developmental realities and contexts existing in South Africa generally. These realities and contexts are themselves under continual reappraisal from within government and civil society in South Africa. HOPE Africa's networking events in South Africa have aimed to provide a platform where the information on best practices could be shared with other role-players in Local Economic Development field. These networking events have also aimed to link the project with the South African government strategies and programmes for entrepreneurship development and LED.

Each of the governments formed since the start of democracy in 1994 have made tackling poverty a key aspect of its programme. There is an abundance of discourse within academic, civil society and government circles on the means of tackling poverty, including on how to define the poverty line.

Fighting poverty is also one of the most prominent themes in the various programmes and campaigns of political parties and trade unions in South Africa, and it is a constant reference point in the public relations and community involvement of medium-sized and big business. Fostering small businesses, small-scale entrepreneurial development, business cooperatives and wider credit and banking services in poor communities are the subjects of vast amounts of activity, from NGO and political campaigning to government schemes and the work of various think-tanks.

The Finnish-South African project has a good chance of growing and developing further during its next phase (2010–2012). In doing so it needs to be constantly attuned to the support environment for micro and small-scale entrepreneurship in South Africa.

The African National Congress, which formed a new government in April 2009, stated in its election manifesto that it will “include systematic support for co-operatives by way of a dedicated support institution and small business development...”.

## Formal support environment

The bases for small business development in democratic South Africa go back to the *Reconstruction and Development Programme* of 1994, which stated the necessity of “credit and venture capital, access to finance for research and development, simplification (not elimination) of the regulatory environment and improved competition policy”.

Similarly, small enterprise development is promoted in the *White Paper on National Strategy for the Development and Promotion of Small Business in South Africa* of 1995, and the Department of Trade and Industry’s 2005 *Integrated Small-Enterprise – Development Strategy*. Unlocking the potential of South African entrepreneurs aiming to provide a way forward for small enterprise development in South Africa over the next ten years.

### Highlights of the DTI’s 2005 Integrated Small-Enterprise - Development Strategy

- \* **Substantially strengthen support for SMMEs’ access to finance.**
- \* **Create an enabling regulatory environment.**
- \* **Further expand market opportunities for specific categories of small enterprises.**
- \* **Localise small-business support through a grid of SEDA-co-ordinated information and advice-access points.**
- \* **Initiate a national entrepreneurship drive and expand education and training for small business.**
- \* **Co-fund minimum business-infrastructure facilities in local-authority areas across the country.**
- \* **Focus on informal enterprises, start-up businesses, micro-enterprises, Black, women and youth owned enterprises and businesses in agriculture and agro-processing, construction, small-scale manufacturing, tourism, crafts and cultural industries**

In addition, the 2006 the *Accelerated and Shared Growth Initiative for South Africa* (ASGI-SA) concentrates on dealing with poverty and unemployment. The aim of the ASGI-SA is to halve the poverty and unemployment rate in South Africa by 2014. The ASGI-SA strategy especially focuses on women and youth in terms of

- Human resource training;
- Ensuring they have access to finance;
- Fast tracking them out of the second economy;
- Ensure their significant participation in agriculture and creative industries;
- Improve their access to basic services; and
- Increase their participation in expanded public works programme.

Government, NGOs/NPOs and private sector provide support services to SMMEs in South Africa through the bodies listed below. The Elgin Learning Foundation has, for instance, found solutions for some of its entrepreneurs' 'soft' loans and other financing through Breadline Africa, Masisizane, RED door, Enterprise Investment Programme, ASGISA and Umsobomvu Youth Fund.

The Small Enterprise Development Agency's (SEDA) main role is to provide support to co-operative enterprises especially in rural areas. Support includes access to finance, expand market opportunities, provide information and advice, and expand education and training for SMMEs. The mandate of SEDA is to design and implement a standard national delivery network in SA including hundreds of offices. SEDA now incorporates two agencies, the Centre for Small Business Promotion (CSBP) and the Ntsika Enterprise Promotion Agency (NEPA). CSBP has set in motion an initiative for the creation of Provincial SMME desks in all provinces. NEPA is mandated to provide non-financial services to local service delivery groups on a 'wholesale' basis, meaning delivery of resources to local providers in provinces and municipalities that work directly with SMMEs.

The Business Place is a private sector initiative that offers advice to business owners who aim to start up or expand a business. Services include business-planning, access to finance, accounting, legal services, computer and skills training, tender information and advice, import and export advice, and marketing.

There is also a network of support organizations operating in various parts of the country: Local Business Service Centres (LBSC), Tender Advice Centres (TACs), and Manufacturing Advisory Centres (MACs). These can be accessed via local information services in larger urban areas.

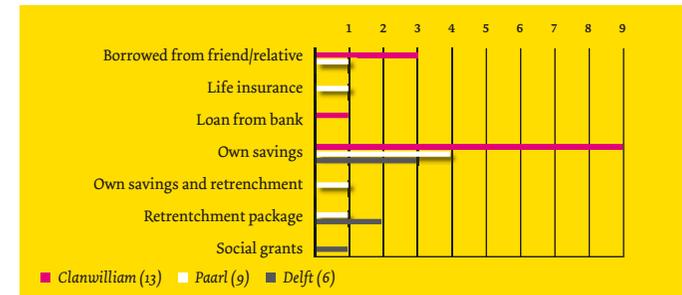
## Financing for SMMEs

As the chart below shows, concerning three localities, the use of formal financing services for small-scale businesses of the kind dealt with by the project is greatly outdistanced by informal means.

There are several options for SMME financing in South Africa and the government intention is to establish even more SMME financing institutions, for instance, a fund for women entrepreneurs.

The South African Micro-Finance Apex Fund (Apex fund/ SAMAF) and Mafisa programmes provide business loans under R10 000 therefore focusing on survivalist and micro enterprises. Khula in liaison with Business Partners provides loans from R10,000 – R250,000 therefore

**Figure 4.**  
Sources of financing  
businesses (n=28)



Source Lotvonen / Hope Africa 2008

focusing on small to medium-sized enterprises. In addition, the *Umsobomvu Youth Fund* provides business advice and mentoring services for youth and women. The Fund has facilitated vouchers for trainees at their graduation ceremony and the GSDT has assisted the graduates in completing their application procedures. The UYF facilitated vouchers for business marketing, stock buying, website creation, as well as a variety of loan programs. The SEDA website lists institutions providing start up loans for SMMEs, loan amounts range from R300 to millions.

There is increasingly more pressure on commercial banks to invest in poor areas and provide credit schemes to people usually by-passed by the banks. Before the start of the worldwide financial crisis in mid to late 2008 there was more of a prospect that the commercial banks would lend more to very small businesses. This is now more uncertain as small businesses are seen as more of a high-risk investment for banks.

ABSA, First National Bank, Nedbank and Standard Bank all provide schemes of support for small businesses. Enterprise Support also provides information on the different schemes offered by these banks. Most banking support concerns credit terms, but the banks also provide advice and information, such as ABSA's Small Business Toolbox.

Overall access to funding for micro and small enterprises looks set to come under increased pressure due to the local impacts of the global recession. It also remains to be seen what the effect will be on NGO/NPO funding for micro enterprises. Concerning involving banks, the project has discovered that they have woken up to the need to make micro financing and access easier. Most of the banks in South Africa are leaning towards a no frills, minimal paperwork approach to micro lending. Nedbank, for example, has taken positive steps in this direction with Thembalitsha.

These policy frameworks, networks and organizations form a crucial part of the overall setting of the project on Developing Micro Entrepreneurship. The rest of that setting is made up of the social and economic realities existing in South Africa as a whole. And the decisive element here is the situation of the people and communities who since 1994 have struggled to leave the blight of poverty and underdevelopment behind them. It is their wellbeing and quality of life that are the most important measures of whether the project works and is sustainable.

THEMBILE RUNS HIS SPAZA SHOP IN BLOEKOMBOS TOWNSHIP, CAPE TOWN. HE WAS ABLE TO BUY A FREEZER TO BOOST HIS BUSINESS WITH A SMALL START UP AWARD PROVIDED BY THEMBALITSHA.



## Appendix I

### Terminology

**Beneficiary** – A person who participated either in basic business skills training course or trainer/mentor course which were funded by the FSAA.

**Basic business skills training** – Business skills training courses that SA partners have used within their training programmes.

**Evaluation** – Assesses the effectiveness of programmes in achieving programme objectives and outcomes (McKendrick, 1985). Ultimately, evaluation seeks to measure the change achieved in communities.

**Informal sector** – Those aspects of the economy that are unregistered and not part of the formal economy, mainly very small income generating efforts. This is not necessarily the same as the ‘second economy’, which is sometimes used as an ideological description.

**Medium business/enterprise** – Medium businesses are formally registered businesses operating from fixed business premises employing up to 200 employees.

**Mentoring** – The process/activities that were done with the beneficiary after the basic business skills training took place by the trainer or the organisation that provided the training.

**Micro enterprises/businesses** – these businesses have between one to five employees, typically owner and family member/s. These businesses operate in the informal economy and they do not have formal business premises or licences.

**Monitoring** – Regular information collection and recording about the organisation operations and service programmes based on the identified performance indicators.

**Small business/enterprise** – small enterprises operate in the formal side of the economy, these businesses are formally registered and they have less than 100 paid employees. These businesses also have fixed business premises.

**South African partners** – South African organisations that have conducted basic business skills training within the FSAA Project.

**Survivalist business/enterprises** – Businesses operating in informal sector of the economy. Income these survivalist businesses generate is below the poverty line, providing minimum income for unemployed people to keep themselves and their families alive. Survivalist business does not have many assets and if there is any capital invested, it is very little. These business owners have not had much training in business skills and opportunities for growth for these businesses are very small.

**Sustainable livelihoods** – Regular income sources derived through a skill, profession or occupation that can endure without undermining its own or other resources bases.

**Very small business/enterprise** – These businesses operate in the formal side of the economy, they have less than ten paid employees and these businesses utilise technology (DTI, 1995:).

This handbook does not adhere very strictly to the terminology used to describe the different aspects of small or micro entrepreneurship. However, much of the literature of government and institutions dealing with the subject use fairly definite terms, some of which are listed here.

## Appendix II

### Project reports

**Finnish Ministry for Foreign Affairs** (2007). Report on the project monitoring visit to South Africa on 11.11 - 23.11.2007. by Suvi Turunen and Jussi Palojärvi from the Department for Development Policy, The Unit for Non-Governmental Organizations.

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South African Communist Party	<a href="http://www.sacp.org.za">www.sacp.org.za</a>
Democratic Alliance	<a href="http://www.da.org.za">www.da.org.za</a>

## Sources and contacts

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Evangelical Lutheran Church in Southern Africa - Development Service (ELCA-DS)	<a href="http://www.elcsads-lwf.org">www.elcsads-lwf.org</a>
Federation of Finnish Enterprises	<a href="http://www.yrittajat.fi">www.yrittajat.fi</a>
Finland-South Africa Association	<a href="http://www.afrikka.net">www.afrikka.net</a>
Finnish Evangelical Lutheran Mission Greater Stellenbosch	<a href="http://www.mission.fi">www.mission.fi</a>
Development Trust (GSDT)	<a href="http://www.ikhayatrust.org.za">www.ikhayatrust.org.za</a>
Health, Opportunity, Partnership and Employment in Africa (HOPE Africa)	<a href="http://www.hopeafrica.org.za">www.hopeafrica.org.za</a>
Micro Enterprise Development Alliance (MEDA)	<a href="http://www.medalliance.page.tl">www.medalliance.page.tl</a>
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**This is a handbook on micro-business training in South- Africa based on the experiences of a project run by the Finland – South Africa Association (FSAA) and its South African partner organizations. It contains the lessons learned and the best practices applied during five years of training, mentoring and innovation. Over 1 700 people have been trained in the project so far. This handbook aims to inspire people seeking to create small scale businesses in poor communities. It is hoped that the experiences set out here will help to serve similar efforts elsewhere in Southern Africa. This review is based on actual cases and systematic data collected by South African organizations and supported by the FSAA, based in Helsinki, Finland.**



MINISTRY FOR FOREIGN  
AFFAIRS OF FINLAND

