SMME BASELINE STUDY: SUMMARY REPORT AND OPERATIONAL GUIDELINES

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1. Introduction

The Free State Provincial Government (through the Department of the Premier), in partnership with the Flemish Government, Seda and The Business Place, has embarked on an SMME support programme for the Free State Province. This programme is the result of the emphasis on job creation and growth in the Free State Provincial Growth and Development Strategy (FS GDS), as well as the fact that SMME support is seen as one of the enablers in the FS GDS. This emphasis on SMME programmes and their job-creation potential is important when one considers that, nationally, business support centres (BSCs) are in their second wave of existence and that the new SMME policy re-emphasises the importance of adequate business support.

At an operational level, the Free State Provincial Government, in association with the Flemish Government, developed an appropriate project plan and Logical Planning Framework. This framework set a number of objectives, but indicators were not always set or were set with the understanding that the baseline study would provide more insight into their relevance. The setting of these indicators is thus dependent on an appropriate baseline study. At the same time, the baseline study should also provide adequate information which should inform operational planning, for example the type of training materials to be developed or to be presented.

The overall aim of the study was to provide sufficient baseline information that would assist the business support programme in the Free State to develop appropriate indicators and operational procedures to implement the project effectively. In order to achieve this aim, the following objectives were set:

- to profile the economic potential of the four municipalities
- to profile the training needs and procurement trends of the formal businesses in the four municipalities (indicating municipal differences)
- to profile the training needs (business and technically) of emerging enterprises (mainly black owned) in the four municipalities (indicating municipal differences)
- to profile household service needs in the four municipalities (indicating municipal differences)
- to profile the training needs of social service organisations in the four municipalities (indicating municipal differences)

This report summarises the findings of the detailed SMME reports referred to above. The baseline study included the following main reports:

- socio-economic profiles of each of the areas/municipalities in which the business support centre are to be established (Annexure B-E);
- an overview of training needs and procurement trends in respect of formal businesses (Annexure F);
- a profile of the training needs of informal businesses in the four municipalities (Annexure G);
- a profile of household services needs in the four municipalities (Annexure G); and
- a profile of the training needs of social service organisations in the four municipalities (Annexure H).

The intention of this report is, however, to go beyond the description and analysis of the findings to outline the operational implications at the various locations. These operational implications are placed within a framework in line with the three main outcomes of the project, namely opening markets, training (business training and technical training) and mentoring as well as placements (linked to technical training). The relevance of the surveys to social service organisations and to the social economy is also discussed. In addition, the targets set in the Logical Planning Framework are assessed, and a framework is outlined for an appropriate monitoring and evaluation system.

2. Outline of the report

As already mentioned, this report is based on the completion of a number of baseline reports. Against this background, the report is outlined in the following manner (see also Figure 2.1):

- First, it starts off with a brief overview of the different municipal profiles. The implications of these profiles for the various business support centres are outlined.
- Then the implications of the survey amongst emerging entrepreneurs are outlined for the four main services to be performed in the programme.
- The implications of the formal business survey are then discussed.
- The implication of the demand for household services follows.
- An overview of the challenges in the social service organisations is provided and the challenges are analysed in more detail.
- The operational implications are discussed by means of a review of the indicators set in the Logical Planning Framework, as well as for the M&E system.

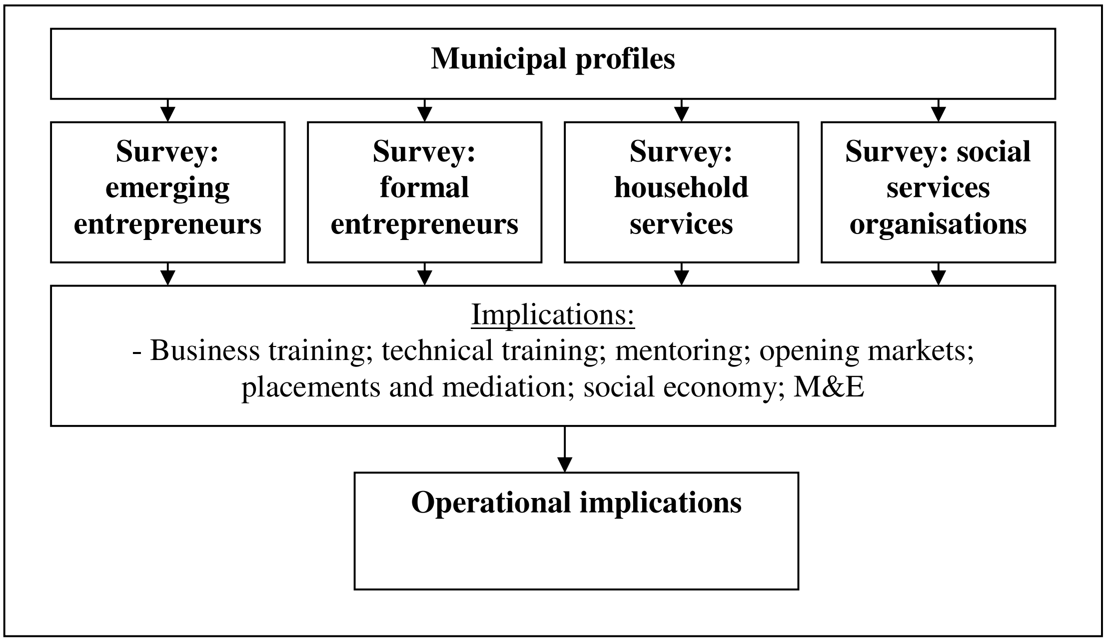

Figure 2.1: Outline of the report

3. Municipal profiles

This section provides a broad overview of the profiles for each of the four municipalities. The aim of these profiles is to gain an understanding of the current economic trends and socio-economic status of the area. Such an understanding will also assist with operational guidelines. The full reports are available as Annexures B-E.

3.1 Matjhabeng

The municipality consists of six towns (Welkom, Virginia, Odendaalsrus, Allanridge, Hennenman, and Ventersburg) and forms part of the Lejweleputswa District Municipality. The municipality contributes 15% of the Free State's economy, while it contains nearly 19% of the population in the province. The higher share of population compared with economic output is a reflection of the labour absorption rate in the mining industry. Despite increasing mechanisation and downscaling of mining activities, the mining sector still manages to absorb significant percentages of especially lower-skilled people. Both the economy and the population have experienced negative annual growth rates during the last decade. In the case of the economy, a decline of 3.4% per annum was recorded for the period 1996-2004. Mining still (2004) contributes to over one-third of the economy, but because of a decline of -8% per annum, the percentage dropped from more than 50% in 1996, to approximately 34% in 2004. This decline in mining has also impacted negatively on the manufacturing sector, which experienced a decline of 2.1% per annum between 1996 and 2004. Sectors which grew significantly between 1996 and 2004 were transport and finance. Table 3.1 provides an overview of the contributions of the various economic sectors in Matjhabeng.

Table 3.1: A sectoral overview of the Matjhabeng economy, 1996 – 2004 (constant prices (2000 = R1000))

Industry	1996	2000	2004	Annual Growth Rate 1996 - 2004	Contributing % 1996	Contributing % 2004
1 Agriculture	104,338	107,317	109,917	0.65%	1.2%	1.6%
2 Mining	4,680,381	2,933,941	2,364,760	-8.18%	52.2%	34.7%
3 Manufacturing	443,198	406,358	373,404	-2.12%	4.9%	5.5%
4 Electricity	123,954	86,128	71,008	-6.73%	1.4%	1.0%
5 Construction	153,265	101,793	112,282	-3.81%	1.7%	1.6%
6 Trade	936,035	889,748	997,564	0.80%	10.4%	14.6%
7 Transport	530,800	568,247	603,122	1.61%	5.9%	8.9%
8 Finance	638,999	669,400	715,961	1.43%	7.1%	10.5%
9 Community services	1,357,591	1,395,357	1,464,052	0.95%	15.1%	21.5%
Total Industries	**8,968,560**	**7,158,289**	**6,812,069**	**-3.38%**	**100%**	**100%**
Taxes less subsidies on products	543,182	457,065	478,562			
Total (Gross Domestic Product - GDP)	**9,511,741**	**7,615,355**	**7,290,631**			

<u>Implications for BSCs</u>

Two immediate implications for BSCs are evident from above overview:

- Although it is probably already too late, an extensive effort is required to create a post-mining economy. Thus business support should concentrate on supporting enterprises that could contribute effectively to the diversification of the economy in Matjhabeng.
- Concurrent with the ideal of diversifying the economy of the area, are specific opportunities to increase the current levels of local procurement.
- At the same time, the proximity of the area to Gauteng offers some opportunities. Enterprises with potential markets in Gauteng should receive special support.
- The declining mining industry has also left Matjhabeng with unused mining infrastructure, which at the moment is seen as a liability to the area. However, this could also be used as an asset.

Although the above implications provide evidence of the possible potential of the area, specific possibilities should be investigated in far more detail.

3.2 Thaba Nchu (Mangaung)

The emphasis in the profile has been on Thaba Nchu, but the economic profile of the town cannot be viewed in isolation of that of Bloemfontein and Botshabelo. Therefore, both Bloemfontein (including the township of Mangaung), Botshabelo and Thaba Nchu are considered in this profile. Mangaung contributes to approximately 21% of the economy of the Free State and holds approximately 21.5% (700 000) of the Free State's population. As for Thaba Nchu, it should be noted that it contributes to only 1.7% of the Free State's economy, while it is home to 2.8% (70 000) of the Free State's population. At the same time, Thaba Nchu contributes to only 5.5% of the economy of Mangaung, but has approximately 10% of the population.

The most dominant sector in Thaba Nchu is community services (mainly government services) in that 42.5% of the economy in this area is generated by this sector. At the same time, the economic growth rate in Thaba Nchu was slower than in Mangaung for the period 1996 – 2004. In Mangaung, an economic growth rate of 2.5% was recorded for the period 1996 – 2004, while in Thaba Nchu, the growth rate was only 1.6%. This also meant that Thaba Nchu's share of the economy in Mangaung declined from 5.9% in 1996 to 5.5% in 2004. The main reason for this decline was the fact that Thaba Nchu lost the economic "privileges" that it had under the government of Bophuthatswana. Two privileges should be mentioned. First, under apartheid rule, businesses were not required to pay VAT. This meant that products and services in Thaba Nchu were at least 14% cheaper than in Bloemfontein or Botshabelo. Second, Thaba Nchu was part of the process of industrial decentralisation. This meant that especially manufacturing industries received extraordinary government incentives to operate from the area. With the demise of apartheid regionalism in the early 1990s, these incentives also disappeared.

Sectors which have shown growth over the past decade are finance, trade, and transport. In contrast, manufacturing and construction have experienced a considerable decline. The decline in manufacturing and employment in this sector of the economy were accompanied by a considerable increase in informal employment in manufacturing. There is a small but fairly vibrant agricultural sector in Thaba Nchu – both on communal and private land. To a large degree, this sector provides agricultural products to urban Thaba Nchu. Some value-chain management has also been implemented in respect of wool farming in the communal areas, assisting wool farmers to access the wool markets more effectively. A thorough understanding of the marketing process of other agricultural products might be useful in order to examine how value-chain improvement can be done. Table 3.2 provides an overview of the sectoral contributions in Thaba Nchu and also Botshabelo and Mangaung.

Table 3.2: Sectoral contribution in percentages for Botshabelo, Bloemfontein and Mangaung, 2001 and 2004

	Area	Botshabelo	Bloemfontein	Thaba Nchu
2001	Agriculture	0.4	3.5	1.4
	Mining	0.7	0.3	0.0
	Manufacturing	12.3	7.1	8.4
	Electricity	0.4	2.5	6.5
	Construction	1.3	2.1	2.2
	Trade	18.7	15.9	32.8
	Transport	13.2	13.5	5.3
	Finance	10.5	18.0	8.8
	Community services	42.5	37.0	34.6
	Total	**100.0**	**100.0**	**100.0**
2004	Agriculture	0.4	3.1	1.3
	Mining	0.5	0.2	0.0
	Manufacturing	11.6	6.6	7.3
	Electricity	0.4	2.1	5.8
	Construction	1.1	2.0	1.9
	Trade	20.1	17.1	33.8
	Transport	12.5	13.0	4.8
	Finance	10.8	18.8	8.6
	Community services	42.5	37.0	36.5
	Total	**100.0**	**100.0**	**100.0**

Implications for BSCs

The following implications should be mentioned in respect of business support in Thaba Nchu:

- The emphasis on opening up markets should fall on markets in Bloemfontein, though not to the exclusion of the local market
- Some opportunities exist for increasing the link between the rural (agricultural) hinterland and the urban market – but should be investigated in more detail.
- Down-streaming possibilities, as well as services to the existing manufacturing sector in Botshabelo, could also be considered.

3.3 Tokologo

Of the four municipalities, Tokologo's contribution to economic output in the Free State is the smallest. Tokologo's share of the provincial economy is only 0.3%, while its share of the provincial population stands at 1%. The economy of Tokologo was fairly stagnant for the period 1996 – 2004, with a small annual decline of 0.001%. The dominant sector in this municipality is agriculture (37.9%), which contributes to more than 31.2% of economic output. This sector has also experienced some changes over the past number of years in that an increasing contribution to this sector now comes from game farming. The sectors with the highest growth for the period 1996 – 2004 were transport and community services (see Table 3.3).

Table 3.3: Sectoral change in Tokologo, 1996 - 2004

Sector	1996`	2004
Agriculture	47 (34.1%)	50 (37.9%)
Mining	7 (5.1%)	7 (5.3%)
Manufacturing	8 (5.8%)	7 (5.3%)
Electricity	2 (1.4%)	1 (0.8%)
Construction	4 (2.9%)	3 (2.3%)
Trade	13 (9.4%)	12 (9.1%)
Transport	6 (4.3%)	8 (6.1%)
Finance	11 (8%)	10 (7.6%)
Community services	40 (29%)	41 (31.2%)
TOTAL	**R138 million**	**R 138 million**

Figures represent the GVA in millions. Percentages in brackets reflect in the proportional contribution of each sector.

<u>Implications for BSCs</u>

The following implications should be noted:

- The internal markets are extremely small and most of the enterprises are in the retail business. It is advised that the majority of business support should focus on means to improve the efficiency of existing enterprises.
- As the area is fairly remote from major centres, efforts to benefit from bulk purchasing and marketing should be promoted.
- Possibilities to create small-scale contributors to the bio-fuel industry should be investigated.
- The linkages of the formal agricultural industry with these towns should be considered. These links, both in terms of markets and as skilled labour, should be investigated further.

3.4 Qwaqwa (Maluti-a-Phofung)

Although this profile provides an overview of the profile of Maluti-a-Phofung, the emphasis is on the former Qwaqwa area (Witsieshoek Magisterial District). Historically under apartheid, Qwaqwa captured the displaced urbanisation engineered by the apartheid government. This historical reality can still be seen in terms of the fact that Maluti-a-Phofung contributes to 4.3% of the Free State's economy, but holds 13% of the Free State's population. Between 1996 and 2004, the overall economic growth rate in Maluti-a-Phofung was about 0.9% per annum while it seems to have been slightly lower in the Qwaqwa area, where an annual growth rate of 0.78% was recorded.

The largest share of economic output comes from the community services sector, which contributes to approximately 46% of the economy of the area (see Table 3.4). The main reason for this was that the area had historically been the capital of the Qwaqwa homeland, while it currently hosts the majority of decentralised government departments for the Thabo Mafutsanyana District, the headquarters of the Thabo Mafutsanyana

District Municipality and also the headquarters of the Maluti-a-Phofung Local Municipality.

In addition, the areas has also been declared a node in terms of the Sustainable Integrated Rural Development Programme. It is moreover seen as a poverty pocket by the Free State provincial government, with the result that a significant proportion of the budget of the Department of Social Development's poverty relief funding is spent in the area. The sector with the second largest contribution to the economy of the area is trade followed by manufacturing. The fairly high percentage in respect of trade can be ascribed to the fact that a significant percentage of the population is dependent on remittances. The contribution of manufacturing is significant in that it is higher than the Free State percentage of approximately 7%.

Table 3.4: Sectoral economic contribution in Maluti-a-Phofung, 1996 and 2004

Sector/year	1996 (GVA in millions)	2004 (GVA in millions)	Relative % 1996	Relative % 2004
Agriculture	106,565	113,461	5	5
Mining	12,794	12,498	1	0
Manufacturing	214,456	194,467	10	8
Electricity	135,320	113,637	6	5
Construction	86,760	71,071	4	3
Trade	326, 447	411,215	15	17
Transport	112,569	135,208	5	6
Finance	171,722	229,215	8	10
Community services	1,036,082	1,093,986	0.68	47.0
TOTAL	2,202,715	2,374,755	100	**100**

According to the Free State Growth and Development Strategy, the Eastern Free State, in which Maluti-a-Phofung is located, is the main tourism venue in the Free State. Obviously, opportunities exist to produce products for this market and to cluster enterprises in this cluster.

<u>Implications for BSCs</u>
A number of implications should be mentioned in respect of BSCs in Maluti-a-Phofung:

- There is a significant market in the areas – even though it consists of lower-income households. Therefore, improving the business efficiency of enterprises in the retail sector might also be appropriate in this area.
- The links between the established manufacturing industry and local enterprises should be enhanced. These links could be fostered in terms of the services industry (security, maintenance, etc) or in terms of production chains. The latter could be more difficult to obtain.
- A programme for small-scale manufacturers has been introduced by the Free State Development Corporation.

- Linking with the existing tourism industry should also be considered.
- As a significant number of emerging farmers are located in this area, developing business links with the existing markets in and beyond the area should more specifically be investigated

4. Emerging enterprises: An overview

4.1 Introduction

The section aims to identify crucial aspects in relation to the study conducted under emerging black enterprises. Most of these enterprises were in the informal economy. However, a few formal black owned enterprises were also interviewed. Approximately 200 questionnaires were completed across the four municipalities (the questionnaire that was used forms part of the detailed report – Annexure B). The results of the study show indicate an overall and definite need for assistance and/or support to the informal (emerging) business sector not only in the four research areas, but also in the Free State as a whole. This support is vital for the sustainable development of the informal business sector to create more and bigger formal businesses that can contribute to the economy and create more job opportunities. The assistance or support must be completed in a structured system able to manage and co-ordinate the different actions to help businesses in a more effective and efficient manner with their inputs so as ultimately to broaden the output in terms of growth, job creation, and economic contribution in general. This section firstly considers the main findings and then turns to the implications for each of the programme outcomes.

4.2 Main findings

The main findings from the survey, which should be borne in mind are:

- Most (75%) of the entrepreneurs start their enterprises as because only limited alternatives are available. The result of this reality is that many entrepreneurs do not have the basic required business skills.
- The majority of enterprises are in the local retail market. There are only a few niche entrepreneurial enterprises (a list of such enterprises is attached as Annexure A1). This list can be used effectively to market some of the programmes available.
- Only 6% of enterprises that were interviewed indicated that they had previously received government contracts.
- The fact that 58% of the entrepreneurs are males is significant. Previous research in the Free State suggested that, in comparison with the rest of South Africa, this is a fairly high percentage as, in other parts of the country, the informal / emerging economy has to date been characterised by women entrepreneurs. It is only in Tokologo where significantly larger percentages of female entrepreneurs are found.
- Approximately 50% of all enterprise owners/managers have at least a Grade 12 qualification.
- Overall, business turnover is small. More than 55% of the enterprises recorded a business turnover of less than R2000 per month.
- Forty (40) percent of all enterprises interviewed indicated that they have employees. The average number of people working in this section of enterprises

increased from 3.1 employees per enterprise at start-up, to 3.5 in 2006. Although representing a small increase, these figures suggest that some employment growth does take place in this regard.

- The most significant reasons for not employing more staff members, except for not being able to afford more staff, were the lack of skilled staff and the fact that the enterprise owners mentioned that their premises were too small.
- It seems that between 15% and 25% of all enterprises have some growth potential in that they show significant turnover, have consecutive months of turnover, have tested and sold a prototype of a product or service, and have established some kind of legal business entity.
- The level of formalisation varies markedly between the different enterprises as 55% have fixed premises, 76% have bank accounts, 73% have water, 81% have electricity, and 68% have been registered for VAT. Yet, only 31% have some life insurance, 7% are registered for workmen's compensation insurance, and 10% are registered for unemployment.
- The following pull factors to start an enterprise have been identified: independence; achievement; recognition; personal development; personal wealth/ making a profit.
- Push factors mentioned during the interviews are: unemployment; lack of job security; disagreement with management; do not fit into organisation; no other alternative to keep the household going.
- Slightly more than 50% of entrepreneurs had been operating for fewer than five years. This suggests that half the enterprises still probably require effective support.
- Interestingly enough, nearly 87% of enterprises had used their owner's/manager's own savings as start-up capital, 7% borrowed from friends and family, while 6% used micro loans. The role of micro loans in Maluti-a-Phofung is significant larger, at about 15%.
- Fifty – two (52) percent of the enterprises had recorded an increase in business profit during the last year.
- Foreign competition was labelled as a specific concern in respect of future growth.
- Approximately 67% of entrepreneurs had previously asked for help/advice from someone. Nearly 75% of these entrepreneurs had requested help from family or fiends. A further 27% asked the Free State Development Corporation, 4.5% asked DTI, and 3% asked business partners. The high percentage of assistance requested from the Free State Development Corporation should be attributed to the fact that the Free State Development Corporation has offices in Botshabelo and Maluti-a-Phofung.
- Just more than 50% of the enterprises considered financial assistance to be their most pressing supporting need.
- More than 80% of respondents indicated that they required training on a range of aspects. This varies from bookkeeping to marketing, managing taxes, and general management. Significant, however, is the fact that 51% rated their ability to manage taxes as poor, while 41% required human resource management training, and one-third said their cash-flow planning was poor.

- Nearly 80% suggested that they would want to receive mentoring. The three most important aspects requiring mentoring were marketing, management, and financial management.
- Nearly 71% of all enterprises had tendered for government contracts in the past, while only 6% had been successful.

4.3 Implications for opening-up markets

Considering that most of the businesses in the various areas had been established on locally driven needs (there are only a few niche entrepreneurial businesses), it is important that BSCs should assist enterprises to think beyond their current locations and secure markets elsewhere. This section attempts to discuss the implications of this survey for opening up markets to these enterprises.

General notes

The following general points should be noted in respect of opening markets:

- Although some attention could be devoted to enterprises that are locally dependent, extensive support should be focused on supporting enterprises that produce products or provide services for markets beyond their current location (especially the export market).
- In practical terms, this means that extra effort should be made to support enterprises and entrepreneurs whose markets or potential markets are beyond their current locations. Not only should market information be available, but specific business advice to manage such expansions beyond the local market should be considered.
- BSCs must support any initiatives by private entrepreneurs to establish manufacturing businesses in all areas, but especially in Matjhabeng where the survey did not reflect any specific manufacturing enterprises.
- Basic market information and access to websites with such relevant information should be a priority. The business support centre must create a marketing network and data base to support new businesses in developing new markets beyond the areas where the products are being produced.
- There are a few existing businesses that have the potential to market their products nationally and internationally, and the BSCs must rate them on a matrix in respect of the following:

Business name: Example: Maluti Bags

Criteria	Weight	Low	-	-	-	-	-	-	-	-	High	W*x R*
Unique products/services	**10**	1	2	3	4	5	6	***7***	8	9	10	**70**
Growth potential	**15**	1	2	3	4	5	6	7	***8***	9	10	**120**
Job creation	**20**	1	2	3	4	5	6	7	8	***9***	10	**180**
Market potential	**15**	1	2	3	4	5	6	7	***8***	9	10	**120**
Operational aspects	**10**	10	9	8	***7***	6	5	4	3	2	1	**70**
Skills qualification	**5**	10	9	8	7	***6***	5	4	3	2	1	**30**
Risk	**15**	10	9	8	7	6	***5***	4	3	2	1	**75**
Amount of capital needed	**10**	10	9	8	7	6	***5***	4	3	2	1	**50**
Total	**100**											**715**

W* - Weight for each criteria

R* - Rating for each criteria for the specific business from a low (1) to a high (10)

- The following are some important aspects to be taken into account in creating the matrix:
  - The chosen criteria can be those criteria that the BSCs considers to be the most important criteria for a specific region to help with development and growth, and to contribute to the environment.
  - The same criteria must be used in a specific region for all the evaluations.
  - The weight is the importance of each one of the criteria in respect of a specific region and can be changed from region to region.
  - The rating (from low to high) is the assessment/evaluation of the criteria for a specific business.
  - The last column is the weight multiplied by the rating ultimately to arrive at a business a grand total for each business. The higher the grand total, the more favorably does a specific business comply with the set criteria.

Local procurement: Public sector

As local public sector procurement also has market implications, the following comments must be made:

- A specific effort could be made to ensure that all public sector tenders are made available at a central point at all BSCs. These should be systemised in terms of both type and location in the Free State / South Africa. Information on the various forms of public procurement should be available. Specific issues to be considered are information on provincial tenders, registering people on the rotation procurement systems of some departments, and registering small enterprises on the "requests for quotes" systems of some departments (small repairs, catering, etc.)
- In addition, the BSCs should be in a position to assist the emerging enterprises with tax clearance certificates, registration forms for the registration of construction contractors, etc.
- It should also be recognised that many public procurement transactions take place by means of providing quotes. This reality has the implication that BSCs should

have a list of the contact details of all public sector institutions in the respective areas.

- A tendering help desk could also be useful. Staff should make sure that they are equipped to play a role in this regard. However, the nature of this help should still be operationalised. A concern is that the BSC should not take over the responsibility of tender but rather provide some guidelines for the entrepreneur to follow.
- BSCs can play a vital role in coordinating the tendering process. For example, all suitable contracts can be channelled through the BSCs and these can then provide two or more businesses able to deliver the products/services for the contract.
- At the same time, government departments have various poverty reduction programmes. Many of these programmes operate from a supply-driven approach. For example, the emphasis is on seed funding for some form of production. BSCs should provide extensive business support to such programmes – especially in respect of marketing advice.

Local procurement: private sector

The local procurement systems of larger enterprises should also be investigated. A system should be put in place to capture the potential of these and link them to the BEE score cards. In Matjhabeng the specific link with the mining industry should be operationalised. Private procurement in respect of household services should also be considered. The report will reflect on this opportunity later in the document.

The role of associations

Business effectiveness and access to markets are dependent on the efficiency with which enterprises manage to access markets and inputs. Cheaper access might mean an increase in profits and could lead to an increase in investment in the enterprise. The results of the survey suggest that attention should be devoted to the following aspects:

- It is advised that business support centres act as logistical information centres to assist enterprises to share transport.
- Interestingly enough, 56% of entrepreneurs are already making use of bulk purchasing. One of the reasons for not making use of bulk purchasing relates to transport problems; only 3% of enterprises have their own vehicles. This confirms the need, especially in Tokologo and perhaps in Thaba Nchu, for an association/s which could help with bargaining for bulk purchasing, as well as for the sharing of resources. Business support centers could coordinate the transport for businesses to establish a transport network to and from the various areas.
- Many respondents need a venue or site to do business from, or on which to expand their business. The BSCs, through their links with the various local governments, could play a significant facilitative role in this respect.
- The survey indicates that Maluti-A-Phofung and Mangaung have sufficient sites and venues available, in the short term, to accommodate new or growing businesses. Yet, Matjhabeng and Tokologo are experiencing some problems in respect of available sites.
- The research indicates that business people did/do tender for government contracts. However, only 6% actually received contracts because many businesses

do not have the capacity to supply sufficient goods or services for the contract. All support from government to small businesses must be channelled through the business support centres. At a certain level the BSCs could, from a business risk point of view, play an important role towards minimising such risks for government departments by ensuring the financial viability of tenders or projects.

Maluti-a-Phofung
The survey indicated that some consideration could be given to the fact that new business development in Maluti-A-Phofung should support enterprises making handcraft products and delivering services related to the tourism market in the Eastern Free State (Clarens/Golden Gate) and KwaZulu-Natal (Drakensberg areas), as well as the central Free State and the Eastern Cape. As already mentioned, a more specific effort should be made to link local enterprises with to the manufacturing industry in the areas.

Matjhabeng
The emphasis in Matjhabeng should be on the mining sector for unique products/services in order to increase the levels of local procurement. The role of the BSC should also be to ensure that quality is not compromised through local procurement systems. At the same time, existing and future contractors to mines should also consider mines situated in other parts of the country. The BSC in Matjhabeng should also ensure that information is available concerning new mining activities in the rest of the country. Specific examples are new iron ore mining initiatives and uranium mines.

Tokologo
The BSC in Tokologo should assist entrepreneurs to consider markets in the Northern Cape. Furthermore, business associations that promote bulk purchasing might be extremely relevant in Tokologo where the lowest percentage of local purchasing was recorded. The fact that Tokologo is far from markets and business inputs was also identified as a major disadvantage for the enterprises. At the same stage enterprises should consider their link with the agricultural industry in the area.

Thaba Nchu
Thaba Nchu- and Botshabelo-based enterprises should also (where possible) make use of bulk purchasing and marketing. The links with the Agricultural industry (mainly black farmers) should also be expanded.

4.4 Implications for business training and mentoring

The second component of the business plan is related to extensive training and mentoring. The following should be noted in respect of these two aspects.

Training
From the results of the baseline surveys, the following operational suggestions are made in respect of the importance of training.

- It seems that business training on various aspects can play a crucial role in respect of shaping entrepreneurs, since the survey results showed that 45% of entrepreneurs were younger than 35 years. Such training should, however, be directed at improving business performance.

- The results also reflected a significant interest in a range of training possibilities.
- It is suggested that an annual training programme be developed. These could include a range of topics repeated on a monthly basis.
- According to the survey results, the most prominent skills training required are:
    - *financial management;*
    - *cash-flow planning; and*
    - *tax management.*
- The survey also indicated that many entrepreneurs are not aware of existing government support programmes. Against this background BSCs should put a simple structure in place to link up business owners with these support programmes (SEDA, FDC, DTI, etc.).
- Although 90% of the training in this programme should be business related, some attention could be devoted to programmes that provide soft skills to employees (for example, customer care).

<u>Mentoring</u>

Mentoring forms an integral part of the project plan. The survey shows that existing business people expressed a need for mentoring in the following areas:

- *marketing*
- *management*
- *financial management*
- *some technical skills*

Mentoring in respect of technical skills might be difficult at the enterprise level. Yet, internships for those who have received technical training should be considered.

<u>Tokologo</u>

In Tokologo, specific emphasis should be placed on female enterprises and attention should be devoted to linking existing female enterprises with the national organisations of women in business.

<u>Maluti-a-Phofung</u>

A specific emphasis on training youth entrepreneurs is needed in that nearly 44% of the owners of enterprises interviewed in this area were younger than 35 years. This is further supported by the fact that the overall educational status of entrepreneurs in Maluti-a-Phofung is the highest.

<u>Matjhabeng</u>

A specific emphasis on the training of youth entrepreneurs is needed: nearly 45% of the enterprise owners interviewed in this area were younger than 35 years.

4.5 Implications for technical training and placements / mediation

The lack of appropriate skills (general business skills) was identified by existing owners of enterprises as a reason why new appointments were not easily made. In our opinion, this mainly refers to a lack of skills in respect of customer care. A basic training programme should be made available to enhance both customer care and basic soft skills.

4.6 Implications for general business support

The original plan was developed with the aim of providing mainstream business support. In addition to the development of basic business plans and business advice, the following aspects should be considered:

- Too many enterprises function as sole proprietorships. Although this might be an appropriate model for micro enterprises, it makes future expansion difficult. Therefore, basic information on how to establish a CC or company should be available. In principle, these enterprises should be helped with the registration process or be linked to private service providers in this respect.
- In addition, basic tax advice should also form part of the overall support.
- Business support centres must help people with information on how to register for:
    - *life insurance;*
    - *business insurance;*
    - *workmen's compensation insurance;*
    - *unemployment insurance; and*
    - *other related registrations applicable to doing business.*

5. Established enterprises: An overview

Interviews were conducted with 229 formal enterprises (the questionnaire that was used is part of the detailed report in this respect – see Annexure C). In Tokologo, 25 interviews were conducted and the remainder of the interviews were more or less equally spread among the three other municipalities. Most of the interviews were conducted in the retail and wholesale sector. In contrast with the emerging enterprises, where approximately 50% of the enterprises were younger than five years, only about one in every four enterprises was younger than five years. The difference between formal and emerging enterprises is also visible in terms of the legal entities used for these enterprises. In the case of formal enterprises, only 10% were managed in terms of sole proprietorship. The interviews with established enterprises have the following objectives:

- to gain an understanding of the outsourcing potential for services which could inform BSCs in terms of what type of sectors they could potentially support; and
- to gain an understanding of the training needs of formal enterprises in respect of their lower-skilled workers.

5.1 Overview of the main findings

The following main findings from the interviews with established enterprises should be noted:

- Overall, enterprises had already outsourced many of the services or very few enterprises showed an interest in outsourcing was. Only between 13% and 28% of the enterprises indicated that they would like to outsource certain services. The biggest demand for outsourcing was recorded for maintaining premises (28%), followed by courier services (24%), staff clothing (23%), and security (23%).

- The main reasons indicated for not procuring services locally were that services were not available locally; company policy; and, the significant role played by price.
- A significant percentage of enterprises suggested that they were procuring from BEE companies. In Mangaung, 54% indicated that they did procure from BEE companies; in Maluti-a-Phofung the percentage was 49%, and in Matjhabeng it was 33%.
- Overall, enterprises are to a large extent satisfied with their current staff. In Maluti-a-Phofung, 2% of the respondents felt that the skills of their employees were low. The figure for Mangaung was 24%, 5% for Matjhabeng, and 17% for Tokologo. However, if the percentages of respondents who indicated medium skills levels are included, the percentages are significantly higher.
- The formal enterprises have indicated that they would prefer training on tendering procedures, BEE compliance, corporate social investment, and general training opportunities.
- To the question as to whether they would act as mentors, more than half of the respondents indicated their willingness in this regard (a list of potential mentors is attached as Annexure A2).

5.2 Implications for opening markets

Considering the implications for opening markets, the following should be noted:

- A need exists for a list of formal enterprises requiring outsourced services and of the type of services required.
- The biggest demand for outsourcing was recorded for the maintenance of premises (28%). This was followed by courier services (24%), staff clothing (23%), and security (23%). Business ventures considering such outsourced opportunities should receive urgent support.

<u>Matjhabeng</u>

In Matjhabeng, a specific need exists for technical repairs in the enterprises. Overall, the need suggests some scope for manufacturing in the area.

<u>Maluti-a-Phofung</u>

The largest markets for outsourcing in this area are in the fields of cleaning, gardening, and maintenance of premises. A specific possibility exists for increasing the level of local procurement in this area, as more than 44% of formal companies indicated that they were outsourcing their services or products from outside the province. Obviously, local procurement should at least maintain the same levels of quality. Approximately 40% of enterprises suggested that they did not procure locally because the services were not available locally.

<u>Mangaung and Thaba Nchu</u>

The percentage of companies in Mangaung considering outsourcing is considerably smaller than in the other areas. This probably reflects the fact that enterprises in the area are fairly well established. The largest need for outsourcing was recorded in security (10%) and courier services (15%). A significant percentage of enterprises in Mangaung

(77%) indicated that they were outsourcing to local companies. Overall, this suggests that the market for outsourced services in Mangaung is small – at least in comparison with that in the other areas.

Matjhabeng

The biggest need for outsourcing in Matjhabeng is in terms of technical or manufacturing support. Only 9% of the enterprises were outsourcing to enterprises beyond the Free State, while only 14% outsourced services/products to outside of Matjhabeng.

Tokologo:

In Tokologo, 75% of outsourcing was done to areas outside the municipality. However, it is unlikely that sufficient capacity currently exists in the area to counter this trend.

5.3 Implications for training and mentoring

The established enterprises identified the need for enterprises to receive soft skills (e.g. customer care) as the main training need for lower-income employees. This was followed by skills for customer care, computer skills, technical skills, and the skill of selling and marketing. It is an open question as to whether the BSCs should in any significant way be involved in training staff for established enterprises. If such training is considered, these enterprises should surely pay for it. The two exceptions in this regard are the possible training in respect of customer care and maybe some training on BEE compliance. In general, these services could be effectively outsourced. Overall, there seems to a significant percentage of owners/enterprise managers who are willing to perform a mentoring role for emerging enterprises (a list of potential mentors is attached as Annexure A2). In addition to these services, the BSCs could also help smaller enterprises in accessing the skills development fund – especially if they do have relevant packages available.

5.4 Implications for placements and technical training

The emphasis on technical training for machine repairs was noted in especially Matjhabeng. However, overall, it seems that enterprises themselves ensure that the technical skills of their staff are attended to. A summary of the technical training needs is provided in Annexure A3).

6. Household service: An overview

The survey in respect of household services was conducted with three outcomes in mind. First, it should provide an indication of the size of the private market in respect of such services – also of the comparative sizes of the markets. Second, it should also provide some guidelines in respect of the type of technical training the BSC should facilitate. Third, it should also provide an indication of the need for social services, which could be aligned with the existing social economy and the existing social services.

6.1 Main findings

The main findings for this survey are reflected below in Table 6.1.

Table 6.1: An overview of the demand for household services

Service	Tokologo		Mangaung		Maluti-a-Phofung		Matjhabeng	
	Training demand	Market size	Demand	Market size	Demand	Market size	Demand	Market size
Number of households		2 053		60 831		35 654		20 562
Care for the elderly	33 (Low)	R1m (Low)	142 (High)	R67m (High)	0 (Low)	R0.1m (Low)	273 (High)	R10m (Med)
Child care	56	R0.3m	224	R71m	25	R0.6m	0	R18m
Care for the disabled	0	R005m	0	R18m	19	R1.1m	0	R0.3m
Care for the sick	23	R0.1m	252	R34m	0	R0.05m	0	0
Domestic household services	53	R7m	4500	R400m	9	R16m	9700	R152m
Gardening services	51	R5m	3600	R213m	45	R4m	1500	R75m
Building maintenance	41	R6	2600	R390m	6	R0.01m	1000	R153m
Courier / delivery services	5	R0.3m	1200	R10m	0	R0.2m	925	R4m
Electrical work	9	R0.9m	1200	R71	0	R1.3m	400	R8m
Construction	15	R0.5	1200	R361m	0	R0.4m	1100	R50m
Household catering services	0	R0.5	900	R355m	0	0	0	R11.9m
Transport in household	9	R0.6m	700	R83m	345	R26m	461	R12m
Car maintenance	33	R5m	1380	R156m	0	R14m	900	R63m
Appliance repairs	13	R0.5	1800	R29m	0	R4.6m	863	R7m
Security	2	0	224	R24m	0	R4.8m	350	R17m
Pet care	0	R0.2m	250	R22m	0	0	160	R7m
Furniture repair	6	R0.3	0	R12	0	R3	0	R0.3m
Sewing	2	R0.5	0	R131m	8	R16m	158	R16m

The following points should be made regarding the table above:

- The training demand indicates the number of households likely to make use of a specific service and does not necessarily mean that so many people should be trained in this regard. The number of people to be trained depends on the nature of the service. In fact, in many cases the figure should be significantly lower

- Market size reflects the total market size for a specific service. This market size was determined by considering the demand for training, the average amount that people spend on the service, as well the percentage of people who will make use of BSC as an agency through which to procure such services

The main findings from the above table for household services are:

- The need for adequately trained domestic workers, garden services, and house maintenance seems to be extremely high.
- Annexure A3 provides a full outline of the type of training required in each of the specific venues.

The survey also investigated the demand for training in these services amongst lower-income households. The principal idea is to see to what degree the current social service organisations can be supported to perform better social services. The following main finding should be noted (see also Annexure A3 for the summary of notes in this respect):

- The market size for most of the services in the four municipalities is small. Despite there being a significant need, the ability to pay for such services is limited. This means that the emphasis for such services should be on social service organisations. Attention could be devoted to the technical skills involved in providing such a service and also to various aspects of governance and management in this sector (see section on social service organisations).

6.2 Opening markets

The following should be noted regarding the implications of the above data for opening markets:

- The following enterprises in Thaba Nchu (Mangaung) and Matjhabeng should be supported: car maintenance and appliance maintenance, construction and house maintenance, and electrical services. The emphasis should be on new ventures and supporting existing enterprises in this regard.
- The available markets for the services considered in the baseline study in Tokologo and Maluti-a-Phofung (with the exception of transport services in this municipality) are limited. However, in Maluti-a-Phofung consideration should be given to links with established enterprises – specifically in the manufacturing sector.

6.3 Placements and technical training

Annexure A3 provides an overview of the market (the free market) and the demand for training (social services) in the four municipalities.

6.4 The social economy and social services organisation

Although the social economy in Flanders is fairly well developed and much more individualisd, certain similarities do exist. The main similarity is that people provide some kind of social services to the benefit of the wider community at the cost of the state. In Flanders the social economy is mainly used to retrain people who have lost their employment. In contrast, the emphasis in the South African social economy has mainly been on providing a social service to those in need of such services (e.g. home-based care to the sick). The important lesson to be learned from Flanders is that the social economy, as managed by social service organisations in South Africa, could also assist in providing an environment in which people who are unemployed could obtain basic skills. The obtaining of these basic skills should then (as is currently the case) provide basic social services to people in need.

The above results suggest that there is a considerable need amongst lower-income households for social service organisations focusing on child care, care for the elderly, and care for the sick. The detailed needs per municipal area are recorded in Annexure A3. The training of people in these basic skills should also be coupled with life skills in order to assist people to access the formal labour market.

7. Social economy and social service organisations: an overview

The interviews in respect of the social service organisations have two aims. First, the project plan suggests that outreach programmes for BSCs should be to social service organisations. Second, because of to the low skills levels associated with this sector, the demand for the services provided by this sector, and the potential role of this sector in terms of the project plan (social economy), a number of conclusions can be drawn in this regard. Overall, 50 organisations were interviewed (the questionnaire is attached to the detailed report – Annexure H).

7.1 Main findings

The following main findings should be noted regarding these interviews:

- Most majority of the organisations are dependent on one single donor for the bulk of their income and do not use entrepreneurial approaches. Wherever they are used, these approaches contribute to only a small percentage of their income. Government funding seems to be the single most important mechanism of funding for these organisations.
- Nearly 50% of the organizations have fewer than 10 staff members.
- Approximately 75% of the organisations have budgets of less than R500 000 per annum.
- Nearly 70% are registered as NPOs, 30% are registered as public benefit organisations at SARS, and 30% receive tax exemption from SARS.
- 84% of organisations are partly registered or not registered at all for payroll taxes, UIF and WCA.
- When the respondents rated their own financial management system components, they indicated a substantial need. This was followed by the overwhelming majority of respondents stating that they had the specific components in place in their organizations, while an equally overwhelming majority stated the need for continued support by the organisations.
- Overall, financial management seems to be the biggest need identified by this sector.

7.2 Operational implications

It is the opinion of the researcher that the respondents, are generally driven by the needs of the communities in which they operate and not by pursuing profits, as may be said for most SMMEs (formal and informal) and individuals. This will typically imply caring and well-trained personnel (in the execution of the main needs of the respondents).

It is suggested that business support centres should offer generic and holistic advice and support ("start-up packages" and priority lists) to social service organisations, specifically linked to:

- formalisation and statutory compliance
- general management, including strategy dynamics, and sustainability planning and measurement
- branding, marketing, and entrepreneurship.
- fund raising
- drafting business plans

8. Operational guidelines

Two factors should are considered in this section. First, the indicators as set out in the original business plan are considered. Second, a number of proposals are made in respect of the M&E system.

8.1 Considering the current indicators

The terms of reference for this exercise require baseline comments to be made in respect of the existing indicators in the project plan.

Outcome 1: Extensive and continuous training and longer-term mentoring are available to SMMEs and individuals

- A specific training and mentoring facilitator must be appointed and functional per BSC.
- At least 10 training courses must be provided for at least three different professions per centre, per month.
- At least R2 million rand must sourced for training from various government and private institutions per annum.
- At least R100 000 of fees must be sourced from the private sector for training per centre, per annum (In Tokologo and Thaba Nchu, the amount is R50 000).
- Training and mentoring must be continuous and interactive i.e. (they must permanently inform each other in respect of improvements).
- Intense mentoring during 12 months after training for at least 10 selected SMMEs must be provided annually in each of the BSCs (Tokologo at least 5).
- Training must be comprehensive: covering entrepreneurial, technical, as well as social and generic skills (e.g. IT).
- Training and mentoring programmes must actively support the market links (see RA 2) and also the placement opportunities (RA 3).
- The BSCs must develop a policy to comply with the criteria of the Free State Provincial Government of 60% women, 40% disabled, and 30% youth (with a specific focus on abused women).
- At least 10 training modules must be developed and implemented per annum (could be provided by external service providers).

Three comments should be made in respect of the above. First, clarity regarding indicator 2. Depending on available resources and the possible contract with The Business Place

(TBP), this might have to be reconsidered. Second, criteria in respect of the disabled might be difficult to achieve. At the operational level, the training should be coordinated with that in Matjhabeng.

Outcome 2: (Improved) market access is facilitated/improved for individuals and SMMEs.

- A specific market facilitator must be appointed and functional per BSC (In Thaba Nchu and Tokologo, this person must also perform functions in respect of Result 3 – a final decision to be based on the baseline study results).
- At least 65 market opportunities must be developed annually for at least 50 SMMEs and at least 500 individuals.
- Market opportunities must be comprehensive: private markets as well as governmental tender opportunities must be developed.
- SMMEs and individuals must be actively followed up in respect of their market approach.
- An active entry/exit self-reliance system must be developed for beehives / incubators?.
- The market opportunities must be linked to the placement databank.
- The market strategy must cover at least the province (not be linked to the 4 local municipalities).
- The BSCs must develop a policy to comply with the criteria of the Free State Provincial Government of 60% women, 40% disabled, and 30% youth (with a specific focus on abused women).

The suggestion that the market facilitator and the placement person in Thaba Nchu and Tokologo should be the same seems to be correct – considering the findings earlier in the study. Market access to 500 individuals might be overly optimistic and needs to be clarified in respect of Outcome 3. Again, the requirement in terms of disability might be too optimistic.

Outcome 3: Placements and mediation opportunities are facilitated with and for business, the public sector, and private job offers.

- A specific placement and mediation facilitator must be appointed and be functional per BSC (see remark with regard to Tokologo and Thaba Nchu in Outcome 2).
- A database per centre and its satellites must be developed and continuously updated.
- The 4 databases must be interlinked so as to cover at least the provincial boundaries.
- The provincial database must be linked to the national labour database, as well as to gender and youth unemployment databases.
- Yearly, at least 500 individual placements must be facilitated of which at least 60 % must be effective and long term.
- Active work-floor follow-up of placed individuals must be provided.
- The placements must be actively linked to the market and training/mentoring opportunities.
- At least 250 mediation interventions must also be actively followed up annually via work-floor follow-up.
- The BSCs must develop a policy to comply with the criteria of the Free State Provincial Government of 60% women, 40% disabled, and 30% youth (with a specific focus on abused women).

The requirement of 500 annual placements in year one might be overoptimistic, and could initially be scaled down and then readjusted later. Once again the requirement in terms of disability might be overoptimistic.

Outcome 4: Innovative employment and job creation methods will be actively researched and set up.

- At least 50 micro-enterprises, beehives, and initiatives in the social economy will be actively researched by the market specialist and they will form a specific focal area in the respective BSCs.
- The BSCs will act as social secretariats for micro enterprises, especially in the social economy.

Outcome 5: An effective outreach programme for the social service sector – with a specific focus on organisations working on HIV/AIDS- is functioning.

- At least 10 institutions per BSC (e.g. NGOs clinics, schools, CBOs, FBOs) must annually be assisted with regard to financial management (In Tokologo: 5).
- At least 10 schools per BSC must activate their Entrepreneurial Skills Learning Area via links with the local BSC (In Tokologo: 5).
- Specific programmes to promote entrepreneurship among women as well as social economy projects for women, youth, and the disabled must be provided.
- A link must be created with the Special Programmes Officials appointed at the Premier's Office (Women, Children, Gender) or at the respective Departments in the Free State.
- The existing databases (e.g. with regard to training and job creation for women and training/navigation for unemployed youth) of the FSYC must be integrated.

A closer relationship is perhaps required between this outcome and Outcome 3 than was has initially envisaged.

An appropriate monitoring and evaluation system is operating and feeds into the M&E systems of the Provincial Growth and Development Strategy; it also informs other line stakeholders on the roll-out of the concept of business support centres.

- The programme manager must be selected before the starting date of the project and appointed on the starting date of the project.
- Annual result monitoring and bi-annual reporting (financial and narrative by partner) must be done.
- Mid-term evaluation must be done.
- Six-monthly field visits must be done by the Flemish follow-up agent.
- The programme follow-up must be part of a larger provincial economic evaluation scheme.
- All relevant personnel must comply with the performance agreement.
- The 3 BSCs and their satellites must hold meetings every two months for information sharing and quality improvement.
- The Programme Manager and the Centre Managers must have two-monthly meetings of the Steering Committee at the Premier's Office.
- One annual workshop at the provincial level (with national links) must be presented with an eye to informing all related Government Institutions and Departments on the progress of the integrated BSC programme, and where lessons are learned and best practices shared.

These indicators still seem to be applicable (see also comments below on M&E system).

8.2 M&E system

It is fairly difficult at present to suggest precise guidelines in respect of an M&E system because the various relationships amongst the various role players have not yet been determined. Against this background, two proposals are made. First, a broad framework should be established at the outset of the project. The initial M&E system should be an open ended one. However, the second point to be made in this regard is that the M&E system should be developed as a process during the first six months of the project. Taking into consideration the feedback on the broad system, a more specific and detailed system should be developed and maintained.

The specific indicators required to link with the Free State Growth and Development Strategy are:

- Basic information on the impact in term of job creation (either through placements or, indirectly, through business development services)

- Basic information on the demographics of people making use of the services (age, gender, population group; disability)
- Basic information on types of training provided and the number of people who attended such training (both market-driven training and also iro the social economy).
- Basic information on the names and contact details of social service organisations that were assisted, as well as the types of services provided to these organisations.

It is proposed that the initial system should be a one-page document reflecting on the following basic information:

- BSC location
- name of enterprise/individual
- size of enterprise in terms of employees
- location
- telephone number
- number of employees
- basic demographics (gender; age; race; disability)
- level of development (in operation/idea/tested)
- services required
- assistance provided
- follow-up

Considering the current envisaged role of The Business Place it is assumed that their M&E system will capture the information as required. The CDS is willing, trough their involvement (and the financial contribution of Flanders), to finalise an appropriate M&E system for the project during the first six months. At the same time the M&E system should go beyond basic monitoring also to include evaluation at two levels. The first is the opportunity for beneficiaries to reflect on the quality of the service provided. In practical terms this could mean that, in each BSC, the opportunity should exist to comment on the service that was delivered. Furthermore, all those who receive training should be able to reflect on the quality of such training. In the second place, post-service evaluation will be crucial and could in certain localities be done externally. The CDS is willing to lobby for research cluster funding at the University of the Free State in order extend the M&E programme and to create a body of knowledge in respect BSCs.

8.3 Operational framework: the way forward

The report has provided a detailed review of the findings and the suggested actions to be taken in order to guide the implementation of the programme. This section attempts to suggest crucial activities to be undertaken in the short term (three months) for each of the main results of the projects.

<u>Result 1 (Business training)</u>

It is envisaged that TBP will handle this function in totality. The TBP has extensive experience in this regard as well as a number of short learning programmes to assist micro-entrepreneurs. However, in the interim it will be advisable to develop a list of alternative business training service providers and their programmes at the local level.

Result 1: Mentoring

The following aspects should be considered in implementing the mentoring system.

- Correct identification of mentors
- Registration of mentors
- The appropriate links between those who provide mentoring and those who receive mentoring
- Appropriate M&E of the mentoring programme
- Assessing current mentoring programmes and their strengths and weaknesses (e.g. GTZ programme at the Department of Labour)
- Considering enterprises that indicated that they were willing to provide mentoring as the initial mentors.

Result 2: Opening markets

Aspects to be considered in respect of opening markets are:

- Providing information on national and provincial tenders. This information should be provided in a systematic manner.
- Providing information on how to access the roster systems of certain departments
- Providing information on where to register in order to be approached for quotes.
- Providing information on potential local government procurement opportunities
- Developing linkages with larger /more established enterprises in respect of outsourcing
- Developing appropriate linkages with Harmony
- Developing appropriate linkages between household procurement and the placements task.

The first two to three months should be used to gather appropriate information on these aspects.

Results 1 and 3: Technical training, placements and mediation

This result requires a number of immediate activities in order to make progress:

- How will the first trainees be identified (technical training and social economy)?
- Is a further mini needs assessment required to determine the levels of education of the first groups of trainees?
- Identifying currently available training programmes and service providers in areas to match the needs assessment of the target group identified in the first phase.
- Reviewing these training programmes (national as well as provincial?) and assessing "fit":
    - At whom are they currently aimed?
    - What is the level and medium of instruction?
    - What methods and materials do they use?
    - How long are the programmes? Do they assume fulltime participation? (How can they be altered to take opportunity costs for micro-enterprises into account?)
    - What is the cost per person? Where are these offered?

    - What needs to be changed for a better "fit"? Who will implement these changes?
    - What engagement with the various SETAs will be required? Will training have to be certified?
- Evolving criteria for choice of programmes and service providers, and for understanding the budgetary implications of choices. How will current programmes be assessed?
        - Examination of curricula?
        - Interviews with staff/service providers?
        - Observation of current training in situ?
- Do new materials have to be developed? At what scale? Who will do this?
- At what stage and how would placement be considered? Before the training programme? What agreements with Departments such as social welfare and health would need to be negotiated before, for example, social economy training can take place?

<u>Result 4:</u>
Except for a planner visit to Flanders, the implementation of this activity should be phased as part of year two.

<u>Result 5:</u>
The development of a list of social services organisations, their services and contact details might be an appropriate activity for the first two months.

<u>Result 6:</u>
A number of suggestions have already been made in this regard in Section 8.2.

9. Concluding comments

The report provided a summary of the detailed reports on the project. A comparative summary is available as Annexure A6. A number of concluding comments should be made:

- It is extremely important that an "institutional memory" should be created for the programme. Such an institutional memory should enable the Free State Provincial Government to take the programme beyond the initial 3-5 years and implement it appropriately elsewhere.
- Should the programme management require further detail on the specific surveys, the information is available through the CDS.

Annexure A1: A list of emerging enterprises that have achieved a degree of business success with a business turnover in excess of R8000 per month

Name	*Area*	*Address*	*Telephone number*	*Type of enterprise*
Bearing World and Transmission	Not indicated	74A McKechnie Str.	082 482 2802	Agriculture, industrial, truck
Man about tyres cc	Witsieshoek	PO Box 13899	083 532 7004	Retail: tyres, balancing, welding, painting cars
Mopalamai's Enterprice	Witsieshoek	PO Box 13457	073 780 8402	Bar
T.I. Electronics	Phuthaditjhaba	Peete St, Shop no 9	058-7133557	Retail: airtime, DSTV, TV spares, electrical appliances
Ratlou Funeral Parlour	Thaba Nchu	Station Rd A1	051-8733205	Rendering funeral services
Vovies General Dealer	Kutloanong	K/8, 7135	076 858 2486	Retail and liquor outlet
Daily Grind	Not indicated	47 Stuart St.	083 305 7143	Coffee shop
Multiserve	Not indicated	Southey St	073 620 3792	Shoe repairs, key cutting, cleaning services provider
Khiba Transport	Not indicated	Not indicated	082 747 7712	Public transport
Lewis Tuck Shop	Thaba Nchu	Zone 1, 0559	076 312 8016	Retail groceries for low-income earners
Vic's Restaurant & General Dealer	Thaba Nchu	PO Box 176	084 806 7966	Retail groceries and drinks
Mayville	Not indicated	Not indicated	None	Income-generating bakery
Mshengu Bottle Store	Tshiame B	Shop no 1, Stand no 92	073 321 0145	Liquor business
Photo First	Matjhabeng	Checkers Centre, Shop 10	058-6231419	Photo printing and digital printing
JD Clothing	Not indicated	35 Botha St	082 296 0814	Clothing retail
Boiteko General Dealer	Phuthaditjhaba	Boiketlo Village	083 719 4486	Retail: groceries and public phone provider
Cellix Phone Repair and Trading	Puthaditjhaba	Not indicated	083 967 2977	Repair of cell phones and sale of cellphone accessories
Chic Chic	Setsing	Kiosk 32	058-7136310	Retail: hair fiber, earrings, bags, cosmetics
Ultimate	Phuthaditjhaba	Naledi Mall, Shop no 6	073 247 1940	Hair salon
Linoore Ambulance Services	Not indicated	Not indicated	051-5347209	Ambulance service
Eldorado Cash Store	Thaba Nchu	Selosesha 1601	082 955 6661	Groceries
Kido's Inn	Selosesha	Unit 1, 2631	083 245 8207	Liquor and beverages
Quick Shoe Repair	Thaba Nchu	Jan van Riebeeck St., Kiosk 5/6	082 816 5852	Shoe repairs

Thakaneg Guest House	Thaba Nchu	44 Jan van Riebeeck	083 761 2061	Accommodation
Kutloanong Mini Market	Kutloanong	K4 2033	079 293 4600	Wholesale & retail
Afrique Hair Salon	Not indicated	Southey St 21	None	Service provider
Upholsetry King	Not indicated	Piet Retief St 28	058-6232835	None
Wise Buys	Not indicated	Not indicated	058-6222012	Interiors and soft furnishings
Chicco's Fast Food	Phuthaditjhaba	Not indicated	072 092 9410	Fast foods
Educare Creche	Phuthaditjhaba	Riverside 414	058-7133934	Taking care of and educating children
Katleho Child Care & Edu Centre	Beirut	861Rammokgo St	082 394 9286	Crèche
Locksmith & Jewellers	Not indicated	Not indicated	076 365 6760	Cut keys, open safes, repair watches, supply batteries.
Maqothe Building Developers		795 Riverside	083 515 5822	Designing house plans and builders
Maqothe Building Developers	Phuthaditjhaba	Riverside 795	083 515 5822	Designing house plans and builders
Phallang Supermarket	Witsieshoek	PO Box 15335	058-7894494	Retail: groceries, fast foods
Stimela Electronics CC	Not indicated	Thaele Building	083 371 6581	Radio and TV repairs
Ithepeng Phofo	Not indicated	Not indicated	082 955 1392	Selling farm products
Koena Fashion Design	Not indicated	Not indicated	076 683 1200	Sewing and selling clothes
Tshidi Glass Works	Not indicated	Not indicated	072 375 0012	Selling & fitting of glass
Bahloakoane Tavern	Thaba Nchu	Zone 3, 280	083 588 2651	Selling liquor and cold drinks
Choune Transport	Thaba Nchu	Zone3, 791	082 939 4942	Local taxi operator
Gorogang Guest House	Ga-Rapulana	PO Box 1089	084 467 8299 / 051	Accommodation and catering
Koena Fashion Design	Ratlou		076 683 1200	Sewing school uniforms and other designs
Lesia Transport	Thaba Nchu	Zone 3, 316	073 815 2010	Delivering children to school, public taxi service
Los Angels Tavern	Selosesha	756 Mocoscoa St	072 536 2926	Selling liquor & soft drinks
Moiloa Cash Store	Thaba Nchu	Zone 4, 9	083 512 8552	Sell beverages
Noo Light Tavern	Selosesha	918 Rasile St	073 609 5598	Sell liquor
Phalala Funeral Parlour	Thaba Nchu	PO Box 6832	051-8751764	Sell coffins, funeral services
TJR Fridge Repairs	Selosesha	PO Box 50	073 318 2247	Repairing electrical appliance
Coca Cola Tuck Shop	Malebogo	1136 Melingi St	072 251 4005	Grocery
Malebo Nyamma Meat Market	Not indicated	1804 Itereleng St	073 463 7732	Butchery

Annexure A2: Entrepreneurs who indicated that they were willing to act as mentors for emerging enterprises

Municipality	*Name of town*	*Tel nu*	*Name of enterprise*
Maluti-a-Phofung	Harrismith	058-6242100	Checkers Harrismith
Maluti-a-Phofung	Harrismith	058-6230030	Crazy Store
Maluti-a-Phofung	Harrismith	058-6221086	Mica (hardware)
Maluti-a-Phofung	Harrismith	058-6223644	Qwuemico (Sell chemicals)
Maluti-a-Phofung	Harrismith	058-6232312	Snip Discount Store (selling something of everything, cellphones)
Maluti-a-Phofung	Harrismith	058-6230741	Vodashop Season Star
Maluti-a-Phofung	Kestell	058-6531150	Mont Aux Sources Hotel
Maluti-a-Phofung	Puthaditjaba	058-7135379	African Life (SANCAM)
Maluti-a-Phofung	Puthaditjaba	058-7130245	Best Electric Furnishers
Maluti-a-Phofung	Puthaditjaba	058-7136183	CTM (Qwaqwa)
Maluti-a-Phofung	Puthaditjaba	058-7131562	Cashbuild H/C Qwaqwa(hardware)
Maluti-a-Phofung	Puthaditjaba	058-7136754	Chicken King
Maluti-a-Phofung	Puthaditjaba	058-7136125	Country Meat Market
Maluti-a-Phofung	Puthaditjaba	058-7133461	Elerines Holding (furniture)
Maluti-a-Phofung	Puthaditjaba	None	Head to Toe (assume clothing?)
Maluti-a-Phofung	Puthaditjaba	058-7135077	Hungry Lion Fast Food
Maluti-a-Phofung	Puthaditjaba	058-7130989	Ideals (clothing)
Maluti-a-Phofung	Puthaditjaba	058-7132089	Jabula Cosmetics
Maluti-a-Phofung	Puthaditjaba	076 918 3022	King Pie
Maluti-a-Phofung	Puthaditjaba	058-7130046	Maluti Buss Services (Transport)
Maluti-a-Phofung	Puthaditjaba	058-7135634	Moola Motor Spares
Maluti-a-Phofung	Puthaditjaba	058-7132993	Morkels
Maluti-a-Phofung	Puthaditjaba	058-7132637	Mr. Price Group Ltd (clothing retailers)
Maluti-a-Phofung	Puthaditjaba	058-7136509	OBC Chicken
Maluti-a-Phofung	Puthaditjaba	058-7130872	Pep Stores
Maluti-a-	Puthaditjaba	058-	Price & Pride Furniture

Phofung		7130295	
Maluti-a-Phofung	Puthaditjaba	058-7131655	Qwaqwa Hardware
Maluti-a-Phofung	Puthaditjaba	058-7135876	Qwaqwa Buy & Build
Maluti-a-Phofung	Puthaditjaba	058-7183500	Qwaqwa Garage
Maluti-a-Phofung	Puthaditjaba	058-7181881	Shoprite Checkers
Maluti-a-Phofung	Puthaditjaba	058-7135283	Starlight Motors (filling station)
Maluti-a-Phofung	Puthaditjaba	058-7130574	Torro (Refrigeration + electical spares + airconditioning)
Maluti-a-Phofung	Puthaditjaba	078-3549818	Total Garage
Maluti-a-Phofung	Puthaditjaba	083 594 8347	Touch Tone (Sell herbs)
Maluti-a-Phofung	Puthaditjaba	058-7132589	Town Talk
Maluti-a-Phofung	Puthaditjaba	058-7133155	Town Talk Furnishers
Maluti-a-Phofung	Puthaditjaba	058-7131066	Webber's (clothing)
Mangaung	Bloemfontein / Mangaung	051-4333501	A&R Transport
Mangaung	Bloemfontein / Mangaung	051-4308883	Airflow Compressors
Mangaung	Bloemfontein / Mangaung	051-4301556	Allegro Glass & Aluminium
Mangaung	Bloemfontein / Mangaung	051-4082211	Bains Groef
Mangaung	Bloemfontein / Mangaung	051-4489401	Barlow World Nissan
Mangaung	Bloemfontein / Mangaung	051-4302187	Battery Centre
Mangaung	Bloemfontein / Mangaung	051-4363773	Bayswater Motors
Mangaung	Bloemfontein / Mangaung	051-5656916	Beautiful Homes (building)
Mangaung	Bloemfontein / Mangaung	051-4446755	Bernina
Mangaung	Bloemfontein / Mangaung	051-4306060	Best Electrical Services cc
Mangaung	Bloemfontein / Mangaung	051-4487885	Bfn. Auto Body Repairs (panel beating)
Mangaung	Bloemfontein / Mangaung	051-4485401	Bfn. Turbos & Auto Electrical
Mangaung	Bloemfontein / Mangaung	051-4306261	Bloemfontein Fashion Academy- education
Mangaung	Bloemfontein / Mangaung	051-4321800	Bowen & Sons (roller shutter doors)
Mangaung	Bloemfontein / Mangaung	051-4445742	CTU Training Solutions- education
Mangaung	Bloemfontein /	051-	Cambell's Hair Design

	Mangaung	4369260	
Mangaung	Bloemfontein / Mangaung	051-4070883	Chas Everitt (estate agents)
Mangaung	Bloemfontein / Mangaung	082 782 7433	Climatech Refrigeration & Airconditioning
Mangaung	Bloemfontein / Mangaung	051-4480999	Computer software & cash register services(retail and repairs)
Mangaung	Bloemfontein / Mangaung	051-4480422	Cycle World
Mangaung	Bloemfontein / Mangaung	051-4471401	De Waal & Nortje Landmeters
Mangaung	Bloemfontein / Mangaung	051-400	Defy Appliances
Mangaung	Bloemfontein / Mangaung	051-4322766	Diamond Express (courier)
Mangaung	Bloemfontein / Mangaung	051-4224906	Elize Cogle- education
Mangaung	Bloemfontein / Mangaung	051-4484363	Fruit & Veg City
Mangaung	Bloemfontein / Mangaung	051-4470994	Granite 4 Life
Mangaung	Bloemfontein / Mangaung	051-4333033	JJ Myburg Rekenmeesters
Mangaung	Bloemfontein / Mangaung	051-4334809	Jet Golf Driving Range
Mangaung	Bloemfontein / Mangaung	051-4489690	Louw's Motors (Vehicle Service)
Mangaung	Bloemfontein / Mangaung	051-4463347	Nicholene de Klerk Speech Therapist
Mangaung	Bloemfontein / Mangaung	051-4440426	The Body Shop
Mangaung	Bloemfontein / Mangaung	051-4482581	Van Coppenhagen Attorneys
Mangaung	Botshabelo	082 575 6583	IPS Free State (security services)
Mangaung	Botshabelo	051-5341439	Slanganyene Tyres
Mangaung	Mangaung-Other	051-9639200	Awimbaweh Holiday Resort & Conference Centre
Mangaung	Thaba Nchu	051-8732151	Premier Foods (Manufacturing food in Thaba Nchu)
Mangaung	Thaba Nchu	051-8732993	Seloshesha Library
Matjhabeng	Odendaalsrus	057-3543646	Allens Plumbers
Matjhabeng	Odendaalsrus	057-3982857	Building Wholesaler (selling building material)
Matjhabeng	Odendaalsrus	057-3542135	Dendres Engineering
Matjhabeng	Odendaalsrus	057-3611300	Midi Butchery
Matjhabeng	Odendaalsrus	057-3982665	OD Hardware
Matjhabeng	Odendaalsrus	057-	OD Petrol & Diesel Repair

		3981622	
Matjhabeng	Odendaalsrus	057-3918000	Phakisa Major Sports & Events (race track)
Matjhabeng	Odendaalsrus	057-3982871	SS Secondhand General Dealer (furniture)
Matjhabeng	Virginia	057-2122606	Ajax armature winders (scrap metal place)
Matjhabeng	Virginia	057-2122887	Boer & Brit Guest House
Matjhabeng	Virginia	057-2125146	Liquor Den
Matjhabeng	Virginia	057-2152821	Meloding Funeral Service
Matjhabeng	Virginia	057-2128368	Monate Supermarket
Matjhabeng	Virginia	057-2126677	Ultima Hydraulics & Engineering
Matjhabeng	Welkom	057-3921819	Acer Steel Construction
Matjhabeng	Welkom	057-3558080	Baplutling Funeral Service
Matjhabeng	Welkom	057-3882481	Barnies Construction
Matjhabeng	Welkom	057-3965506	Bez Scrap Metal (recycling)
Matjhabeng	Welkom	057-3525279	Comp Mania (it sales)
Matjhabeng	Welkom	057-3526087	Constantia Estate Guest House
Matjhabeng	Welkom	057-3523113	Devine Signs (manufacturing)
Matjhabeng	Welkom	057-3532268	Electro Supervision
Matjhabeng	Welkom	057-3524841	Fedon International (brokers)
Matjhabeng	Welkom	057-3885665	GNG Wholesale Coffins (sell coffins)
Matjhabeng	Welkom	057-3525371	John Williams Motors
Matjhabeng	Welkom	057-3553189	Mastec Construction
Matjhabeng	Welkom	057-3552306	Mofomo Construction
Matjhabeng	Welkom	057-3524995	Molepo Optometrists
Matjhabeng	Welkom	057-3533021	Mustang Restaurant
Matjhabeng	Welkom	057-3578259	Performance Machine Tool (engineering supplies)
Matjhabeng	Welkom	057-3963141	Radebe Traveling Transport
Matjhabeng	Welkom	057-3572203	Rode Alluminium
Matjhabeng	Welkom	057-	SM Mokoena Optometrists

		3521698	
Matjhabeng	Welkom	057-3962972	Schnell Engineering
Matjhabeng	Welkom	057-3522185	Servcon Housing Solutions (housing finance institution)
Matjhabeng	Welkom	057-3532086	Simunye Wholesalers (electronic goods)
Matjhabeng	Welkom	083 453 1358	Something fishy
Matjhabeng	Welkom	057-3521120	Thabane Moloi Attorneys
Matjhabeng	Welkom	057-3551946	Themba General Dealer
Matjhabeng	Welkom	057-3972007	Tloome Bottle Store
Matjhabeng	Welkom	057-3552481	Welkom Stationer & Printers
Matjhabeng	Welkom	057-3552481	Welkom Stationers & Printers
Tokologo	Boshoff	053-5310087	Alitiaan Motors (service)
Tokologo	Boshoff	053-5410563	BHA Micro Loans
Tokologo	Boshoff	053-5410060	Bendel Drukkery
Tokologo	Boshoff	053-5410701	Boshoff Winskoop Winkel
Tokologo	Boshoff	053-5410019	Coetzee & Venote Accountants
Tokologo	Boshoff	053-5410505	International Funeral Soc.
Tokologo	Boshoff	053-5410617	Safari Butchery
Tokologo	Boshoff	053-5410162	Senwes Landbou
Tokologo	Dealesville	051-8110302	Dealesville Hotel
Tokologo	Dealesville	051-8110089	Dealesville Vleismark
Tokologo	Dealesville	057-8110115	General Practitioners (medical practice)
Tokologo	Dealesville	051-8110059	Kontrei Vleismark
Tokologo	Dealesville	057-8110129	P&A Motors
Tokologo	Dealesville	051-8110138	Strati's Café & Viva Supersave
Tokologo	Hertzogville	053-4219060	Auto Centrum
Tokologo	Hertzogville	053-4219265	China Shop
Tokologo	Hertzogville	053-4219247	Hertzogville Dierekliniek
Tokologo	Hertzogville	053-	Janny Bornman Care Centre (Caring for the

		4219449	sick)
Tokologo	Hertzogville	053- 4219095	SE Filling station
Tokologo	Hertzogville	053- 4219220	Sakara Feed & Grain

Annexure A3: Outline of business opportunities / technical training market /and social economy market

Area	**Business opportunities**	**Market related training needs (technical and business training)**	**Needs in social economy**
Tokologo			
	None	Keep in mind that market is extremely small	1. Child care at crèche
		Technical training:	2. Care for the sick
		1. Child care	3. Care for the elderly
		2. Domestic household services	
		3. Building maintenance	
		4. Gardening services	
		5. Car maintenance	
		Business training needs for low-income workers	
		1. Customer care	
Thaba Nchu (Mangaung)	1. Security	Market to be seen as Mangaung	1. Child care at crèche
	2. Building maintenance	**Technical training:**	2. Care for the sick
	3. Packaging	1. Building maintenance	3. Child care at home
		2. Gardening services	
		3. Construction	
		4. Car maintenance	
		5. Repairs of household appliances	
		Business training needs for low-income workers	
		1. Customer care	
		2. Computer skills	
Matjhabeng (Welkom)	1. Manufacturing repairs		
	2. Electrical services	**Technical training:**	1. Child care at crèche
	3. Transport	1. Domestic household services	2. Child care at home
	4. Vehicle maintenance	2. Gardening services	3. Care for the elderly

		3. Construction	
		4. Building maintenance (including plumbing and electrical work)	
		5. Car maintenance	
		Business training needs for low-income workers	
		1. Customer care	
		2. Computer skills	
Maluti-a-Phofung	1. Transport	Market is extremely small	1. Child care at home
	2. Security services	**Technical training:**	2. Care for the sick
	3. Cleaning	1. Care for the sick / disabled	3. Care for the elderly
	4. Building maintenance	2. Sewing	
		3. Building maintenance	
		4. Gardening services	
		5. Domestic household services	
		Business training needs for low-income workers	
		1. Marketing	
		2. Customer care	
		3. Communication	