GENERAL MANAGEMENT ASSISTANCE CONTRACT (GMAC)
Contract No: 674-C-00-01-00051-00
MTI Subcontract No.: 0171-0406-PO-ME17

Assessment of the Impact of Program Activities Directed Toward Achieving the USAID-South Africa Strategic Objective (SO9) of "Increased Market-Driven Employment": FY 2000 to FY 2007

Final Report

17 August 2006

This report was produced for review by the United States Agency for International Development. It was prepared by Siana Strategic Advisors (Pty) Ltd., specifically Mr. Roland Pearson and Ms. Sharda Naidoo, under Mega-Tec, Inc.'s prime contract and addresses USAID/South Africa's Strategic Objective No. 9: Increased Market-Driven Employment Created. The author's views expressed in this publication do not necessarily reflect the views of the U.S. Agency for International Development or the United States Government

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Abstract

Over the FY 2000 to FY 2007 period USAID-South Africa has expended $43.5 million towards achieving Strategic Objective 9 (SO9) of “Increased Market-Driven Employment”, especially through support to South African Historically Disadvantaged small and medium sized enterprises (HDI SMEs) in the agricultural and non-agricultural sectors of the economy. In the first two years of the programme, under a broader definition of “job opportunities”, SO 9 helped to generate 49,305 jobs, as compared to a target of 40,000. FY 2003 figures are not available, because the Mission undertook a major Data Quality Assessment, which resulted in a tighter and more consistent definition of employment, but for FY 2004 and FY 2005, USAID-SA’s efforts led to a cumulative total of 8,642 jobs, as compared to a goal of 7,240 jobs. This impact assessment has focused not only on the performance among output indicators, but more keenly on impact – i.e. questions of leverage, sustainability, additionality, and market development and influence. The evaluation did uncover several examples of successful impact, but overall a very mixed picture emerged, with HDI SMEs, particularly in agriculture-related businesses and outside of the major economic hubs of South Africa still finding it difficult to grow, access markets, or acquire the skills necessary to compete domestically, much less internationally. To a large degree, the challenges faced by USAID-SA and the HDI SMEs its projects have served reflect the challenges faced in the broader South African economy. Nonetheless, in looking forward to the launching of a new SO 9 programme, USAID can apply much learning from its experience, and South Africa presents more robust opportunities at all layers of the market for USAID to effectively leverage its resources and contribute meaningfully to overcoming the persistent problems and complexities that thwart long-term job and income growth.

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List of Abbreviations and Acronyms

ARC	Agricultural Research Council
ARD	Associates in Rural Development, Inc.
ASGISA	Accelerated and Shared Growth Initiative for South Africa
BDS	Business Development Services
BEE	Black Economic Empowerment
BEES	Business Enterprise and Entrepreneurial Support
BICSN	Black Integrated Commercial Support Network
BLUE	Black Underutilised Enterprises
BUSA	Business Unity South Africa
CSOs	Community Social Organisations
DCA	Development Credit Authority
DFIs	Development Finance Institutions
DFID	Department for International Development
DQA	Data Quality Assessment
dti	Department of Trade and Industry
E&MI	Enterprise Management & Innovation (Pty) Ltd.
EASY	Equity Access Systems
EG	Economic Growth
EPWP	Expanded Public Works Programme
EU	European Union
FINCA	Foundation for International Community Assistance
FSC	Financial Sector Charter
FY	Fiscal Year
GDP	Gross Domestic Product
GEAR	Growth Employment and Redistribution policy
GOSA	Government of South Africa
HDI	Historically Disadvantaged Individual
HIV-AIDS	Human Immuno-deficiency Virus – Acquired Immune Deficiency Syndrome
IDC	Industrial Development Corporation
IFC	International Finance Corporation
IMALI	Increasing Micro-enterprise Access to Liquidity
IQC	Indefinite Quantity Contract
IR	Intermediate Results
JIPSA	Joint Initiative for Priority Skills Acquisition
LED	Local Economic Development
LRAD	Land Reform and Agricultural Development
MACs	Manufacturing Advice Centres
MESBIC	Minority Enterprise Small Business Investment Companies
MFIs	Micro Finance Institution
MFRC	Microfinance Finance Regulatory Council
MSEs	Micro and Small Enterprises
MSMEs	Micro Small and Medium Enterprises
NAIL	New Africa Investments Limited
NCA	National Credit Act
NDA	National Department of Agriculture
NEDLAC	National Economic, Development and Labour Council
NEF	National Empowerment Fund

NGO	Non governmental Organisation
PAL	Program for Agriculture Linkages
PDI	Previously Disadvantaged Individual
PFID	Partnership for Food Industry Development-Fruit & Vegetable
RAIL	Real Africa Investments Limited
RSA	Republic of South Africa
SACCOL	Savings and Credit Cooperative League of South Africa
SAEDF	Southern Africa Enterprise Development Fund
SAIBL	South Africa International Business Linkages
SARPP	South African Agriculture Financial Restructuring and Privatisation Program
SAVCA	South African Venture Capital Association
SBDA	Small Business Development Agency
SBDC	Small Business Development Corporation (now Business Partners)
SBIC	Small Business Investment Companies
SEDA	Small Enterprise Development Agency
SEF	Small Enterprise Foundation
SEMED	Sustainable Employment Micro-enterprise Development Project
SETAs	Sector Education and Training Authorities
SMEs	Small and Medium Enterprises
SMMEs	Small Medium and Micro Enterprises
SO9	Strategic Objective 9 of “Increased Market-Driven Employment”
TAU	Transvaal Agriculture Union
USAID	United States Agency for International Development
VEGA	Volunteers for Economic Growth Alliance

I. Acknowledgements

Undertaking an assignment as broad in scope as evaluating USAID South Africa's SO9 Programme, Market Driven Employment Opportunities, over the FY 2000 to FY 2007 period, would not have been possible without the cooperation and support of numerous individuals and companies. The evaluators wish to express our deepest gratitude to all of those who gave so freely of their time to share their insights, learning, and ideas with us.

We would also like to thank Mega-Tech Incorporated and USAID for entrusting us with this assignment, for their willingness to discuss their experiences at great length and for their timely responses to all our requests.

All errors and omissions are our own.

Roland Pearson and Sharda Naidoo

August 2006

II. Executive Summary

USAID-South Africa, through a contract administered by Mega-Tech Incorporated, hired Siana Strategic Advisors (Pty) Ltd. to assess the impact of program activities toward achieving the Strategic Objective 9 (SO 9) of "increased market-driven employment" over the FY 2000 to FY 2007 period, i.e., its contribution toward job creation in South Africa; and to identify lessons learned from the program that can be used to guide the design of appropriate interventions in support of the Mission's new economic growth program planned for the period 2007 – 2012.

Since FY 2000, when the Mission's "increased market-driven employment opportunities" Strategic Objective began, over $43.5 million has been provided to support the SO through contracts and grants awarded to multiple partners. Through these awards, the employment generation program implemented a variety of interventions to strengthen historically disadvantaged SMMEs in the manufacturing, services and agriculture sectors, including:

- Identification of markets and development of markets linkages;
- Targeted business and technical skills training to enhance SMME capacity to respond to market opportunities; and
- Increased access to finance.

The terms of reference provided for the evaluation specified that the enquiry should be framed by three key questions in each programme category:

- Whether the program achieved its targeted results, and whether it generated unintended results or consequences, either positive or negative;
- Whether the activities undertaken were the most effective way of achieving intended results, or whether other activities or approaches might have yielded results more effectively; and
- What made successful activities work, and for activities that were not successful, what challenges were faced.

In expanding on these central areas of inquiry, the evaluation team based the inquiry on two pillars. The first of these entailed a detailed examination of the core approach that informed the programme design, namely: Would injections of business development services, finance and market linkages into HDI SMEs in agribusiness and non-agricultural sectors, without an explicit policy component, engender multipliers that lead to jobs?

The second pillar of the inquiry dealt with the structures, processes and management aspects of the implementation of the programmes. In this context, the consultants examined the practical features of the processes designed to achieve the strategic impact of "market-driven employment creation." The use of the term 'market-driven' implies that functional markets existed, which, in turn, necessitated examination of the extent to which HDI SMEs were in fact integrated into sustainable market relationships. The evaluators expected that the notion of sustainable markets would be reflected in the production, efficiency and competitive elements of the SMEs supported.

The evaluators gathered data through interviews and reading documents. The interviews conducted comprised:

- 5 USAID Personnel

- 11 Project Partners
- 13 Key Stakeholders
- 27 SMEs in the Eastern Cape, Western Cape, Limpopo and Mpumalanga Provinces.

The range of documents read covered:
- SO 9 documents as provided by USAID
- Government of South Africa key policy documents
- Project documents from several key stakeholders.

Neither the scope nor scale of the terms of reference allowed for detailed review and analysis of all projects under SO 9, or for in-depth interviewing of a statistically representative sample of SMMEs. Thus, the evaluation team applied a qualitative mode, instead of a quantitative mode, of analysis.

The most reliable statistical performance indicator data only cover the years FY 2004 and FY 2005. The numbers for FY 2006 were not available for this evaluation, since they will only be tabulated at the end of the current fiscal year after September 2006.

Nonetheless, this report does refer to the programme's performance over the FY 2000 to FY 2003 period, which is not entirely comparable to the latter periods, because in 2003, USAID/Washington engaged the Mission in discussion around the appropriateness of trying to measure "employment opportunities". Data and indicator quality assessments (DQA) conducted by the Mission in response to that concern revealed that, indeed, individual implementing partners were defining and measuring job "opportunities" in logical but different ways. As a result of these findings, the name of the SO changed to "increased market-driven employment", to be measured by the net change in employment among assisted enterprises from one Fiscal Year (FY) to another. Because the definition and measurement of employment changed subsequent to the DQA, results before and after FY 2003 are not comparable; and thus, this evaluation mainly has looked at FY 2004 and FY 2005.

The impact of USAID's SO 9 programme largely reflects the South African macroeconomic scene today – i.e. some evidence of economic growth, but sustainable employment, especially among SMEs remains elusive. Despite some pockets of growth in certain sectors like construction, South Africa's official unemployment rate disappointingly remains where it stood in 1999/2000, when the USAID SO 9 programme began.

SO9 has met or exceeded the performance indicators at the Intermediate Result level in aggregate terms in all but one indicator, namely number of sales originating from microenterprises. Notably, at the Intermediate Results level for type and value of business transactions facilitated among SMMEs and small and medium agribusinesses – i.e. number of sales contracts supported, number of export sales, Rand value of sales contracts, Rand value of export sales, total number of transactions in which finance was accessed, and Rand value of finance accessed – the programme has so far exceeded its targets by no less than 26%.

At the strategic level, the USAID SO 9 programme has met key elements of the main objective, but missed others. Over the FY 2004 and FY 2005 period, USAID projects under SO 9 have created a total of 8,642 jobs, against a target of 7,240 – albeit with an often seen pattern of disparity between the SMME portfolio, which created 6,380 jobs, against a target of 4,600, while the Agribusiness portfolio missed its jobs goal, only generating 2,262 jobs, compared to a target of 2,640. Under a much broader definition of 'jobs' in the period through FY 2003, the programme facilitated creation of 49,305 employment opportunities, surpassing the cumulative target at the time of 40,000.

In FY 2004 and 2005, the programme created about 2.2 jobs per enterprise assisted, with substantial variability between SMMEs in the agricultural sector and the non-agricultural sectors – i.e. 6.7 vs. 0.7 jobs per enterprise, respectively. In the closest comparison possible for the FY 2000 to FY 2003 period, the overall programme generated 1.8 job opportunities per transaction completed, or 3.7 job opportunities per enterprise trained.

Other disparities arise in respect of income growth, as the overall programme has achieved R885,728 per business, while the SMME portfolio can tout an average of R3,379,168 per business, but the agricultural portfolio has only averaged R103,199 per enterprise over the FY 2004 and FY 2005 periods. In the FY 2000 to 2003 period, the value per transaction for non-agricultural businesses averaged R2,630,080, while agricultural businesses averaged R254,636, applying the current exchange rate of R6.9 / $1. In light of the types of enterprises generally serviced under SO 9, and taking into consideration broad definitions of small and medium enterprises, these numbers present a mixed picture.

USAID programmes have generated jobs; facilitated various forms of business transactions; worked with an array of SMEs across many sectors; facilitated access to several types of finance; and built the skills of many SMEs. Furthermore, these outputs have stemmed from SMEs engaging with public and private sector, large and small entities that mutually sought and concluded commercial transactions. However, USAID's SO 9 programme only partially meets the more rigorous test of impact, as measured by sustainability, leverage, and additionality.

Some jobs created on the back of one transaction have now dissipated. Several entrepreneurs who geared up to meet specifications for one deal had neither the foresight nor the skill and experience to manage growth, and all of its consequences. Perhaps more importantly, many of these same business-owners have insufficient knowledge of and connection to service providers, industry news, peer networks, or other multifarious resources upon which they may rely to fill inevitable gaps in their own abilities. With only three exceptions, these traits characterise all of the 27 businesses interviewed for this evaluation.

A programme of six years has only recently spawned any replication among South African entities at the organisational or support infrastructure levels of the market that may adopt and adapt methodologies tried under the SO 9 programme. Despite some successes in financial sector policy that does partially impact SMEs, it is difficult to find USAID's voice or influence in any of the hot economic topics of today's South Africa, around job creation and skills development. So, markets remain under-developed among many dimensions, thereby making it difficult to purport that USAID has enabled market-driven activity for the long-term. In addition, while employment opportunities exist, serious barriers to accessing those opportunities remain.

Several lessons arise from the experiences of USAID's SO 9 over the past six years. We have learned something about how to tackle the structural and systemic market issues that continue to thwart sustainable and broad-based SME growth. We know that business fundamentals, and even basic education and general knowledge and life skills, among SMEs remain very weak. We know that short-term and episodic shots of technical assistance generally do not lead to sustainable SME growth or job creation in most instances. The skills deficit is deep, and South Africa has not seen any cost-effective ways of delivering support services at scale to the depth and detailed required. Nonetheless, we do know much better what those skills gaps are, who has them, and why; and major national efforts are underway – coordinated mainly through the Deputy President's office and her ASGISA and JIPSA initiatives – to provide the intensive remedial action needed and match those newly acquired skills as closely as possible to job opportunities mostly in the private sector.

On balance, the socio-economic, financial, and institutional landscape in 2006 is far better than the one that pertained in 1999 at the commencement of the SO 9 journey. Although South Africa still faces levels of poverty, unemployment, and income disparities that scarily mimic the same data from five or six, or even more years ago, there would appear to be new resolve and some absorption of learning that are yielding credible chances to seriously address the country's many stubborn economic problems. In that vein, this report recommends that USAID South Africa's next programme in the economic growth arena should embrace five key principles and approaches, namely:

1. **Leverage**, by seeking to have an impact at the institutional, organisational, and support layers of precisely target markets;
2. **Partnerships** with credible South African institutions, especially those that provide access to the public-private sector nexus of policy and action;
3. Enhanced use of **flexible procurement mechanisms**, such as cooperative agreements or SOAGs;
4. Selective application of the most relevant **USA experience**; and
5. Smart application and subsidy for obvious **supply-side interventions**.

III. Introduction

"Between January and March [2006], the economy created, on average, only 3,000 jobs a month, according to data released … by Statistics SA. The figure, which relates to the formal non-agricultural sector, falls far short of the 60,000 a month needed to halve unemployment by 2014 - the goal set by the government's accelerated and shared growth initiative for SA, or ASGISA. Though South Africa's economy grew by an annualised 4.9 percent in the first quarter, the highest growth rate in 25 years, the official unemployment rate still stands at 27 percent. And, when people who no longer look for jobs are included, the number rises to 38 percent…. The highest employment growth - 22.1 percent - over the year to March took place in the construction industry. It was followed by the financial services sector (7 percent), electricity (4.5 percent), and wholesale and retail trade (4.5 percent)…. Growth areas are now in communication, finance and business services. As the economy has become more reliant on the services sector and on hi-tech subsectors within the service sector, the level of skills needed has risen. Many unemployed people are not equipped to meet the demand for these skills"., Thabang Mokopanele, Business Report, June 28, 2006, 'New Jobs Fail to Dent 60,000 Target',

As this report will document later, the impact of USAID's SO 9 programme largely reflects the South African macroeconomic scene today – i.e. some evidence of economic growth, but sustainable employment, especially among SMEs remains elusive. Despite some pockets of growth in certain sectors like construction, South Africa's official unemployment rate disappointingly remains where it stood in 1999/2000, when the USAID SO 9 programme began. Alan Hirsch, Chief Director of Economic Sector Policy Coordination and Advisory Services, placed in the South African President's Office and a major player in the management of ASGISA, recently highlighted at a public forum in Johannesburg some of the possible reasons for this 'jobless growth' at a macroeconomic level, many of which echo through the projects funded under SO 9. In short, he touched upon the dis-juncture between the skills needed by growing companies and the woefully inadequate and inappropriate skills generally available; the anti-competitive nature of the structure and practice of many key South African industries, compounded by the uncompetitive nature of others in the face of global forces, mostly notably from China and India; substantial regulatory and compliance barriers to entry and growth for SMEs; and the poor delivery record of government programmes in many areas, but particularly in the arena of financial and non-financial support to SMMEs[1], as well as at the level of municipal government, where most SMMEs should more readily find appropriately sized contract opportunities.

USAID-South Africa, through a contract administered by Mega-Tech Incorporated, hired Siana Strategic Advisors (Pty) Ltd., and specifically Mr. Roland Pearson and Ms. Sharda Naidoo (See Annex A.10 for brief résumés), to assess the impact of program activities toward achieving the program's strategic objective of "increased market-driven employment" (Strategic Objective 9, SO9) over the FY 2000 to FY 2007 period, i.e., its contribution toward job creation in South Africa; and to identify lessons learned from the program that can be

[1] This document will refer generally to SMEs, (i.e. Small and Medium Enterprises) or SMMEs (i.e. Small, Medium, and Micro Enterprises). Sometimes the terms are used more broadly to define any business that is not large. Other times, especially in the context of USAID or South African Government policy or programme intent, the terms are deliberately differentiated to indicate whether or not the smallest enterprise units, micro enterprises, are part of the strategy, since they tend to have distinctly different characteristics than small, medium, or large enterprises as a group.

used to guide the design of appropriate interventions in support of the Mission's new economic growth program planned for the period 2007 – 2012. The new proposed strategic objective is: "Strengthened public-private capacity to support a competitive small business sector".

Through this new program USAID will provide technical assistance and training to help strengthen the environment to better support historically disadvantaged small, medium and micro-level enterprises. The new strategic objective will work in four specific areas: Small business capacity-building; improving access to finance; targeted support for policy and regulatory issues affecting small business; and workforce skills development. USAID plans to continue to address small business development in both agricultural and non-agricultural sectors.

With unemployment currently estimated at around 27%, and over 30% for the historically disadvantaged population, South Africans consider it their country's most serious challenge. In support of this development priority, USAID/South Africa's economic growth program for the 2000-2007 period was designed to generate market-driven (i.e., private sector), sustainable employment by strengthening historically disadvantaged businesses in the SMME sector. The program approach was guided by the generally accepted hypothesis that as small, medium and micro-enterprises (SMMEs) in any sector grow, jobs will be created. A major objective of this impact evaluation is to test this core hypothesis, especially since at a macroeconomic level the theory has not held true.

Since FY 2000, when the Mission's "increased market-driven employment opportunities" Strategic Objective began, over $43.5 million has been provided to support the SO through contracts and grants awarded to multiple partners. Through these awards, the employment generation program implemented a variety of interventions to strengthen historically disadvantaged SMMEs in the manufacturing, services and agriculture sectors, including:

- Identification of markets and development of markets linkages;
- Targeted business and technical skills training to enhance SMME capacity to respond to market opportunities; and
- Increased access to finance.

Originally, the strategy also included development of a regulatory environment conducive to small business growth. However, the element was removed early on, and no activities specifically directed at supporting policy/regulatory reforms were undertaken through the SO9 program, although considerable support was provided through USAID's Strategic Objective 4.

The employment generation program has been refined several times since it began in 2000. Aside from elimination of the policy component, in FY 2004 the data/indicator quality assessment led to a major shift in program results reporting, and also to significant changes in the types of activities and partners used to implement the program. Understanding these shifts and revisions and the background to them formed an important part of developing lessons learned and making recommendations in this evaluation.

This impact evaluation has applied the general guidelines set out in two USAID documents on project and programme evaluation.[2] In addition to Acknowledgements, an Executive Summary, this Introduction chapter, and a series of Annexes, the report contains nine other substantive chapters. Chapters IV through VI comprise the background to the programme. They do not include any analysis from the authors of this report, but rather present the facts and context as they pertained around the time of the programme's inception. By and large, the information contained in these chapters reflects a summarised version of the SO 9 Results Framework[3] and related background documents provided to the evaluation team by USAID. Chapter IV, The Problem, highlights the major macro and micro economic positions and trends in South Africa in the late 1990s, moving into the new millennium, especially as they related to employment, poverty, and SMMEs. Chapter V, The Theory of the Intervention, presents the key factors, as seen from the perspective of the South African economic landscape, GOSA policies and initiatives, and USAID's own experience in South Africa and internationally, which would shape the overall strategy. The Design of the Programme, Chapter VI, mainly consists of a recapitulation of the 10 Intermediate Results anticipated under the SO 9 programme. Chapter VII, Purpose and Methodology, captures the key areas of inquiry as set out in the Terms of Reference (TORs) for this evaluation (See Annex A.2 for the full TORs), and explains the theoretical concepts applied in judging impact and the process that the consultants undertook.

The next five chapters delve into the detail of what happened; they suggest some reasons why and investigate the context in which the programme actually unfolded, vis-à-vis what USAID expected at the time of programme design; and they suggest what the consequences of the outputs and outcomes may be for future USAID programming. Chapter VIII, What Did the Programme Achieve, focuses keenly on the results reflected in USAID's key output indicators at the Sub-Intermediate Result, Intermediate Result, and Strategic levels, and suggests specific hypotheses, mainly driven by qualitative and key informant assessment modalities, as to why USAID and its project partners did or did not achieve the stated targets.[4] The Analysis chapter, IX, synthesises the insights at the output levels into a coherent strategic view of whether or not the programme yielded impact at the strategic level. Chapter X, Lessons Learned, presents a brief summary of the key, over-arching factors that appear to have contributed to success or failure at the project and programme levels. The Conclusions chapter, XI, departs slightly from the conventional writing approach, and takes the opportunity to offer a synopsis of trends, opportunities, and threats in the South African environment now and in the foreseeable future. The final chapter, XII Recommendations, brings together the experiences and lessons documented for USAID's SO 9 programme of the past, and the realities of the South African social, political, economic, and developmental landscapes of today to propose five key themes that should guide USAID's next economic growth programme.

[2] "Functional Series 200 – Programming Policy ADS 203 – Assessing and Learning", 03/19/2004 Revision; and "A General Guide to the Construction of an Evaluation Report", August 7, 2004.
[3] When the programme began it was called SO 5. However, after the data quality review and changes of 2003/04, USAID changed the designation to SO 9. This report refers consistently to SO 9, but substantively includes the entire programme period from FY 2000 to FY 2007.
[4] As this report will later explain in Chapter VIII, the results of the data quality review in 2003 / 04, rendered the numbers prior to FY 2003 incomparable to those in subsequent years. In addition, the FY 2006 figures will only be tabulated after the 30 September 2006 fiscal year close. And so, our quantitatively based analysis only covers FY 2004 and FY 2005.

IV. The Problem

While South Africa's political achievements have been laudable, its inherited economic landscape had deep-rooted problems. These included chronic skills deficits, low levels of entrepreneurship, high levels of poverty caused primarily by unemployment and a weak asset base among previously disadvantaged South Africans. In addition, the economy was based mostly in primary sectors with uncompetitive industries.

In assessing the problems faced in the late 1990s, USAID South Africa identified six key areas of economic performance:

- Unemployment and poverty
- Economic growth rates and unemployment
- Macro-economic policy
- International trade and corporate structure
- SMMEs
- Agriculture and small-scale agribusiness

a. Unemployment and Poverty

Unemployment in South Africa was at an all time high in the late 1990s. According to national statistics in 1997, nearly 23% of the economically active population was unemployed (using internationally accepted definitions). If the numbers of the discouraged though potentially economic active were included, then the unemployment rate would have risen to 38%. In addition, at least 500,000 new people enter the labour market each year.

Both employed and unemployed HDIs have low levels of technical skills, contributing substantially to low wages, even among the employed, which in turn leads to inadequate provision at the household level. Thus, nearly 50% of the population live below the poverty line. In 1999, 27% of African households earned less that $100 (R500 in 1999) with poverty prevalence at its highest in rural areas and among female-headed households. Poverty's pervasiveness manifested in malnutrition (25% of children are stunted) and infant mortality of 60 per 1000 (64 currently).

The living levels of HDIs bore a close resemblance to that of a low income rather than a middle income country.

b. Economic Growth and Unemployment

USAID SA identified that growth would have to be raised to 5% consistently to simply keep the unemployment rate constant. By the 1990s growth in South Africa was on a downward spiral.

Data on the unemployed showed that 53% were young (under 30 years old), mostly female (50% of African women were unemployed) and dominated by racial patterns (i.e. the majority of the unemployed were black). There was thus a series of multifaceted issues to be resolved in any attempts to stimulate employment in the country.

The Gear Policy

In response to high interest rates and low investment levels, the SA government introduced the GEAR, Growth Employment and Redistribution policy in 1996.

GEAR targeted macro-economic stability as its first priority. Among the areas earmarked by GEAR were:

- Reduction of the fiscal deficit, inflation to free up resources for investment
- Budget reform with a view to strengthening redistribution
- Reduction of tariffs to promote industrial restructuring
- Collective bargaining to contain wage levels
- An exchange rate policy to maintain stability
- Gradual elimination of exchange rate controls
- Conservative monetary policy to curb inflation
- An expansionary infrastructure programme to increase service levels

In addition, GEAR committed to the restructuring of state assets and a levy system to increase skill levels. After the first three years, GEAR's fiscal programme had been successfully implemented, but privatisation, labour market and education reform had not taken root. Fiscal reform was insufficient to stimulate the rates of foreign and local investment required. Of the R40 billion in foreign capital in-flows in 1997, only 25% consisted of direct fixed investment.

According the World Economic Forum's competitiveness rankings, South Africa fell from 42nd to 47th between 1997 and 1999. Among others, these ratings use 155 criteria that include openness to trade, quality of infrastructure, and technology and business management. South Africa's ranking fell due to inflexibility of its labour markets and its institutions. This was further reduced by the inability of the police to provide security, low average years of schooling, and the paucity of maths and science education.

c. International Trade and Corporate Structure

In response to low levels of competitiveness of South African products against imports, the Department of Trade and Industry tried to reduce tariffs and protection. Although some tariffs were reduced, the process was still ambiguous in that duties were imposed on a range of commodities, footwear and textiles.

While tariff protection remains a constraint to competitiveness, ownership structure is a further contributor to low levels of competitiveness. There are strong and historical linkages among South African corporations with great potential for collusion. In the early 1990s, five conglomerates (Anglo American/De Beers, Sanlam, SA Mutual, the Rembrandt Group and Liberty Life) effectively controlled 80% of the shares on the Johannesburg Stock Exchange. By 1997 their share of the equity traded had reduced to 67%. This situation allowed a small minority of white people to control a majority share of the economy. The racial profile of managers in corporations followed accordingly.

By the late 1990s debates on how to unbundle the cartels were rife. A few new black consortia, NAIL (New Africa Investments Limited) and RAIL (Real Africa Investments Limited) had acquired an 8.6% share of the JSE.

One of the considerations at that time focused on how to distribute shares to rank and file black people. The National Empowerment Fund (NEF) was established by the government to provide capital for share acquisitions in privatised parastatals. Although the NEF has been operational for more than ten years, it has only committed 25% of the funds at its disposal (R500 million of R2 billion, in 2006), indicative of managerial and operational inexperience in many parastatals.

d. SMMEs

In the face of the extreme control described above, finding entry points for black people into the economy was a critical concern. The potential for small business development was identified by USAID in 1999 (and going back to their programmes in 1987) as one of the primary areas for intervention. It was felt that removing the constraints to the development of black owned SMMEs would increase competitiveness, create jobs, generate wealth and reduce inequality. Over time, SMMEs could exploit niche markets and become key change agents in economic development processes.

USAID and others recognised the severe restrictions that black business had faced and the financial, skills and technical deficits that needed to be confronted if HDI SMEs were to be promoted. Among the factors that were considered was identification of and developing strategies to reach target markets. The needs for better prices from suppliers, improved productivity, appropriate technologies and the ability to manufacture to specifications were seen as vital additions to business competence.

Given that government's infrastructure programmes had not really kicked in by 1999, the need for reliable services was also seen as an essential element to enhancing business performance, especially in rural areas.

e. Agriculture and Small-Scale Agribusiness

We noted above that part of apartheid's legacy was that people were removed from their land. This not only led to the decline of subsistence farming and over-crowding in black homeland areas, but also substantially increased unemployment and under-employment in rural areas.[5] While there have been attempts at land redistribution, most black South Africans lack farming knowledge, the country is drought-prone, and has limited water supplies and arable land.

In 1999, USAID observed that about half a million rural households had no land and that unemployment ranged from 40% to 58% among the poorest in rural areas. In a country of 44 million, only 1.3 million were cultivating inadequate small parcels of land and approximately 250,000, mostly women ran small farms in rural areas. Yet agriculture accounted for 12% of GDP and 25% of employment.

[5] At the same time the 'apartheid' government made huge infrastructural investments to support agricultural projects in some of the homelands, albeit probably not for altruistic purposes. Most of these projects – big irrigation schemes, stock schemes, etc collapsed. However, the SO9 agriculture strategy saw potential in privatizing and revitalizing them.

The situation was compounded by inadequate statistics and clear information about black farming. While local researchers were aware of potential and diversity of the farming sector, their knowledge of key determinants in increasing employment and incomes was anecdotal and limited. To meet this shortfall, USAID commissioned literature surveys in the late 1990s and resolved to update the 1995 baseline survey of SMMEs in the country to include rural areas (which were ‘homelands’ not considered part of South Africa under apartheid).

V. The Theory of the Intervention

Three sets of information informed the background to USAID's SO 9 programme design:

1. The critical economic problems facing South Africa in the late 1990s;
2. South African and international learning in job creation; and
3. USAID's experience from previous programmes in developing the black private sector.

Based on the problem analysis, four key issues shaped USAID's strategy:

- High levels of unemployment and poverty especially among women and unskilled young people, as well as in rural areas
- Sound macro-economic policies that laid the basis for, though hadn't yet, increased investment
- Tight and racially dominated ownership structures in the economy which had started to change in the late 1990s, but which also had entrenched low levels of competitiveness and the potential for collusion
- Potential for burgeoning SMMEs in urban and rural areas, which still suffered lack of access to technical skills and knowledge, markets and capital.

Against this background, USAID concurred with the South African government's top prioritisation of employment creation.

A further set of influences in the programme design were:

- The large share of SMMEs in employment statistics in South Africa and
- USA and international experience in SMMEs having greater potential as job creators.

A study done by the SBDC (Small Business Development Corporation, now Business Partners) in South Africa in 1993 revealed that 84% of private sector jobs which employed 42% of the economically active population were in the SMME sector. The informal sector alone accounted for employment of 1.74 million people and contributed 6-8% of GDP.

In order to maintain the process of containing the fiscal deficit, it was believed that the private sector would be a better choice for job creation rather than the public sector. (Also it was felt the public sector would be shedding jobs.) It was hoped the private sector would promote financial sustainability, productivity and market driven increases in incomes and employment. In the interests of efficiency, USAID's focus was to be on existing commercial small and medium enterprises as these were considered a better option for employment creation rather than start-ups or dealing with underemployment in the informal sector.

The priority for established SMEs was not intended to exclude microenterprises. It was planned that SMEs would be selected on the basis of their linkages with microenterprises. As USAID had not worked with agri-business, and because the sector offered potential for increased employment, it was selected as an additional area to SMEs. As agriculture is a net exporter, the argument held some allure at the time.

The third set of influences in the programme design was USAID South Africa's experience in building the black private sector in South Africa. USAID's experiences are tabled below.

Table 1: USAID's Experience in Black Private Enterprise Development

Programme	Type of Support	No. of Deals/Businesses	Value	Period
BLUE	Firm-level BDS	299 businesses	$21 m	3 years
EASY	Access to Venture Capital	34 deals	$20 m	3 years
SAIBL	International linkages	11 deals	$18.5 m	1 year
SEGIR	Privatisation support	14 deals	$39.1 m	2 years

Based on the high value of these deals, USAID calculated that the experience was worth extending to international markets.

USAID's experiences with promoting access to financial services for business were less successful. While there were a number of NGOs offering micro-credit, there were enormous difficulties moving into business-like operations, and with on time repayments. Clearly, this was also a reflection on the inability of the MFIs to design appropriate products. A further drawback was that NGOs were disallowed from taking deposits by the banking regulations. Despite this, USAID attempted to develop rural savings and credit cooperatives with the US and South African Departments of Agriculture. This was motivated by needs for products to promote rural agri-businesses.

VI. The Design of the Strategic Objective 9 Programme

Based on the potential identified and USAID's experiences, the major objective was, Market Driven Employment Creation through the development of small and medium enterprises and agribusiness. The focus was to be on businesses in relatively labour intensive sectors or services. In selecting agribusiness it was acknowledged that a different set of institutions had to be engaged, i.e. farmers' organisations, the Department of Agriculture and large agri-businesses.

For both sets of businesses, urban SMEs and agri-businesses, the programme was to include the following elements:

- International and local markets for SMMEs identified
- Meet the requirements of markets by developing SMME capacity through technology, value addition and improved use of public resources
- Facilitation of loans and equity sources
- Alleviation of policy, legal and regulatory constraints

In pursuing these elements the programme was disaggregated into nine result areas under the broad categories of support to urban and rural SMEs.

a. SMME-related Intermediate Results

IR 5.1 More Rapid Growth of Productive SMMEs

SMMES were to be selected in sub-sectoral clusters and support provided in an appropriate mix to enable their growth and ability to access local and international markets. The expectation was that commercially viable SMMEs would be job creators.

IR 5.1.1 Markets for SMMEs Identified and Developed

Based in historical constraints, the programme planned to link HDI SMEs to local, US and corporate markets. In addition to the links, it was planned that technological enhancements, matchmaking, research and training would enable local SMEs to cater to the range of linkages offered.

IR 5.1.2 SMME Capacity to Respond to Market Opportunities Enhanced

According to studies done, inadequate business management and entrepreneurial skills were endemic to the SMME sector. It was expected that incubation and skills development through technological improvements and linkages would stimulate product improvements. The result area also included a focus on public enterprises with a view to increasing productive and sustainable employment through privatisation.

IR 5.1.3 Increase SMME Access to Capital

As USAID's previous attempts to grow the microfinance sector had not realised any substantive development due to limited management capacity and poor cash controls, other options were sought in this area. Access to capital for SMMEs was to be facilitated through the Southern Africa Enterprise Development Fund (SAEDF), portfolio guarantees from the DCA, support for second tier institutions providing loans in the R10 000 to R250 000 range, developing the 'bankablity' of SMMEs and facilitation of venture capital and equity. Based on this experience, USAID South Africa was in a good position to have understood the depth of the management constraints that faced local institutions and about the time required to build such skills. Furthermore, the lack of second tier institutions at the time also signalled serious market weaknesses. The SBDC (now Business Partners), one of the few longstanding successful institutions in South Africa, had raised its threshold to start at loans of R500,000 due to the risks and limited gains from smaller loans.[6]

IR 5.1.4 Capacity to Address Sectoral Policy and Regulatory Constraints Enhanced

An analysis of regulatory issues facing SMME expansion had identified constraints in the areas of finance, labour, and local government. As there was insufficient local capacity to design and implement policy change, USAID's economic policy office (SO4) was to implement this area. It was planned that dialogue would be facilitated between government and small businesses to address policy change in taxation, licensing, export permits and import policies across a range of sectors. Support was to be provided for analysis of the impact of the policy environment on competitiveness, growth, and employment.

Apparently due to budget constraints, USAID excluded this Intermediate Result from the SO 9 activities which were implemented later. Economic policy became the domain of SO4, although neither small business policy nor advocacy was major components of that programme.

b. Agribusiness-related Intermediate Results

IR 5.2 Increased Commercial Viability of Small and Medium Agribusiness

Given the widespread rural poverty, USAID shared the view of the National Department of Agriculture that rural development and small scale agriculture was key to increasing employment and income promotion. This was a parallel programme to the one on supporting urban SMEs.

Based on international evidence on the linkage between jobs and small scale agriculture, USAID proposed to mobilise local resources and links to local agribusiness and farming, along with international technical knowledge and resources to develop the sector in South Africa.

The programme strategy document specifically identified high potential SMEs as the major beneficiaries (clients) for support. Gender was introduced as, "special attention will be given to women entrepreneurs in rural areas and to those SMMEs and small-scale agribusinesses that offer commercial services to the largest potential number of micro-entrepreneurs." The need for a gender focus was highlighted in the agribusiness programme, as was the obligation for programmes to report on the number of female-headed businesses served.

[6] At the start of SO9 SAEDF, the LGP, IMALI and EASY were more or less "inherited" from the past and not expected to make much mark on the SO objectives. DCA had some prospects.

IR 5.2.1. Markets for Small Agribusiness Identified and Developed

The objective of this IR was to improve the commercial viability of small scale agricultural producers, especially women through value-adding technologies in production, processing, grading and packing thereby increasing marketability and efficiency. In addition it was planned that linkages would be forged between South African and US farmers to enhance technologies in use and investment. This was based on agricultural linkage programmes in other countries and on SAIBL's experience with linking South African HDI SMEs with US based companies.

IR 5.2.2 Small Agribusiness Capacity to Capitalise on Market Opportunities Enhanced

In order to overcome the management, financial and marketing skills shortfalls in small scale agribusiness, this IR was designed to build capacity through linkages to technologies from the US, as well as from commercial agribusiness in RSA and elsewhere. A key aspect of this was to restructure inefficient public enterprises and render their services through more efficient private enterprises.

IR 5.2.3 Increased Access to Capital for Small Agribusinesses

Access to finance was identified as a critical need for small agribusinesses. USAID planned to support the growth of second tier institutions to provide services and to support the development of savings and credit through village banking in rural areas.

IR 5.2.4 Capacity to Address Sectoral Policy and Regulatory Constraints Increased

In response to the Department of Agriculture's need for further research to support the financial and developmental needs of agribusinesses, USAID proposed to support capacity development in the Department. This support was intended to analyse opportunities for markets for local produce, to engender employment. It was also intended to conduct research which would enhance productive methods. It was assumed that increasing strategic capacity within the Department would lead to policies and regulation that would stimulate further employment.

The various areas identified for support under this SO are illustrated in Annex A.1.

c. Assumptions and Partners

USAID SA's strategy acknowledged that its intention was primarily redistributive. Within this ambit, it was recognised that redistribution in itself would be insufficient to address the range of economic challenges which faced the country. However the strengthening of the private sector was held as a key contributor to the change processes required. Given the depth of the structural constraints, it was also noted that higher growth rates would be a prerequisite. In the late 1990s, many thought that growth of 3% per annum would suffice to encourage re-distribution.

Further key assumptions were that it would be essential to continue with GEAR, small business promotion and to build civil society organisations to advocate for appropriate policies. Key partners for the SO were to be the Departments of Agriculture and Trade and Industry. The actual programme activities were to be implemented by contractors or grantees who were to be selected on the basis of their ability to sustain the programme after expending USAID's resources. "Using sustainability as an important selection criterion, USAID/South Africa will join with partners able to secure independent funding for operating costs beyond its completion date".[7]

It was also decided that the number of USAID's internal staffing and units should be minimised and that activities should be implemented by a smaller group of contractors / grantees in the interests of leaner management.

[7] See pp 21, 22 of USAID SO 9 Results Framework.

VII. Purpose and Methodology

The terms of reference provided for the evaluation specified that the enquiry should be framed by three key questions in each programme category:

- **Whether the program achieved its targeted results, and whether it generated unintended results or consequences, either positive or negative;**
- **Whether the activities undertaken were the most effective way of achieving intended results, or whether other activities or approaches might have yielded results more effectively; and**
- **What made successful activities work, and for activities that were not successful, what challenges were faced.**

In the context of the theory of the intervention, the primary issue which informed the evaluation process was the logic of SMMEs and agribusinesses as job creators. This was the central hypothesis we were testing in the evaluation process. Our concern in this context was not so much with the achievements of stipulated outputs in the programme design but rather to examine impact through the lens of outcomes or lasting leverage created by USAID's investments.

The objectives of the evaluation process were to:

- Establish whether the programmes achieved the strategic goals which they were intended to achieve;
- In the context of South Africa's evolving economic landscape and limited development experience and expertise, what impact has USAID actually achieved? and
- What can USAID do to achieve more strategic impact in the future / deploy its resources effectively to construct stronger demonstration models?

a. Methodology / Technical Approach

The key priority was to engage with USAID's programme partners to gather information towards assessing progress, in the light of the three questions which framed the inquiry. Secondly, the team set out to assess the extent to which other programmes in the field are achieving goals, learning in the practice of implementation, and to examine the extent programme re-shaping might have enhanced progress. In shaping the inquiry, the lens for the process was leverage. Our perception that informed the process is that USAID is an institution that has amassed considerable technical expertise through years of experience in many countries around the world. It is vital that such experience is used to permeate development processes in a young democracy confronting serious challenges in unemployment, poverty reduction, inequality, policy making, implementation and management.

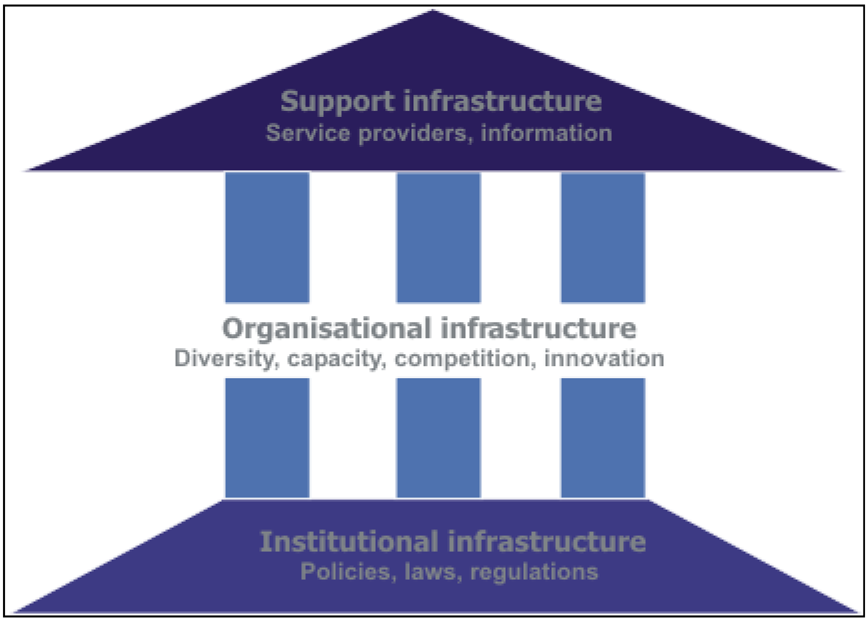
In expanding on the central areas of inquiry outlined above, we based the inquiry on two pillars. The first of these entailed a detailed examination of the core approach that informed the programme design, namely: Would injections of business development services, finance and market linkages into HDI SMEs in agribusiness and non-agricultural sectors, without an explicit policy component, engender multipliers that lead to jobs?

The second pillar of the inquiry dealt with the structures, processes and management aspects of the implementation of the programmes. In this context, we examined the practical features of the processes designed to achieve the strategic impact of "market-driven employment creation." The use of the term 'market-driven' implies that functional markets existed. We deemed it necessary to examine the extent to which HDI SMEs were in fact integrated into sustainable market relationships. We expected that the notion of sustainable markets would be reflected in the production, efficiency and competitive elements of the SMEs supported.

The question of functional markets led to recent development thinking that post-dates (*circa* 2001) the design of SO 9, i.e. making markets work for the poor. The new paradigm of making markets work assumes that markets work when three layers are in place and interact organically, namely:

- An institutional layer in which government policies, legislation and the regulatory framework provides a foundation for markets;
- An organisational layer in which retail services providers such as banks, market linkage firms and suppliers of business development services among others provide services to clients (e.g. HDI SMEs); and
- A support infrastructure, in which service providers, such as consultants and research firms, among others, service the needs of the provider organisations.

The practice of making markets work requires sturdiness at each layer e.g. policy certainty at the foundation level is a necessity, responsiveness and innovation at the organisational level and understanding of market needs at the support level. The layers of the paradigm are illustrated below.



Source: Finmark Trust, Making Markets Work Paradigm (www.finmark.org.za)

Although this paradigm post-dated the design of SO9, it has become an influential set of concepts which has informed the work of USAID in other contexts. It is apt to question whether this could not have been used to adapt the design of 'market-driven employment creation' in the interests of increased impact from an outcome, rather than output perspective.

If this paradigm had been incorporated there could been stronger chances of influencing economic and financial sector processes and leaving deeper imprints.

b. The Evaluation Process

In the engagement with partners we interrogated those issues which shed light on the actual impacts intended and achieved in the implementation of the strategic objective. The data gathering for the evaluation process was done through interviews and reading documents. The interviews conducted were with:

- 5 USAID Personnel
- 11 Project Partners
- 13 Key Stakeholders
- 27 SMEs in the Eastern Cape, Western Cape, Limpopo and Mpumalanga

Annex A.3 provides a detailed list of interviewees, and Annex A.5 shows the interview guidelines proposed by the consulting team and approved by USAID. Briefly, the table below lists the institutions that were interviewed in each category:

Partners	**SME Clients**	**Donors**	**Public and Private Sector**
SAIBL SARPP Land Bank (ARD) Mega-Tech Grantees Sample of Agricultural and Biotech programmes Ntinga VEGA SEGIR IMALI SACCOL BEES PAL	Based on interviews with partners and links provided – selection covered successful and unsuccessful businesses (especially in the context of job creation)	DFID European Union IFC MSME Project Investment Climate Facility Finmark	SEDA Khula / Business Partners IDC Banking Council / FSC Business Trust ABSA SAVCA First National Bank Business Unity SA Economic policy advisors in the Presidency Making Labour Markets work

The range of documents read covered:

- SO 9 documents as provided by USAID (a full listing is provided in Annex A.4)
- Government of South Africa key policy documents
- Project documents from several key stakeholders

The views and facts presented in the following chapters, which offer the critique, analysis and recommendations, stem from a combination of sources. In general, the consulting team applied a key informant approach, supplemented by a substantial amount of written documentation from USAID and other credible sources. Most statements made by one interviewee would have to be corroborated by at least two other interviewees, before we considered it worthy of inclusion in the report, or even as part of our analysis. Otherwise, when we could not find alignment among individual statements, we would at least have to find similar views or supporting facts in the documentation, especially from documentation received from USAID or reliable South African institutions. Also, we have given greater weight to comments made by people closest to the programme's activities, namely those from within USAID or project partners. Furthermore, the consulting team applied its more than 30 combined years of experience and insights from other assignments in this sector, which enrich and deepen the team's insights and understanding. Thus, especially in the realm of analysis of USAID's SO 9 programme impact, the objective and subjective details of our findings have been juxtaposed to our own knowledge of the SMME terrain in South Africa.

Page 9 of the SO 9 Results Framework said, "USAID also plans to update the baseline household survey of SMMEs completed in 1995…" Unfortunately, this did not happen. Without a credible base line at either the programme or project levels, attesting definitively to impact towards the end of the intervention has become very difficult. USAID's larger projects under SO 9 (i.e. SAIBL and PAL) collect good jobs statistics by recording the change in employment from quarter to quarter, and then on a yearly basis. However, the sales or turnover numbers just reflect gross income in a quarterly, and then summarised yearly form. They do not report on change in income and there is no regular test of attribution between the incomes generated and project inputs. Thus, no independent record of business income or number of employees, prior to any USAID intervention, among either the various SMMEs served under the programme or among an empirically comparable data set exists, and the recoding of gross sales, instead of changes in sales makes determination of impact complicated.[8]

Neither the scope nor scale of the terms of reference allowed for detailed review and analysis of all projects under SO 9, or for in-depth interviewing of a statistically representative sample of SMMEs. Thus, the evaluation team has applied a qualitative mode, instead of a quantitative mode, of analysis.

To add texture to this qualitative approach, the latter chapters, especially VIII and IX, include several text boxes. Each falls into one of three categories – a key statement from the original SO 9 Results Framework, which helps to re-emphasise the key thinking and intent at the time of the programme's design; a quotation from current media, which serves to give some insight into the vital debates and trends in present-day South Africa (red shading); or a brief story from among a random selection of SMEs with which the evaluation team met, which offers a glimpse of the complexities facing real South African HDI SMEs (blue shading). In their totality, aside from trying to make this a more interesting document to read, these text boxes also serve to make a critical connection between intentions, results, and reality, so as to deepen the understanding of how best to tackle a still monumental task of creating jobs and growth in South Africa.

[8] As we explain in the introduction to the next chapter, USAID project partners have collected myriad statistics on income, jobs, etc.; and we use those data as the basis of our analysis of project and programme performance. However, this is not the same as an independently administered base line survey.

VIII. What did the SO 9 Programme Achieve?

This chapter begins with a qualitative assessment of the ways in which the management, structure and processes among USAID and its implementing partners influenced the impact of the SO 9 programme. The remainder of the chapter looks at the quantitative indicators at the sub-intermediate result, intermediate result, and strategic levels, and proposes several hypotheses as to why the programme did or did not achieve various indicators. The quantitative analysis derives entirely from the Performance Data Sheets, provided to the evaluation team by USAID. (See Annex A.8.) The consultants have not performed any sort of audit or verification of the numbers presented in those data sheets, but rather relied upon the integrity of USAID and its project partners, as well as the views of previous external examiners, as sufficient for attesting to the validity of the numbers[9].

The reader will notice that the Performance Data Sheets only cover the years FY 2004 and FY 2005. The numbers for FY 2006 were not available for this evaluation, since they will only be tabulated at the end of the current fiscal year after September 2006. Annex A.9 provides a summary of the programme's performance over the FY 2000 to FY 2003 period, which is not entirely comparable to the latter periods.

In 2003, USAID/Washington engaged the Mission in discussion around the appropriateness of trying to measure "employment opportunities". Data and indicator quality assessments (DQA) conducted by the Mission in response to that concern revealed that, indeed, individual implementing partners were defining and measuring job "opportunities" in logical but different ways. Some partners imputed jobs opportunities based on formulae; others included jobs saved as well as new jobs; some reported only new jobs created in a reporting period. As a result of these findings, the name of the SO changed to "increased market-driven employment", to be measured by the net change in employment among assisted enterprises from one Fiscal Year (FY) to another. Employment was defined broadly to include not only full-time formal jobs, but also self-employment, employment generated through barter in cash or in-kind, and other versions of formal and informal economic activity. Because the definition and measurement of employment changed subsequent to the DQA, results before and after FY 2003 are not comparable; and thus, this evaluation mainly has looked at FY 2004 and FY 2005. (See Annex A.6 for brief definitions of key indicators.)

Despite the improvement in data quality and the presumed integrity of the sources of the numbers presented in the Performance Data Sheets, the evaluators must raise the prospect that the numbers contain some 'noise', which may distort the actual picture of what has occurred, both in terms of outputs and outcomes. For example, both in targeted and actual 'job creation' performance between the FY 2000 to FY 2003 and the FY 2004/05 periods, the wide variances make it difficult to determine and differentiate impact[10]. Also, in the data sheet that records the combined performance of "SAIBL and Trade", the figures for FY 2004 show 3,990 jobs created, 78,628 sales contracts supported for a total value of R1,684,665,362, across 241 SMMEs assisted, and 86,259 hours of training. The training and

[9] As the consulting team reviewed individual project reports, we found no meaningful discrepancies between those documents and the Performance Data Sheets. Furthermore, USAID commissioned an externally contracted Data Quality Assessment (DQA) in 2003, an external DQA check-up in 2004, and an internal DQA in 2006.

[10] USAID personnel believe that much of the discrepancy at an aggregate level arose from SARPP and the excessively high targets set for them, with less influence from a generalised difference between the two periods.

SMME figures would lead one to believe that each SMME averaged approximately 44 person-days of training in one year. The evaluation team finds this somewhat improbable, especially when comparing this figure to the average of 1.5 person-days in FY 2005. Furthermore, jobs created in FY 2005 plummeted to 995 (about 1/4th of the FY 2004 achievement), while the average value of sales transactions per SMME between the two years nearly doubled from about R7 million to R12.7 million. Nothing in our discussions with SMEs, project partners, USAID personnel, or external stakeholders would explain such wide and disparate swings in actual project or enterprise performance.

So, we must accept imperfect quantitative and qualitative analysis, since some of the numbers upon which the critique arises may not accurately reflect actual performance. Nonetheless, the evaluation team contends that the preponderance of cross-referenced facts and opinions provides a sufficiently robust platform from which to draw examination, lessons, and recommendations.

a. Management, Structure, and Processes

This part of our analysis examines the management, bureaucratic and engagement models and structures, and processes to determine how well USAID and its implementing partners managed the various projects and the overall programme. We consider the capacity, capability, and performance within the USAID South Africa mission itself, as well as among direct implementing partners, and organisations to which USAID outsourced its grant management functions.

> The large number of management units (9 principal on-going activities are listed in Attachment 3) has been managerially cumbersome and often found lacking in strategic focus. Under the new SO, management units will be streamlined, simplified and refocused to a critical mass of activities and implemented by fewer contractors/grantees.

USAID supported 9 technically oriented activities under the bilateral agreement between USAID and the National Department of Agriculture (NDA), in addition to the Mega-Tech and VEGA-SAAGA grant management contracts, a bilateral agreement with the Department of Trade and Industry (dti – closed out in 2002), as well as a cooperative agreement with the Agricultural Research Council (ARC), and14 other projects over the FY 2000 to FY 2007 period, some of which carried over from the previous BPED strategy. In a purely administrative sense, this set up did not stray substantially from the original thinking, which envisioned one policy contractor, one agribusiness contractor, and one SME contractor, each potentially subsuming one small grant programme.

Although USAID may arrange its management responsibilities from a procurement perspective, and thus consider an outsourced grant management contract as one project, the evaluation team must consider the performance of the individual projects under those grant agreements, along with the larger institutional contracts and cooperative agreements, to assess impact. It therefore follows that competent management of all projects becomes a salient issue in assessing impact, whether or not USAID delegates administrative oversight and some technical guidance to external parties. Thus the fit between the number and nature of all projects combined and USAID’s own internal management and technical capacities is directly relevant, in assessing whether or not USAID thought-leadership, in particular, as well as managerial capacity, has or has not contributed to better or worse project outcomes.

The inclusion of earmark projects, mostly in the biotechnology and microenterprise arenas, added substantially to the number of activities under management, although most fell directly to the oversight of outsourced grant managers, rather than core USAID staff. The SO 9 Results Package foresaw phase out of SAIBL, but USAID has extended the cooperative agreement, and it has become the single largest project under SO 9, commanding nearly half of the overall budget, and incorporating de-obligated funds from the EM&I Agrilinks project. Administratively, these procurement manoeuvres with SAIBL probably saved the mission considerable time in managing their engagements.

Similar to the arguments about efficiency and strategic focus, highlighted in the text box above and put forth at the time of designing the SO 9 programme, this review has found evidence of some of the same problems. Strategically, business linkages have featured prominently in several of USAID's activities. Many individual projects have applied sub-sector approaches. USAID and its project partners have tried to share and coordinate knowledge and activities across these projects in those sub-sectors, but less cross-learning took place than might have otherwise occurred, due to some conflicts or overlap between, Mission, regional, and Washington-based funded activities, as well as the threat of double-counting results.

Parsing up already relatively small and dwindling budgets over a greater number of projects also has raised questions of management efficiency, not to mention programme effectiveness. USAID procedures generally demand substantial time and effort to procure services. To alleviate some of that burden, USAID has tended to extend agreements (sometimes using a different procurement mechanism) with existing partners, with whom USAID has familiarity, and who themselves understand and comply with USAID rules and regulations. Nonetheless, management pressures should not dictate technical boundaries. For example, people interviewed for this evaluation both inside and outside of the SAIBL / PAL / Agrilinks nexus, noted the differences and deficiencies in staff competence and technical approach between the merged projects and staff. While we note the administrative efficiency of folding the former EM&I project into the existing and flexible cooperative agreement with SAIBL, it is not clear that the revised resulting project had the best team and approach to meet the tasks at hand.

Three different individuals held responsibility for the SO over the past 6 years, and the evaluators spoke to each of them over the course of this assignment. In addition, the programme saw a series of changes among the SMME and agricultural specialists, as well as administrative staff, who complemented the tasks of the Team Leaders. Overall, the evaluation did not surface any substantive discrepancies in project administration. Indeed, to the credit of several people, key personnel identified differences and discrepancies in how partners were defining "jobs created", and took steps to improve data quality, integrity, consistency, and reporting. Where problems of performance or contract disputes arose (i.e. E&MI and some other smaller problems), USAID personnel seemed to have handled the situations professionally and facilitated optimal solutions, under the circumstances. Despite changes in report formatting and content, as well as some substantive modifications to performance indicators, USAID has been able to provide the evaluation team with a substantial and generally coherent set of reports that document the SO 9 history.

Our critical questions at this level of management have more to do with the nexus of administrative burden and technical proficiency. People inside and outside of USAID have noted at several points the growing excess of administration and time consumed by USAID's own internal processes and procedures. Furthermore, some of the same people and others have commended USAID staff for their professionalism, but at the same time, have questioned the sometimes less than adequate technical knowledge or thought leadership in crucial programme areas. In short, inordinate amounts of time spent on internal administrative chores, combined with sometimes limited technical insight, have limited USAID personnel in providing the kind of technical leadership or even involvement sought and required by project partners or other key stakeholders.

In smaller and less dynamic countries, USAID can command more respect and influence, mostly because of the disproportionately large value of USAID's programs as compared to the host country's GDP. However, especially in South Africa's relatively large and sophisticated public-private economic world, USAID must explicitly seek involvement and inclusion. However, generally speaking USAID personnel have not been available to or sought after by key stakeholders, opinion-makers, influencers, and thought-leaders in South Africa, whereas fairly regular contact with top public and private sector leaders in smaller countries is almost the norm. USAID's own project partners have had little time or inclination to seek targeted and incisive insight into sensitive or innovative technical issues, beyond whatever may have arisen from quarterly and other periodic project reports. If USAID personnel had more of an inclination and the time to make regular inroads into key sectors of South Africa's economy and maintain ongoing relationships, beyond official programme or project related reporting, USAID could probably enhance its programme performance.

b. Results Summary – Outputs and Objectives

Now turning attention to the Performance Data Sheets that cover the FY 2004 / 05 periods, USAID's SO9 programme at the aggregate Sub-Intermediate Result level has exceeded expectations in two of the three most important indicators, namely number and value of transactions financed, although it has not met several of its other targets. Neither the SME nor Agribusiness sub-portfolios achieved their aims in any of the categories that reflect the number or types of enterprises assisted. Furthermore, equity financing, parastatal financing, and microenterprise financing all under-performed in both sub-portfolios; although the agriculture portfolio did turn in an outstanding performance in access to supplier credit and other finance (exceeding targets by 332% and 127%, respectively).

Textile Company Facing Competition – *Doing good with little entrepreneurial flair*

Company X was started in 1993 by two women who conducted research into road accident trauma at the Medical Research Council. After 8 years of operating in a garage, they bought a building in an industrial park from where they now work with a staff of 12. They manufacture reflective tape which is stitched onto safety garments. The business weaves the tape and assembles the garments. They sub-contract some of the garment assembly to a women's support project. Soon after moving into the factory, business went into decline, due to competition from products manufactured in the East. Believing they could build efficiency, they decided to invest in new equipment in 2004. They received 50% of the cost from dti, and the other half from SAIBL. SAIBL also helped to pay 50% of the cost of a TV advertisement.

In 2005, the staff worked half-time for half-pay. The staff have since been reinstated at full pay. Despite the new equipment and some contracts, their business is still struggling. They are making attempts to use parts of the factory for a coffee shop and gallery to serve workers in the area and they are trying to diversify into the use of reflective fabric in fashion items.

These statistical trends would seem to bear out the qualitative difficulties faced by many of the projects, as well as to some extent, the nature of the project designs. SAIBL and other linkage projects in the programme have laid claim to facilitation of a substantial number of transactions. And while no evidence surfaced to indicate 'phantom' transactions – wherein a deal may have appeared on the books, but not actually have involved one of the USAID projects – ample consensus exists to support the notion that the linkage interventions varied from the provision of fairly substantial and vital assistance, to a relatively light touch.

Interviews with SMEs and other informed project partners and key stakeholders during this evaluation, combined with the reading and observation of the evaluation team, give sufficient weight to the view that on balance most linkage activities involved a moderate to light touch, often at a level of basic business advice or referral, or episodic and directed toward a particular momentary need (e.g. ISO 9000 certification to become eligible for a tender or an export opportunity). Thus, projects racked up impressive transaction numbers, but questions remain about whether many of those actions opened markets, or just facilitated a deal.

In terms of financial transaction value, the SME portfolio exceeded its target by 21.7% and the agribusiness portfolio exceeded its target by 44.6%. Although impressive as stand-alone numbers, they do reflect a potentially less appealing picture of efficacy, as project partners consistently sought larger SMEs than the original programme design intended, which, in turn, increased the size of individual deals, in part to meet targets, but also reflecting the costly difficulties of finding HDI SMEs with a sufficient base of skills, experience, acumen, etc. to absorb and apply the assistance offered. The incongruence between the deliberately designed approach of applying a relatively lighter touch to business support, on the one hand, and the actual deficiencies of many HDI SMEs, on the other hand, as opposed to what the initial programme design assumed, also helps to explain the under-performance in the number of businesses assisted.

The reasons for under-performance in the three sub-units of finance appear unique to each category. Equity finance for SMEs worldwide continues to vex development professionals, and South Africa has proved no different. The very sophistication of the financial markets and the relative abundance of investment opportunities among medium to larger sized businesses and corporate entities has largely worked against any efforts to bring equity to SMEs, rather than form a strong base for entry into that market, as various USAID project designs hoped. Furthermore, with the narrow application of BEE financing towards merger and acquisition activity, versus green field or early stage venture creation or growth, the market did not develop an appetite or skill for true venture capital, much less angel finance. Ironically, financial houses found it easier, more profitable and equally rewarding from a social and political perspective to fund safer and less risky BEE ownership deals, than black SME transactions. The tide may be turning in a slightly more positive direction now in 2006, but certainly for most of the life of SO 9, these factors substantially limited the success of equity financing for black SMEs.

> "Almost every government initiative has failed to live up to its objectives because of poor implementation…. Implementation capacity has been a major weakness."., *Sunday Times, 23 July 2006, 'Commission rips into state of the nation'*

The lower than expected figures for parastatal funding would seem to stem from two different, but somewhat related factors. On the one hand, much of the input to this target relied upon accelerated privatisation of state-owned assets. Not only did this not happen, but arguably privatisation slowed down over the period. On the other hand, many of the parastatal institutions upon which this financing depended, like Land Bank or Khula Enterprise Finance, have a troubled past and present in the delivery department. Broad consensus sees them as slow, without clear vision or purpose, poorly managed, and lacking in critical financial, development and risk skills. Despite bilaterals in place between USAID and some of the relevant government departments, which oversee some of the parastatals, these relationships did not create enough leverage to encourage resolute action at the transaction level.

From the inception of SO9, USAID deliberately shifted its focus from microfinance and financing microenterprises to support, mainly non-financial, of small to medium existing businesses; mainly on the belief that microenterprises can generate income, but they do not fare well in creating sustainable employment. Thus, it may only have been reasonable to expect that less direct investment and even less indirect investment in microenterprise finance would yield fewer outputs. Even with internationally well-regarded organisations such as FINCA and ACDI-VOCA at the helm of some of USAID's larger investments directly into this sector, the projects generally performed worse than others, in terms of outputs, much less outcomes and impact. Project documentation and interviewee comments point to project and product design flaws; management and operational inadequacies; and substantial external environment challenges that plagued microenterprise support and financing generally and specifically in these projects.

c. Results Summary – Intermediate and Strategic Results

> competitive employment is characterised by sustainability, increases in productivity, market-driven increases in wage levels and a resulting increase in economic growth, exports and living standards.

SO9 has met or exceeded the performance indicators at the Intermediate Result level in aggregate terms in all but one indicator, namely number of sales originating from microenterprises. Notably, at the Intermediate Results level for type and value of business transactions facilitated among SMMEs and small and medium agribusinesses – i.e. number of sales contracts supported, number of export sales, Rand value of sales contracts, Rand value of export sales, total number of transactions in which finance was accessed, and Rand value of finance accessed – the programme has so far exceeded its targets by no less than 26%.

Despite this laudable aggregate performance, the 2003/04 Programme Implementation Report (PIR) noted the following about the agriculture component, *"Over the past three years, the Mission's Economic Growth (EG) funds have declined dramatically, with a concurrent shift in the balance of funds from discretionary EG to agricultural funds (AG). Since agriculture is not an optimal source of employment generation, the Mission may have to adjust its strategy to fit its funding. Should employment generation continue as the SO, the Mission will conduct an assessment of the existing intermediate results and associated activities to determine whether they are the most effective for maximizing impact (i.e. creating the most jobs)"*.

This passage highlights three very important issues. First, as revealed in the numbers, the agriculture portfolio performed much worse than the SME portfolio in all categories, including not meeting 4 out of 8 specific targets at this level. Second, despite relatively early and mounting evidence that agriculture would not generate the kinds of results foreseen at the time of project design (in fact, the supposedly exceptional potential to create jobs, especially among the poor and women, provided a major part of the justification for including agriculture), the USAID Mission has had little choice but to continue supporting initiatives emanating from higher levels of the US Government, operating from a different set of priorities and incentives. Third, HDI SME agriculture and agribusiness probably contained and still contain some of the most difficult varieties of the ills that beset the broader HDI SME sector, not to mention the major complexities in agriculture, such as generally poor land, relative slowness of socio-economic transformation outside of South Africa's major centres, and the continuing complexities of land reform.

Agriculture exceeded its number of sales contracts figure by 20%, but missed the value of contracts target by nearly 16%. Number of sales from women owned enterprises and microenterprises fell below their targets, but the value of sales for these two categories of enterprise both exceeded their targets. This mixed picture between volume and value may reflect a few factors among HDI SMEs, and especially among those in rural areas and in the agricultural sector. There are very few formal women-owned businesses, and despite a plethora of microenterprises, most of them still wallow in the mire of informality and low-value retail activities. Nonetheless, where market opportunities exist, the few women and microenterprises that can play can gain access to quite substantial opportunities.

> USAID's SMME and agribusiness development program will also broaden and deepen economic empowerment and participation of the majority population, increase the pace of public sector transformation, build effective domestic/international and public/private partnerships, broaden trade opportunities, strengthen alternative financial intermediaries, and increase marketing efficiencies and technology transfers.

The conflict between USAID's centralised prioritisation of agriculture and the plain and negative reality of agriculture in South Africa puts into stark relief one of the most serious internal threats to USAID's effectiveness. USAID and the United States in general, within the public and private sectors, have tremendous agricultural expertise along the entire value chain from research and development, to production, to distribution and sales, and so on. However, great expertise can be mis-applied. Some of the biotechnology projects have yielded impressive scientific results, but most have delivered very little in the form of viable commercial transactions, much less commercial agribusiness HDI SMEs.[11]

The structural impediment caused by a slowing down of privatisation in general, and in the agricultural sector in particular, demanded a different response. The shift by the SEGIR project from privatisation to agri-BEE deals helped to generate some deals; and they showed some innovation in unlocking LRAD grants for productive purposes and to improve the commercial viability of some transactions. Nonetheless, these actions mostly skirted around the conundrums in the agriculture sector, rather than dealt with them directly.

This evaluation touches at several junctures upon the gap between expected capacity among HDI SMEs and reality. Unfortunately, the agriculture and agribusiness sectors in South Africa reflect perhaps some of the most entrenched versions of the general condition. Business and technical experience and acumen are lower. Access to support resources is poorer. Basic levels of education and exposure to formal structures (e.g. courts, banks, registered suppliers and clients, etc.) are less. Short of massive investment or extremely well-

[11] Only a handful of the biotech programs exceed 2 years, which is not long enough for agriculture-based research to see results at the level of real-time production or job creation, either within the semi-annual or annual reporting cycles, or in most cases over the duration of the SO 9 programme. For example, the sceletium program, funded thru the Mega Tech International grant program, researched propagation, soil/growing conditions, etc of this crop, which some think will become an alternative to current anti-depressants, and which is currently popular in the herbal market locally. Following the USAID funded research, several landed groups of disabled historically disadvantaged individual have begun to grow sceletium profitably.

targeted and highly nimble interventions, no one could or should not expect much success among HDI SMEs in the agriculture and agribusiness sectors.

Of course, to assess impact, the findings must go beyond the exercise of comparing target and actual performance among a list of performance indicators, and rather look more deeply and critically at the substance of the expected SO Results and Intermediate Results, specifically:

- More Rapid Growth of Existing SMMEs;
- Increased Commercial Viability of Existing Small and Medium Agribusinesses; and
- Increased Market-Driven Employment Opportunities.

Working from the bottom up, the balance of evidence would not support a strong position that SMMEs have grown more rapidly. This evaluation of the programme and individual project reports present a mixed picture of attributable impact on growth. Some of SAIBL's more able clients have done very well; although most of those interviewed in the course of this evaluation reported reversals of fortunes, stagnation, or marginally incremental growth in incomes or jobs. BEES Trust succeeded in fostering a value-chain network among HDI SMEs in the garment sector, and linked them successfully to sources of contracts. However, market factors, such as cheap imports from China and India, as well as domestic anti-competitive forces, difficulties in the supply chain to obtain critical inputs like materials, and other factors have caused several businesses in this sector to close or reduce activity to survival levels. An impact evaluation of World Education Ntinga indicated, "…that all… programmes are relevant and good value for money…. Existing and perceived needs have been met… Business confidence of entrepreneurs in general and of women in particular has improved remarkably. Several stories were told about successful business linkages, improved business performances, and lucrative contracts…. However, increases in… organisations' incomes and business performance of entrepreneurs have not been consistent".[12]

Tens of thousands of transactions worth several billion South African Rand have occurred. Yet, the alluring logic that such transactions would lead to business growth in terms of jobs and / or income has not materialised for many of the SMEs. In addition, without ongoing access to or knowledge of the multitude of business advisors that may help businesses sustain themselves beyond the one 'deal' or the one 'tender', many of the SMEs cannot fill the remaining serious gaps in skills and insights that they need to carry on at the level of enterprise implied by success on a particular transaction. Indeed, several people interviewed for this evaluation pointed to the lack of professionalism and inadequacy of skills among so called mentors and advisors in South Africa, including some who provided services through USAID-supported projects, but also many of the people working through South African institutions, such as Khula, Business Partners, or Sizanani.

Furthermore, the SO 9 programme design foresaw only minimal provision to SMEs of meaningful opportunities to link into support networks or form a collective voice, which would help them to solve some of their practical day-to-day business problems and effect high priority policy and regulatory change, which, in turn, would have increased the chances of sustained and more widely dispersed job and income growth. Most of that kind of support disappeared with the extrication of the policy element from SO 9. However, such systemic

[12] Maseko, L. & Hoschler, D., "Change and Impact Evaluation: World Education Ntinga's BDS Programme", January 2002.

level interventions would have helped to address many of the real problems that have diminished growth prospects among HDI SMEs.

The picture on the other side of the portfolio would appear no better, and perhaps slightly worse, with the programme having fostered very few 'commercially viable small and medium agribusinesses'. Exceptions do exist. Several sheep farmers in the Eastern Cape, assisted through Commark's work with agricultural extension workers, seem to have begun a long journey towards viable businesses; but the project will only conclude in March 2007, so final impact cannot be determined at this time[13]. Nonetheless, it would appear that this intervention might spawn development of a market at a minimum of two levels. Firstly, many HDI SME sheep farmers have become more aware of the value in better quality sheep and wool, and have begun to tend to their flock more as a growing economic asset, rather than a subsistence survival tool. Secondly, success in the pilot has spawned a responsible reaction at the organisational infrastructure level, by way of the provincial government indicating a desire (and a willingness to pay a substantial amount) for all of its nearly 700 extension workers to receive the same kind of support that Commark has facilitated. Also, the linkage facilitated, by PAL's hands-on approach, for the supply of tomatoes by small farmers to one of South Africa's major companies, Tiger Brands, also financed by ABSA Bank, seems to have set in motion a sustainable and mutually beneficial market relationship, while also demonstrably shifting the thinking and approach of South Africa's largest retail bank, ABSA, to financing small farmers. Agrilinks too, quickly established a network of competitive livestock auctions in rural farming communities throughout Eastern Cape, which resulted not only in higher prices for the sellers but also in payment on the spot from an auction house.

Nonetheless, for many of the same reasons that HDI SMEs in general have not leapt onto a true path of business growth, no appreciable number of agribusiness HDI SMEs have achieved commercial viability. As the text box to the left and commentary from agricultural and rural development experts interviewed for this assessment attest, agriculture, in general, continues to face tough economic times, and the complexities of land redistribution and sector transformation have made commercial success even more elusive, at least in the short to medium term.

> A litany of commercial failures of farms transferred to new black owners, rising land prices and resistance from white farmers to the redistribution of land have slowed land reform. Central to government's approach to land reform is the development of a black farming middle class and the rural economy….. [Transvaal Agricultural Union] president Paul van der Walt said … the challenges involved in land transfer, made more difficult by cultural differences between white farmers and beneficiaries, should not be underestimated. There were concerns that [white] farmers [who transferred their land] would not get assistance once the land was redistributed…. There is no work for a white man in this country". *Business Day, 28 June 2006, Farming groups unite in land reform drive, Neels Blom*

The experience of PAL, another one of USAID's major interventions in its SO 9 programme, consuming over 15% of its total resources, seems instructive and indicative of a broader set of issues. According to the project's director and other sources, PAL has only begun to see any signs of potentially lasting impact, and will probably need at least an additional two years to assure lasting results. The project can point to success stories, like the Tiger Brands / ABSA venture noted earlier, or a group in Northern Cape Province that grows sultana grapes and is now moving into wine, or a good partnership with Monsanto, wherein 21 grain producers from North West Province were trained jointly and Monsanto produces

[13] USAID's grant agreement ended in 2006, but the overall programme of support will continue through 2007.

improved seed for maize, while PAL did business plans with the farmers. Nonetheless, prospects for sustainability remain uncertain and fragile. For example, in 2005 the farmers in Nwanedi had a yield that exceed their contractual commitment to Tiger Brands by 10%, but they had no market for the additional tomatoes – a vital lost income generating opportunity in a mercurial and risky agricultural sector. Also, without the substantially greater depth and length of support provided by PAL directly to the farmers in the Tiger Brands deal (as opposed to the general project intention of quicker and lighter pure linkage support), few believe that the farmers would cope, mainly because the other elements of a working market remain very weak.

PAL and others contend that crop insurance remains prohibitively expensive – a factor not only of the relatively less profitable position of HDI SME farmers, but also because of the high risk associated with relatively small plots placed on an already scarce amount of arable land. More fundamentally, even the tiny number of relatively high potential HDI SME farmers will take a long time and require substantially more assistance to be able to calculate or foresee bumper crops or deficits. Meanwhile, the support infrastructure at national, provincial, and municipal levels in the public sector, as well as within the private sector remains sparse and unreliable. Having to work on building capital assets, improving technology, and increasing access to finance, without complementary agencies, has stretched PAL considerably, which often means, for example, that if they can facilitate a deal for a small farmer, they frequently cannot locate the finance for the equipment or seed. Building relationships with banks has consumed vast amounts of time, because they need to see a few successes before they will come on board. Mis-directed policy and lack of competence in key Government positions means that new farmers, beneficiaries of the national land redistribution programme, continue to be placed on plots that will barely lead to survival, much less growth or regional and international competitiveness.

Turning back to the overall strategic objective, in FY 2004 and 2005, the programme created about 2.2 jobs per enterprise assisted, with substantial variability between SMMEs in the agricultural sector and the non-agricultural sectors – i.e. 6.7 vs. 0.7 jobs per enterprise, respectively. In the closest comparison possible for the FY 2000 to FY 2003 period, the overall programme generated 1.8 job opportunities per transaction completed, or 3.7 job opportunities per enterprise trained.

Other disparities arise in respect of income growth, as the overall programme has achieved R885,728 per business, while the SMME portfolio can tout an average of R3,379,168 per business, but the agricultural portfolio has only averaged R103,199 per enterprise over the FY 2004 and FY 2005 periods. In the FY 2000 to 2003 period, the value per transaction for non-agricultural businesses averaged R2,630,080, while agricultural businesses averaged R254,636, applying the current exchange rate of R6.9 / $1. Without sufficient base line data, the evaluation team cannot directly extrapolate employment and income growth percentages. However, in light of the types of enterprises generally serviced under SO 9, and taking into consideration broad definitions of small and medium enterprises, these numbers present a mixed picture.

Transactions have not proven to be a reliable or consistent indicator of commercial viability; and in the absence of coordinated efforts to deal with the complexities of the market, they are, by themselves, highly unlikely to lead to long-term viability. Especially in the agricultural industry, where major players struggle for myriad reasons to achieve commercial success, few doubts should remain as to why the relatively disadvantaged in the sector cannot navigate a more difficult route to get to the same mountain top.

Excerpts from a critically sound evaluation of SAIBL present an interesting perspective on the performance of that project, but also of the overall SO 9 programme: "[The enterprises receiving SAIBL assistance] have created 8,020 jobs since inception, of which at least 1,309 they directly attribute to the program. At a total expenditure to date of $2.7 million on the program, this translates into a cost of $2062 for every job created….. SAIBL's strategy is an integrated, holistic and demand driven approach, which carries the SAIBL clients through the necessary steps to make them globally competitive.….. The success is high notwithstanding that the companies are predominantly owned by HDIs…. A general indication of how well SAIBL clients are faring is given by their average annual growth rate of 31% …in terms of turnover"[14]. In turn, USAID is proud to point out the Industrial Development Corporation (IDC) would be given 4.2 billion Rand with which they estimated they could create 26,200 direct jobs, which equates to approximately R160,305 per job ($24,662 at current exchange rates)[15].

The Twists and Curves of the Pipe-Bending Biz

Mr. P has been in the metal industry for 22 years and has been operating his company for 8 years. He bought the company from a larger company when they unbundled. Having started with 10 workers, it went down to 7 and has since risen to 19. His turnover fluctuated from R2 million in year one, down to R1.7m in year 3, and last year rose to R4.1m. His pipe bending for the maintenance sector of the motor industry used to cater for GUD, VW and Daimler Chrysler, but when vehicle manufacturers integrated their sub-contracting to new parts manufacturers only, his contracts with large firms ended. SAIBL supported him to visit one of his contractors, Bell in the US. While the visit did not reinstate the contract, it gave him the opportunity to visit plants in the same sector in the US. He learned some significant lessons which enabled him to restyle his factory floor with considerable efficiency and productivity gains. Through luck and his own linkages, he managed to get a contract to manufacture school desks for the Western Cape Department of Education. He has since diversified into office furniture and orders are increasing.

Nonetheless, he struggles to juggle HR, sales, quality control, administration, purchasing raw materials and production management functions and be on factory floor if required. Competent sales people with the right technical skills are unaffordable for a small company. Without any linkage to a reliable network, he cannot keep abreast of technology in the field.

While acknowledging the impact of SAIBL and its apparent efficiency, especially as compared to another entity, these statements do bear more intensive investigation. One reason why this current impact evaluation may not have surfaced such glowing tales of business success and growth may stem from the samples taken. The KNC report interviewed 52 SMEs, 85% of which were in the economic hubs of Gauteng (location of Johannesburg and Pretoria) and the Western Cape (the seat of Cape Town)[16]. None of the 27 businesses interviewed for this impact evaluation came from Gauteng, and only 3 came from the Western Cape. In consultation with and under the direction of USAID, the evaluation team explicitly took a closer look at businesses outside of the major economic hubs, e.g. Limpopo, Mpumalanga, and Eastern Cape Provinces, which probably meant that businesses had a very different character and performance than those examined in the KNC report. As one commentator put it during this assignment, 'the view from the platte land is very different to the view from atop the highveld'. In fact, the KNC evaluation hinted at the potentially different picture that

[14] : KNC & Associates, "SAIBL – Evaluation & Impact Assessment", 10 September 2003
[15] Excerpted from, "IDC to double number of jobs it creates" Business Report, June 30, 2006
[16] Although it would appear that KNC took a random sample, there is no indication that its was a statistically valid stratified sample, and so caution should be applied in extrapolating the performance reported among those SMEs to the general pools of SMEs within the SAIBL project, much less across all SMEs affected under the SO 9 programme.

might have been obtained, if the project at that time had reached out more deliberately to SMEs beyond the major economic sectors.

As for the comparison between SAIBL's job-creating efficiency and the IDC's apparently relative inefficiency, we can only speculate. IDC's roughly $25,000 per job may also buy more global competitiveness, with larger companies, higher-value added products and services, supported by technological innovation, in key nationally strategic industries. In theory, IDC should buy more stable and agile employment, than what many SMEs can generate. Thus, the appropriate comparative measure may be 'value for money', rather than simply cost per job. In turn, some of these issues go to a central aspect of the thesis presented in this evaluation – namely, that USAID has bought limited income and job growth and sustainability among a niche of HDI SMEs. Others may set out to achieve slightly different things.

Thus, at the strategic level, the USAID SO 9 programme has met key elements of the main objective, but missed others. Over the FY 2004 and FY 2005 period, USAID projects under SO 9 have created a total of 8,642 jobs, against a target of 7,240 – albeit with the continued pattern of disparity between the SMME portfolio, which created 6,380 jobs, against a target of 4,600, while the Agribusiness portfolio missed its jobs goal, only generating 2,262 jobs, compared to a target of 2,640. Under a much broader definition of 'jobs' in the period through FY 2003, the programme facilitated creation of 49,305 employment opportunities, surpassing the cumulative target at the time of 40,000.

USAID programmes have generated jobs; facilitated various forms of business transactions; worked with an array of SMEs across many sectors; facilitated access to several types of finance; and built the skills of many SMEs. Furthermore, these outputs have stemmed from SMEs engaging with public and private sector, large and small entities that mutually sought and concluded commercial transactions. Often SMEs and service providers contributed meaningful amounts of real and in-kind capital to make the deals happen. However, meaningful tests of impact must look beyond the immediate evidence of an activity, but rather seek convincing signs of sustainability, leverage, additionality, and strong evidence of the capacity of myriad key participants and stakeholders to interact within the natural flow of supply and demand, with minimal or no donor support. USAID's SO 9 programme only partially meets this rigorous test of impact.

Some jobs created on the back of one transaction have now dissipated. Several entrepreneurs who geared up to meet specifications for one deal had neither the foresight nor the skill and experience to manage growth, and all of its consequences, in respect of cash flow management, staffing changes, diversification of financing sources, etc. Perhaps more importantly, many of these same business-owners have insufficient knowledge of and connection to service providers, industry news, peer networks, or other multifarious resources upon which they may rely to fill inevitable gaps in their own abilities. With only three exceptions, these traits characterise all of the 27 businesses interviewed for this evaluation. Of course, the SAIBL evaluation three years ago drew a different picture, generally; but, as pointed out above, neither this evaluation nor the KNC assessment used a statistically valid sample, and we seem to have looked at different pools of SMMEs (i.e. this evaluation concentrated on smaller entities in less economically active regions). Furthermore, this evaluation has already spoken of the mercurial nature of the life of an SMME in the construction and garment sectors.

A programme of six years has only recently spawned any replication among South African entities at the organisational or support infrastructure levels of the market that may adopt and adapt methodologies tried under the SO 9 programme. Despite some successes in financial sector policy that does partially impact SMEs, it is difficult to find USAID's voice or influence in any of the hot economic topics of today's South Africa, around job creation and skills development. So, markets remain under-developed among many dimensions – i.e. service providers, economic sectors, SMEs themselves, policy makers and influencers, etc. – thereby making it difficult to purport that USAID has enabled market-driven activity for the long-term. In addition, while employment opportunities exist, serious barriers to accessing those opportunities remain – in all facets of access from proximity, to price, to appropriateness, and demand and supply-side readiness.

IX. Analysis

In stepping back and examining the full breadth and depth of six years of a multitude of project interventions, several key themes and factors emerge consistently. Many of them arose as unexpected developments or unintended consequences.

> structurally distorted markets are still very evident.

Chief among the broad assumptions that informed programme and project design, but which did not materialise in the way envisioned was the unexpectedly insufficient numbers of HDI SMEs that were ready for export or private sector investment, or even ongoing trade or supply relationships with larger entities. Although the overall programme exceeded its targets in number and value of export sales, only 3 of the 27 SMEs interviewed for this evaluation indicated any interest or propensity for export. This may raise doubts about how systemically representative the SMEs in the programme and more broadly in the economy may be. The apartheid legacy of poor education and no meaningful skills provision, along with economic isolation domestically and internationally, runs longer and deeper than imagined. Project after project found that support took longer, cost more, and involved more substantial inputs than originally planned.

Related in part to this phenomenon, many smaller SMEs, especially those in the construction sector, expressed their discomfort with the hands-off approach of linkage, which featured in many of USAID's projects, as opposed to direct service delivery. While some of this reaction derived from a lack of a culture and willingness to pay for professional services, it also reflected the dire need for serious injections of capacity building, coupled with insufficient access to additional and ongoing sources of assistance.

> **'OK, I got the tender… Now what?'**
>
> Mrs M's husband has worked in a stainless steel plant for many years. When a local manufacturing plant went on sale, she bought it with finance from Limdev (a provincial development corporation). After three years of paying back her loan consistently, she won a tender to supply R7m worth of stainless steel to North West Provincial Government in February 2006. Her bank would not give her the bridging finance, and she felt that her previous financier was too slow to enable her to deliver on time. She had to make a deal with her suppliers to buy short runs of raw materials and pay back each time in order to meet the contract. SAIBL sponsored her to attend a trade fair in Tanzania 2 years ago, although poor attendance and lack of targeting left her feeling that SAIBL support was mostly wasted.
>
> She employs 35 people and is struggling to compete with high-quality imports from China and India. She has no idea how to develop a competitiveness strategy.

At the organisational level, USAID experienced two confounding situations. On one hand, projects experienced a lack of readiness and propensity to innovate among capable institutions. Especially among its financial institutions, but also within the business advisory and consulting industry, South Africa can tout high levels of sophistication, as well as high levels of human and financial resources. Yet, through at least 2002 / 03, with the advent of sector charters, these same institutions largely refused to challenge historical norms and behaviours, and shunned any risk taking beyond what was absolutely necessary. On the other hand, lack of competency and skill characterised many of the institutions with propensity and inclination to serve HDI SMEs. South Africa also contains many NGOs and other similar institutions that have strong commitments to economic development, but woefully lack for resources and skills. To some extent, this dichotomy reflects the 'dual economy' that generally characterises South Africa's socio-economic landscape. The first economy is sufficiently robust to operate within itself, while attracting the best talent with lucrative remuneration and other perks, leaving fewer opportunities and lesser skills behind in the second economy. USAID's SO 9 programme has encountered these structural barriers to employment creation and business growth throughout many of its projects.

> While increased economic growth is the obvious approach to creating jobs and alleviating poverty, the problem in South Africa is complicated because South Africa's unemployment and under-employment problems require that GDP growth be not only high and consistent, but also broad-based. The challenge for the RSA is to address the problem of poverty through rapid economic growth that fosters more equitable access to employment and markets. The pattern of economic growth is key to moving the ranks of the historically disadvantaged poor into a higher socioeconomic bracket. Given the structural distortions in the South African economy, this will be a formidable task.

Impact has also suffered due to the pairing of good ideas with the wrong people, contexts, or institutions. Among others, the policy advisor placed within the Land Bank, and World Education Ntinga's work with Teba Bank and Beehive Economic Development Corporation suffered from this critical design flaw. In light of the departure of the CEO from an already dysfunctional and dis-empowered institution like the Land Bank, the highly competent and yeoman-like efforts of the policy advisor were bound to have muted impact. The A-Card project on which Ntinga, Teba, and Beehive worked had strong allure and justification, but the idea exceeded the technical capacity and skill of all of the project actors, including an inability to ignite a viral-like affect to take up the product in the broader market, which was critical to the success of that sort of venture.

Despite the explicit intention to work with a preponderance of HDI SMEs in the SO 9 Results Package overall strategy, at least six projects (i.e. EASY, SAIBL, FINCA, Ntinga, Capitec, and PAL)reviewed for this evaluation in practice strayed from those good intentions, when it became more difficult to find credible HDI SMEs with which they could work. In addition, sectors that seemed to theoretically have excellent potential for job creation revealed structural impediments which most of USAID's projects did not have the mandate, money, or staff to address appropriately. The frustrations appeared most frequently and obviously in the agriculture sector, but motor industry suppliers, clothing and textile players, and tourism businesses have all struggled to create lasting, much less growing employment, beyond the few transactions facilitated by USAID assistance.

> With a focus on employment generation, it is important to expand our program to agriculture where half of all SMMEs exist. It will also be important to direct resources to those SMME sub-sectors that represent the greatest potential for generating employment such as value-added agriculture, tourism, and small-scale manufacturing.

Uncertainty and inconsistency over the definitions of and credible methods for how to count jobs distorted behaviours both inside and outside of USAID. Aside from the drain on management resources, this confusion over the job creation statistics caused several project partners to chase short-term gains in numbers, rather than laying a solid foundation for longer-term growth and impact. For example, SAIBL has only in the last two years begun to pay more attention to strategic issues. And, Ntinga achieved their numbers in the A-Card project, but usage and impact on microenterprise viability appear minimal. The inordinate focus on ‘deal making’ and the rush to count how many jobs of whatever nature that particular intervention may have been associated with at that given time took attention away from deeper and more complex problems that still encumber HDI SME business growth and employment creation.

Women owned businesses have been harder to find and more challenging to support. In reports of projects, women appear as a tag-on item periodically. In SEGIR’s support for privatisation of land, 50% of the beneficiaries were women. IMALI spawned 29 women-owned rural banks, and SAIBL in November 2005 reported that of 965 jobs, 349 were women. Programme reports reflect that one female-owned business received support for every three male-owned business. Ideally, if projects had reported more comprehensively on women-owned enterprises, including the challenges faced in targeting such sub-sectors, there would have been more learning about support which works and which does not.

A study conducted by the IFC (unpublished) on access to finance for women found that there is an emerging group of women in corporations, who reach the proverbial glass ceiling and leave to establish their own enterprises. These are educated women of experience and could be a prime target for future programmes. While such a mature group is more likely to succeed, it must be remembered that they do require a broader skill set to successfully run a business, e.g. financial literacy and business management with assertiveness training. The same study found that Business Partners has a target of 33% of women’s businesses to be financed, which they appear to have no difficulty meeting.

As a design element, it would have been complex to target women. However, there are strong socio-economic reasons to focus on women as a target group for poverty reduction programmes in the future, should USAID choose this as an area for future programmes. Women clients of MFIs articulate their shortcomings in business management, competitiveness and diversification. As very little BDS reaches rural areas, and given the social burden which women carry, the outcomes of increasing their incomes would have significant development impact in the form of children’s health and education. There is also a case to be made for achieving scale from working with women in rural areas.

Despite the less than stellar performances of ACDI-VOCA, FINCA, SACCOL, and other forays into the microfinance arena in South Africa, it would still appear that USAID may have under-used its global comparative advantage in microfinance and microenterprise development, in a country where the sector still has an enormous capacity gap. USAID applied sound logic in focusing on existing SMEs as potentially better bets to create employment. Nonetheless, many HDI SMEs still carry the traits of microenterprises, especially in terms of their low skills bases and relative lack of technical sophistication. In addition, the dual economy nature of South Africa will require that jobs generate from both levels. USAID may have missed an opportunity to make a serious investment in an area where it has demonstrable competence and track record, and wherein developmental impact may have been greater.

None of USAID’s projects have had a sufficient knowledge sharing component, nor have they implemented ways in which they could substantially influence public and private discourse among key institutions. USAID and its project partners have developed only limited channels for the synthesis and dissemination of research and insights around key developmental issues in the job creation and economic growth spheres (e.g. BEE procurement best practice, business diagnostics, etc.). More than six years down the line, SAIBL has only just begun to look at early stages of database development and deployment – a vital element of any linkage programme, wherein the value derives from the increasing broad and deep nature of its network and the connectivity within that network and into others.

The last aspects of this analysis focus on three issues that touch on the efficiency and effectiveness of programme design and implementation. Small grants offer a powerful and cost-effective tool to push the outer limits of innovation, assuming great care and precision go into the selection of such grant recipients, and assuming that the project designs include a robust monitoring and evaluation component, linked to a knowledge management mandate, through which lessons – good or bad – may be collated and dispersed for much broader attention. Some of USAID's small grants have at least marginally met the first test of aggressive innovation, but far too many have lacked any meaningful information sharing component. Furthermore, partly as a by-product of the complexities of meeting the demands for placement of earmarked funds, the programme also has mis-applied the small grant mechanism for reasons of contractual convenience, rather than to foment sound development applications.

The USAID SO 4 has done important, complementary work in the policy and regulation arena, especially in the banking and microfinance sectors mainly with the National Credit Regulator (formerly the Micro Finance Regulatory Council), as well as in tax matters with the South African Revenue Service. However, project experiences under SO 9 revealed serious policy and regulatory barriers to economic growth and job creation that remained entirely untouched by SO 4's agenda. For example, the inaccessibility to SETA (Sector Education and Training Authority)[17] grants and other forms of support, because of their cumbersome bureaucracy and arcane rules for accreditation and claiming back skills development levies, combined with patchy management performance among the SETAs, continues to seriously thwart skills acquisition and upgrading, especially among HDI SMEs.

The terminally poor performance of South Africa's established business chambers, when it comes to true representation of SME views and needs, continues to cry out for a viable alternative. Other policy, regulatory, and advocacy deficiencies remain; and the removal of the policy element at the time of SO 9's implementation proved to be an unfortunate omission, since the programme did not have any dedicated resource to respond to the most pressing needs as they arose from actual project experiences. Intervention in some of these areas, especially those that limit competition, may have helped to systemically deal with some SMME barriers to growth. For example, USAID may have fomented change (as it has successfully in the banking arena) in industry structures

> Achieving our objective of increasing employment of the historically disadvantaged through greater equitable growth depends on the following critical assumptions:
>
> - continued pursuance of GEAR's policies;
> - continued RSA priority for small business promotion and the creation of new mechanisms to operationalize that priority;
> - the availability of private sector, government and donor financial resources to be leveraged for the historically disadvantaged population; and
> - the existence of CSOs which are proactive in policy formulation and dissemination.

[17] Government has established 22 SETAs, which administer and maintain quality standards for training across all economic sectors. Funded mainly through a tax on employers (the Skills Development Levy), the SETAs themselves provide no training, but help to establish national curricula, accredit training and capacity building service providers, and try to ensure that people taking approved courses from accredited trainers achieve the levels of competency targeted.

and behaviours in the retail sector, where major conglomerates still control shelf space and global competition has begun to push many local products off of the shelf. Juxtapose the potential of that sort of approach, versus working on individual marketing and branding strategies for a handful of SMMEs.

This evaluation team has found little evidence of deliberate coordination among the many projects, although some has happened organically in some cases, especially among the various linkage projects. The more dispersed set-up diffused knowledge and limited the potential for and efficiency of organised efforts to solve common problems.

Lastly, we should examine the relevance and the connection between the assumptions behind the SO 9 design and the reality as it unfolded. Through implementation of its Micro Economic Reform programme and stepped up focus on Integrated Development Plans and local economic development, the South African government has effectively admitted the inadequacy (even if a necessity) of macroeconomic stability to tackle the entrenched problems of poverty and job stagnation. Government and private sector efforts to support SMEs have suffered from a lack of direction, inadequate dedication and skills, and policy and strategic confusion in the wake of the rush to achieve a certain version of BEE, which actually has marginalised HDI SMEs. This evaluation cannot answer the counter-factual question as to whether USAID could have done anything to substantially influence or respond to these challenges – successes in other areas of policy and in working with Government or parastatal organisations would indicate some positive prospects existed. Nonetheless, it is clear that the transactional nature of most of USAID's interventions has benefited individual SMMEs, but had little impact on these remaining market deficiencies.

In fairness, the evaluators must point out that the South African environment over the period of the SO 9 programme has been characterised by several serious challenges and downright problems that neither USAID nor any other donor, much less any individual project, might have combated successfully. Practically no one in public or private sector circles had a sufficiently deep understanding of the complexities and entrenched and expansive nature of the structural issues impeding SME, job, and income growth in 1999/2000; and to this day data and lessons remain elusive. Under pressure to spend budgets, without clear strategies and lacking in critical capacity, many government departments and their related parastatals either shunned or mis-managed donor assistance in the late 1990s and early 2000s. Specifically, the Department of Trade and Industry (dti), probably the most logical government partner for USAID in this SO, took nearly four years, up until 2004 to review and restructure its operations, and many would contend that the effort has yielded little practical improvement in the department's ability to engage others or deliver effectively on its mandate. So, the less than perfect achievement of USAID's strategic goal clearly derives from many factors outside of its control, and circumstances that continue to hinder progress across the board, not just among USAID supported initiatives.

X. Lessons Learned

Several lessons arise from the experiences of USAID's SO 9 over the past six years. Of course, there is no 'silver bullet' that will slay all of the ills that face the country, and magically engender jobs, growth, and prosperity. However, we have learned something about how to tackle the structural and systemic market issues that continue to thwart sustainable and broad-based SME growth.

We know that business fundamentals, and even basic education and general knowledge and life skills, among SMEs remain very weak. We know that short-term and episodic shots of technical assistance generally do not lead to sustainable SME growth or job creation in most instances. The skills deficit is deep, and South Africa has not seen any cost-effective ways of delivering support services at scale to the depth and detailed required. Nonetheless, we do know much better what those skills gaps are, who has them, and why; and major national efforts are underway – coordinated mainly through the Deputy President's office and her ASGISA and JIPSA initiatives – to provide the intensive remedial action needed and match those newly acquired skills as closely as possible to job opportunities mostly in the private sector.

USAID's experience as well as observation of other programmes has also shown us that the right people make a real and measurable difference. In the absence of replicable models at the advisor-to-business level, the quality of service received and perceived often rest with the quality of the individual. No doubt, part of the variability in reactions to services rendered by or through SAIBL, for example, reflects the uneven skills of the various individuals employed by the project and to whom the project refers SMEs. Furthermore, experiences with partners, from the Land Bank, to dti, to private sector companies has varied, in part at least, upon the competence, willingness, and availability of key people to engage meaningfully with the issues and people concerned. USAID has generally done a good job of determining whether key individuals in projects have the necessary technical skills. However, the organisation also needs to more carefully consider the sometimes more ambiguous, but often more important elements of commitment, charisma, market reputation, unique insight, and other critical skills that allow interventions to go beyond just dispensing assistance, but to influencing thinking and opening up new and innovative channels for partnering and sharing knowledge.

The last six years also make it clear that project design and institutional placement play a vital role in efficiency and effectiveness. In particular, the evaluation team would like to turn attention to the nature of the organisations that USAID procures, especially for its larger interventions. Consulting firms and service providers, be they for-profit or not-for-profit organisations, have inherent incentives to build and guard competitive advantage, in part by holding on to information and insights. In addition, especially in this day of heightened international political awareness, the identity of the donor and their real or perceived influence (or intrusion, if viewed negatively) into project operations also affect project impact. These factors matter somewhat less when the most effective developmental approach is direct delivery of relatively simple services. However, that is not what SO 9 has been about, nor should it be so simple in the future. As alluded to in several places in this report, the nature of the problem of SME growth and job creation requires lasting impact at a market and systemic level. In turn, this demands a project that can wield consistent, credible, and nimbly placed influence, and target investments keenly in response to evolving market conditions, while consistently building and sharing a pool of valuable, practical knowledge.

The best local examples of this kind of project structure, known to the evaluation team, are both DFID projects, namely Finmark Trust and the Making Labour Markets Work projects. In the latter case, the successful influence of this project on labour policy and ongoing thinking in that sphere, stems from the total lack of any outward association with DFID, its bee-line issue focus, and the combination of a person of not only superior technical ability, but with credibility in circles that matter. Finmark's success derives from some of the same ingredients, but also offers a more comprehensive package of design and *modus operandi* approaches that have contributed to its success. Its institutional structure as a local trust immediately embedded the project in local networks that mattered, not just because of its legal form, but more importantly, because of the influential board of trustees the project was able to garner and the arms-length but strategically used linkage to the Banking Association of South Africa. Furthermore, innovative ways of generating, sharing, and disseminating information and influencing dialogue among key actors at the levels of the real economy and at policy and theoretical levels were given top priority, rather than considered a 'nice to have' somewhere near the end of the project. FinScope, a national, independently administered survey of financial service access, has become a national benchmark in its field, and serves multiple purposes for Finmark, as an independent monitor of the project's progress, as a beacon around which key thinkers and implementers engage, and as a point of leverage at all levels of the market. Note that this is not just a function of project design; but because the individuals work for Finmark in their personal capacities, and because the trust is not particularly beholden to any particular commercial interests, the culture and inclination to share and work across many networks is inherent to the institution.

In addition to knowing that HDI SMEs (as well as many weak institutions) need much more intensive assistance than what SO 9's design or implementation allowed, we also have learned that economic growth and job creation will not sprout just from keen attention 'on the ground'. USAID's projects must also seize opportunities for systemic (market) impact at the institutional and support layers of the market. In turn, such impact emanates greatly from better knowledge of and alignment to local trends and circumstances.

USAID also should consider more credible measures of change. In the realm of influencing markets, should USAID choose that route, the organisation may have to become more comfortable with less tangible measures tied to policy changes and mentions in the press, for example. However, even at the transaction level, USAID could collect and report better and more meaningful performance indicators. For example, businesses could report gross income as recorded on their annual tax returns, or year on year changes to payment of the Skills Development Levy to reflect changes in staff. Both of these would provide more credible and realistic pictures of firm growth than the number and value of deals struck at any point in time.[18]

Lastly, USAID should re-consider not only sub-sectors for labour intensity and complementarity (i.e. strong value-chain linkages), but also ensure predominant, if not

[18] As discussed in the previous chapter, programme performance and impact integrity would be enhanced by reporting commonly understood and easily available and independently derived measures of job and income growth. While USAID and its project partners may face some reluctance from SMEs to report such data, the issue merits serious consideration of incentives and efficient mechanisms for recording data in which all would have confidence.

singular focus on industries wherein other major players have made or will be making major investments. Any notion that this might smack of a supply-side intervention should be countered by the induced demand created by the directed investment.

XI. Conclusions

We conclude this analysis, not with a summary of the issues raised about USAID's performance and impact under SO 9, but rather a synopsis of trends, opportunities, and threats in the South African environment now and in the foreseeable future. Our final chapter, Recommendations, will pull these insights together with the assessment of USAID.

On balance, the socio-economic, financial, and institutional landscape in 2006 is far better than the one that pertained in 1999 at the commencement of the SO 9 journey. To be sure, as the quote in the introduction and other data presented in this report attest, South Africa still faces levels of poverty, unemployment, and income disparities that scarily mimic the same data from five or six, or even more years ago. Nonetheless, there would appear to be new resolve and some absorption of learning that are yielding credible chances to seriously address the country's many stubborn economic problems. Key **opportunities**, most relevant to USAID include:

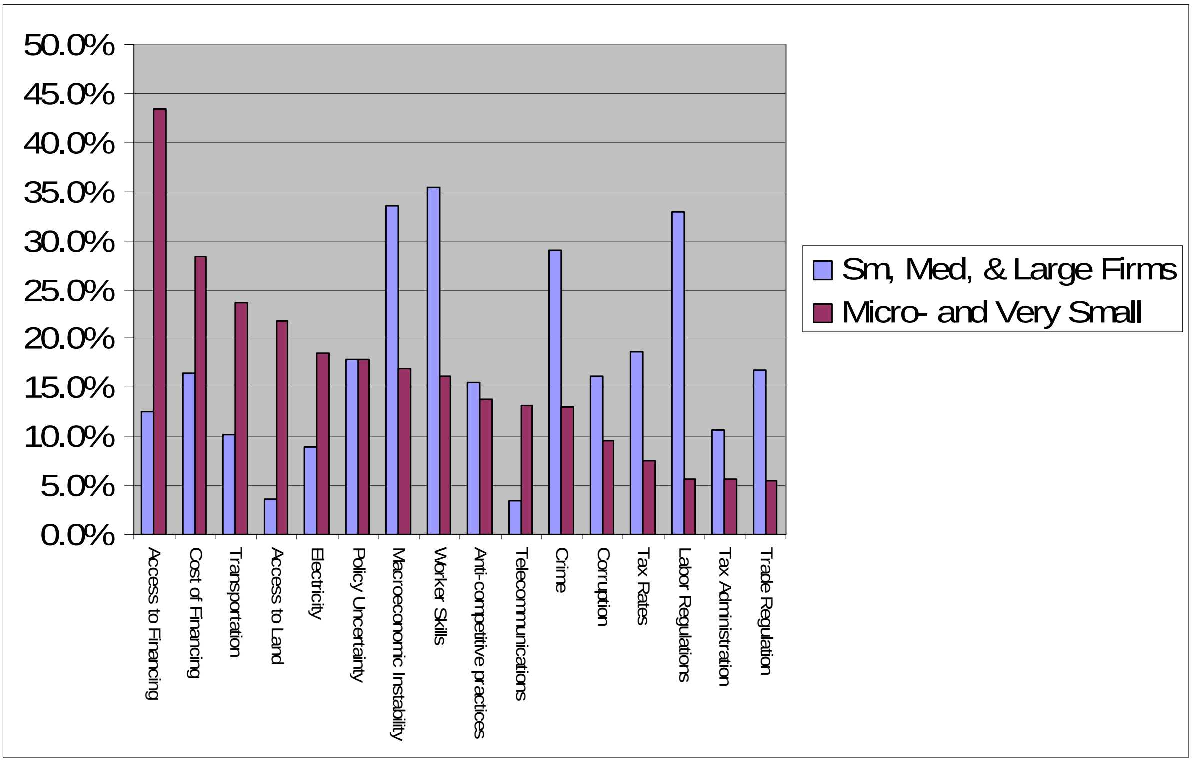
- Financial Sector Charter (FSC) – In line with a trend that has swept across all of South Africa's major industries, the financial sector, most prominently the four major banks and all of the major insurance companies, have signed on to a semi-voluntary set of targets to extend financial services to HDIs among SMEs, in housing, and in rural areas. Early results have included launching of a common, more affordable bank account called Mzansi, but efforts continue at the collective and individual financial institution levels to find ways of meeting relatively bold outreach targets. In fact, both the Banking Association of South Africa and Business Partners expressed keen interest in teaming with USAID to build a strong and long-lasting cadre of credible mentors and coaches, seen as an irreplaceable and precious input to generating more credible SME finance business.
- Local Economic Development, in combination with a national plan to pump tens of billions of Rand into infrastructure upgrading and development, have created a ground-swell of activity and a notable boost in expectations for the burgeoning of economies at the municipal level, with SME development and growth, very much at the centre of these plans.
- The Deputy President's number one priority from now until the end of the President's terms in 2009, will be the nationally linked strategies of the Accelerated and Shared Growth Initiative for South Africa (ASGISA) and the Joint Initiative for Priority Skills Acquisition (JIPSA). In short, these represent the leading, national, coordinating strategies to implement public and private and joint public-private investment in key economic sectors, skills acquisition, and job creation.
- The Expanded Public Works Programme (EPWP), a virtual sub-component of ASGISA, links very directly with the investments in municipal infrastructure. While many have criticised it for not creating sustainable jobs, Government's intention was not to create sustainable jobs only through the EPWP, but rather to provide short-term cash and basic skills injections, and hopefully begin to introduce many hard-core unemployed to the potential of work. It is in this 'what next' phase where EPWP could use some excellent outside experience and expertise.
- The tide in BEE has begun to shift, if only mildly for now. Larger acquisition deals will continue to happen. However, small to medium sized, non-listed, white-owned companies have begun to come under the same pressure to comply with industry charters as larger businesses. This may represent a win-win opportunity wherein the white-owned

companies can achieve BEE accreditation, while HDI SMEs gain access to skills, technology, knowledge, etc., as they merge their smaller interests into relatively larger interests.
- South Africa's hosting of the 2010 World Cup promises to increase market opportunities for a variety of businesses, not the least of which are SMEs in the construction, tourism, and arts and culture industries.
- The existing business chambers may be beyond hope, in terms of addressing real SME needs, but this evaluation process uncovered a variety of fledgling, but promising SME networks beginning to emerge from the 'grass roots', as well as within formal structures, such as 'Business Advantage' at ABSA Bank and 'Biznetwork' at First National Bank. While neither stream of development seems likely to have much policy impact, they both show early signs of providing effective forums for SMEs to share experiences, and learn from peers and others who have experienced some of their same challenges.
- Sectors for trade with Africa appear to represent a relatively easy target for South African SMEs to improve their global presence and competitiveness. In addition, US companies have expressed interest in forming partnerships with South African firms that can provide this entrée to the rest of the continent.

Despite the generally positive economic direction in the country several commentators have pointed to a series of **threats** (beyond the raft of ills germane to the HDI SME sector itself).
- South Africa faces a serious conundrum around competitiveness and globalisation. On one hand, as the continent's largest economy ($208.4 billion Gross National Income in 2004, according to the World Bank) and regional hegemonic power, South Africa has more pressure than smaller African countries to play by the global rules set by the WTO and others, and thus it has met with greater pressure to open markets, lower trade barriers and tariffs, and so on. Meanwhile, even some of South Africa's largest firms still basically do little more than produce unrefined commodities, and more perilously, most of the country's inhabitants live in the backward world of the entirely uncompetitive informal sector. This makes the enormous skills gap even harder to bridge.
- On a somewhat related note, some of these same deficiencies in competitiveness also make it difficult for communities to find and build competitive advantage, which is a key pillar of LED.
- In 2000, South African researcher Stephen Gelb conducted a National Enterprise Survey among 1,425 companies, drawn from a universe of 40,000 small and large firms, with representative racial, gender and firm age stratifications, operating within 13 sub-sectors in manufacturing and services[19]. The research revealed that while concerns like labour market restrictiveness, high interest rates, and crime and other socio-political and economic factors, including HIV-AIDS, were perceived as obstacles to investment, they were not seen as insurmountable. Gelb convincingly concluded that, "… the fundamental barriers to improved investment are not better policies, but rather lessening the perceived and real risk of changes in policy, especially around the debate of re-distribution…. [Firms] fear *the possibility of future shifts* on [regulations governing the firing of staff, for example], and it is this fear which impacts on the investment decision, [rather than the state of the law today]".

[19] Gelb, Stephen, "Socio-political risk, confidence, and firm investment in South Africa", A Paper for the CSAE/UNIDO Workshop on "New Industrial Realities and Firm Behaviour in Africa", Oxford, September 2001.

A very recent, but as yet unpublished survey of micro, small, medium, and larger enterprises in South Africa by the World Bank showed the following perceptions about problems facing business in South Africa, as illustrated in the chart below.



Consistent with Gelb's findings and the issues dominating the national agenda, bigger firms ranked skills and macroeconomic stability as the most important issues (see below). Meanwhile, micro and very small firms tended to mention the 'bread and butter issues' of financing, transport, and land as their most pressing problems.

	Sm, Med, & Large Firms	
Worker Skills	35.5%	1
Macroeconomic Instability	33.5%	2
Labour Regulations	32.9%	3
Crime	29.0%	4
Tax Rates	18.6%	5
Policy Uncertainty	17.9%	6
Trade Regulation	16.7%	7
Cost of Financing	16.4%	8
Corruption	16.1%	9
Anti-competitive practices	15.6%	10
Access to Financing	12.6%	11
Tax Administration	10.6%	12
Transportation	10.1%	13
Electricity	9.0%	14
Access to Land	3.6%	15
Telecommunications	3.5%	16

	Micro- and Very Small	
Access to Financing	43.4%	1
Cost of Financing	28.3%	2
Transportation	23.6%	3
Access to Land	21.8%	4
Electricity	18.5%	5
Policy Uncertainty	17.9%	6
Macroeconomic Instability	17.0%	7
Worker Skills	16.1%	8
Anti-competitive practices	13.7%	9
Telecommunications	13.2%	10
Crime	13.0%	11
Corruption	9.6%	12
Tax Rates	7.5%	13
Labour Regulations	5.7%	14
Tax Administration	5.7%	15
Trade Regulation	5.6%	16

Interestingly, HIV-AIDS does not appear anywhere in either list, and no one interviewed for this evaluation outside of USAID mentioned it in any context. Similarly no one in the evaluation interviews mentioned either corruption or crime, as major issues, but they did find their way in the middle to lower ranks of the World Bank survey.

HIV-AIDS does impact on income and job growth, but it would appear that many businesses have factored it into their planning and strategies like any number of other risks. Another view, not without merit and some basis in observed fact, is that far too many South Africans literally and figuratively hide the problem away. A recent Oxfam UK report estimated that by 2020, 25% of the rural farm population in southern Africa will have died from HIV-AIDS related diseases. Statistical analyses of infection rates indicate that only in the coming 3 to 5 years will South Africa see a dramatic upward trend in HIV-AIDS related deaths. Whether embedded in a somewhat cavalier risk management strategy, or hidden away in a back yard shack, the HIV-AIDS problem will seriously impact nearly every facet of South African life.

"In my recent book … I identify five common mistakes made by governments when creating … mechanisms [like Broad-Based Black Economic Empowerment (BBBEE)] to pursue common goals:

- Confusing democratic representability with competence. Legitimacy does not automatically confer skills.
- Rewarding loyalty above competence.
- Confusing authority with intelligence. A very common mistake.
- Dealing with corruption selectively and inconsistently. Very dangerous.
- Sacrificing domestic policy for foreign policy.

…. The cancer at the level of performance is corruption. It is necessary to remind ourselves that corruption is a crime and when the auditor-general tells us it is endemic and pervasive, we had better sit up and take notice…. The common tendency is to associate crime with assault, physical violence, rape and murder…. But it is the dishonesty and greed of officials in key areas of delivery of essential services that will have the most destructive effect in the long run". *Financial Mail, 14 July 2006, 'In Need of a Road Map', Frederik Van Zyl Slabbert*

Corruption may not be rife, but it is increasingly insidious. The excerpt from a recent article by one of South Africa's long-standing and widely respected economic and political commentators perhaps captures the problem best. The closed structure of many of South Africa's industries breeds a type of corruption, if not explicitly economic or financial, then certainly of access to opportunities by others. Most of the large BEE deals have been consummated with at least one high profile former (barely) politician clearly in the lead and in a position to curry favour for his or her new business friends within Government circles. Avoiding the 'tax man', dodging sanctions, and justifying questionable means towards noble revolutionary ends are habits of the not so distant past that sow the seeds for potentially very damaging corruption throughout South African society.

Crime, especially violent personal crimes, such as murder, hijackings, house break-ins, assault, etc., threaten to become synonymous with the external perception, and perhaps even the everyday reality of life in South Africa. Police services have improved over the past 12 years, but their capacity still dims in comparison to the sophistication and outright viciousness and persistence of criminals. Corruption within the police force, historical distrust of the police, and seeping corruption among the ranks could weaken attempts at combating crime. Most pertinent to this report, no defensive measures are likely to yield sufficient declines in crime rates, until unemployment and poverty reduce substantially, for as long as the haves amass so much in such close proximity to the have-nots who have so very little, the basic impetus to crime and the growing frustration that feeds the anger will persist.

XII. Recommendations

Our recommendations attempt to capture the optimal confluences among the success and lessons learned from USAID's SO 9 programme over the past six years, the new opportunities that present themselves in a still very challenging but largely better socio-economic context of South Africa today, and the approaches that seem most viable in light of structural and organisational constraints specific to USAID. The terms of reference did not ask for programme designs *per se*, but we do offer a select set of five key themes and considerations for USAID programming for 2007 to 2012.

In every aspect of its programming, USAID must seek substantial points of **leverage**. Thus, the programme should seek to have an impact on all three layers of the target markets. From the nature of any direct assistance to SMEs; through to the kinds of organisations and people asked to manage the projects; and including strategies for knowledge gathering, building, packaging, and sharing USAID must see that the element will generate reach and influence, beyond the immediate activity.

Partnerships with credible South African institutions should play a major role in ensuring leverage, but also engender benefits in themselves. Institutions as powerful and as credible as Business Trust and the Banking Association of South Africa have expressed sincere interest in exploring serious partnerships, should USAID approach them. In light of the governance structures, managerial leadership, and pivotal positioning of these organisations, USAID would find itself joined with organisations that would automatically allow for influence across multiple economic sectors and various levels and types of policy agendas. Furthermore, their substantial access to financial and even human resources could offer USAID very handsome returns on relatively small investments. Even Government and its parastatal cousins, especially SEDA (the successor to Ntsika) seem to have matured, and indicated a desire to re-engage with USAID and learn from American experience. Of course, this evaluation envisions working, project oriented partnerships, not simply handshake agreements to coordinate efforts and meet periodically to discuss matters of mutual interest.

To enable these partnerships and gain leverage, USAID will have to put a premium on more **flexible procurement mechanisms**, such as cooperative agreements or SOAGs, wherein highly competent and expert implementing partners, with intimate knowledge of local circumstances, can apply resources in intelligently opportunistic ways, rather than to the set cadence of semi-annual performance reports. Sufficient models and experience exist in South Africa to see that adequate governance, reporting, auditing, and other controls can be built in to projects, without the strictures that many USAID contracting procedures include.

The strong and persistent drum beat for implementation of vital job creation and growth strategies within and among both the public and private sectors, combined with generally poor levels of management capacity in South Africa create a ripe environment for two final elements of USAID project design – namely, selective application of the most relevant **USA experience**, and smart application and subsidy of obvious **supply-side interventions**.

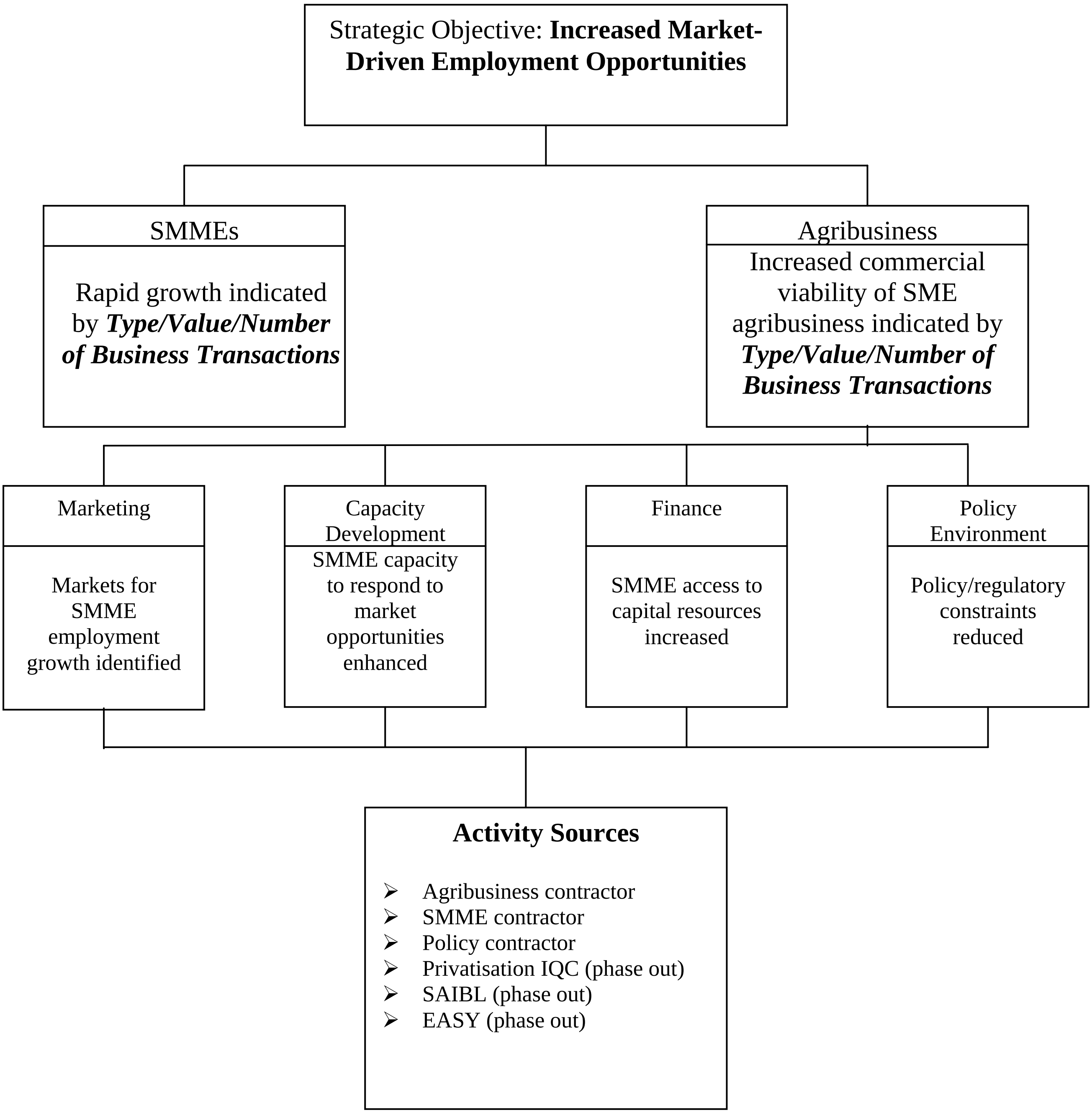
Several external stakeholders commended USAID and some of its implementing partner staff for bringing in 'one of a kind', deep and relevant experience. Of course, as we saw during the SO 9 programme, great expertise placed in the wrong environment will not lead to good results. Nonetheless, South Africans respect and value the American experience across a variety disciplines, and a well-placed manager with the right professional and personal profile could bring a world of difference to substantial South African initiatives. Specific examples that arose during interviews for this evaluation included seasoned insights from the Small Business Administration, as well as keen examination of the applicability of the SBIC and MESBIC programmes in South Africa.

Lastly, despite the repeated messages about market friendly approaches, there remain several abject gaps in skills that cannot be filled in the short-term by re-deployment or short courses, or by linking enterprises or people to other advisors. Under the aegis of ASGISA and JIPSA, Government has identified several high priority sectors, wherein it is explicitly seeking international assistance. These sectors include the economic bedrocks of engineering, finance, and others. USAID may be well-positioned to work with public and private sector organisations in identifying high-potential South Africans in key disciplines for intensive one-year tertiary, or post-graduate level training and education in the United States, with the explicit intention that they return to South Africa to key positions. Such an idea may be even further enhanced by introducing at least some of the capacity to do this intensive education and training into appropriate South African education, training, and consulting organisations, thereby meeting both an immediate objective for massive skills upgrading, as well as a longer lasting need to deliver the same and evolving versions of the training well beyond USAID’s direct involvement.

South African tertiary graduates have qualifications unsuited for the world of work, according to a study commissioned by the Joint Initiative for Priority Skills Acquisition (Jipsa)”, *Business Day, 3 July 2006, Graduates ‘unsuited for real world’. Semevi Zake*

XIII. The Annexes

A.1 USAID SO 9 Results Framework



A.2 Terms of Reference

2.1 Introduction

Mega-Tech, Inc. (MTI) provides administrative, management, and logistical support to USAID/South Africa's Housing and Urban Development Team (SO6), USAID/South Africa's Economic Growth and Employment Team (SO9), and the Housing and Urban Development Office for Africa (RUDO/Pretoria). Through the General Management Assistance Contract (GMAC), MTI directly provides and also solicits from outside sources a broad range of services as requested by these offices to support USAID/South Africa's programming in the fields of technical assistance, training, monitoring/evaluation, and grants management. Through GMAC, MTI also serves as a USAID procuring agent and acts in this capacity for purposes of this contract.

2.2. Background

With unemployment estimated at around 27%, and over 30% for the historically disadvantaged population, South Africans consider it their country's most serious challenge. In support of this development priority, USAID/South Africa's economic growth program for the 2000-2007 period was designed to generate market-driven (i.e., private sector), sustainable employment by strengthening historically disadvantaged businesses in the SMME sector. The program approach is guided by the generally accepted hypothesis that as small, medium and micro-enterprises (SMMEs) in any sector grow, jobs will be created.

Program activities were designed to support increased capacity of historically disadvantaged SMMEs (including emerging small and medium agribusiness) through technical assistance, facilitation of business linkages, and increased access to affordable, transparent financial services. Originally, development of a regulatory environment conducive to small business growth was an element of the strategy. However, the element was dropped early on, and no activities specifically directed at supporting policy/regulatory reform were undertaken through the SO9 program, although considerable support was provided through another USAID strategic objective.

Since FY 2000, when the Mission's "increased market-driven employment opportunities " Strategic Objective began, over $35 million has been provided to support the SO through contracts and grants awarded to multiple partners. Through these awards, the employment generation program implemented a variety of interventions to strengthen historically disadvantaged SMMEs in the manufacturing, services and agriculture sectors, including:

- Identification of markets and development of markets linkages;
- Targeted business and technical skills training to enhance SMME capacity to respond to market opportunities; and
- Increasing access to finance.

The employment generation program has been refined several times since it began in 2000. Among the changes made, the policy component was eliminated early-on. In FY 2004, the data/indicator quality assessment described in footnote 1, led to a major shift in program results reporting, and also to significant changes in the types of activities and partners used to implement the program. Understanding these shifts and revisions and the background to them will be critical to development of the lessons learned and to the recommendations that are expected from this evaluation.

2.3. Contractor Tasks

The Contractor shall:

1) assess USAID's employment program in terms of the impact it has had on creating jobs in South Africa through supporting the growth of small, medium and micro-enterprises; and

2) identify lessons learned from the program that can be used to guide the design of appropriate interventions in support of the Mission's new economic growth (EG) program for the 2007 – 2012 period. The new program will be aimed at strengthening public-private capacity to support a competitive small business sector.

In evaluating the economic growth program, the team will identify key accomplishments, as well as challenges that may have impeded accomplishment of targeted results. The differential impact on women and men, as well as integration of gender issues and gender-sensitive approaches in activities, should be considered throughout the assessment. For all major aspects of the program, the evaluation shall consider:

- whether the program generated unintended results, either positive or negative, in addition to its targeted results;
- whether the activities undertaken were the most effective way of achieving intended results, or whether other activities or approaches might have yielded results more effectively; and
- what made successful activities work, and for activities that were not successful, what challenges were faced.

Evaluation Issues and Questions: The following questions are illustrative of programmatic and implementation issues which the evaluation should address:

1. What impact has the program had toward increasing employment and income generation among historically disadvantaged South Africans? Were key program objectives/results met?
2. What obstacles, including political, social, cultural and economic issues, had to be overcome in order to achieve the successes identified in this evaluation? How were they overcome?
3. What were the critical assumptions upon which the program was based? Did these remain valid throughout the program period?
4. Is the program fostering SMMEs that are viable in the long run? What kind of program interventions are likely to lead to lasting impact and to be sustainable? Are there replicable results? Are there differential results between urban/peri-urban SMMEs and those engaged in agribusiness?
5. To what degree have USAID's economic growth interventions helped meet the goals and objectives of Black Economic Empowerment (BEE)?
6. What key obstacles to increasing access to finance for SMMEs have been identified? To what degree has the importance of this often mentioned constraint been tested by SO9 activities?
7. Would a sector-focused or opportunity-driven approach to job creation have achieved better results, and in what circumstances?

8. What have been the effects on the program and on specific activities of earmarked funding, (e.g. funds particularly set aside for micro-enterprise)?
9. Have the program's activities been appropriately gender balanced given the overall goals of employment generation? Has the program identified and responded to issues that are women specific/men specific?
10. Has the strategy been successful in incorporating cross-cutting issues such as HIV/AIDS and gender, and accommodating earmarks and directives such as biodiversity and agricultural biotechnology? What effects have the yearly changes in the parameters of these issues had on programming? Has the SO team been effective in interacting with other Mission technical teams working in these areas?
11. Has the SO effectively coordinated with key government and civil society stakeholders in the small business sector?

Looking Forward: Issues for the New Program: Based on its evaluation of the program, the team shall identified lessons learned and recommend how these might be incorporated into the design and implementation of the Mission's upcoming economic growth program for 2007 to 2012. Some forward-looking issues the evaluation shall consider are:

1. What lessons from BEE experience in South Africa should be taken into consideration in the next generation of USAID interventions?
2. Given the constraints faced by USAID in partnering with various public sector institutions, what public and private sector institutions should USAID consider partnering with in its future programs and activities? What are the pros and cons of the various options?
3. How can the new program better include government partners from all government levels?
4. How can big business respond to, and assist growth in the SMME sector?
5. How might workforce skills development be best addressed?
6. Who/what are the spoilers that can influence future program success?
7. What lessons can be drawn from other donor-government programs working with the same target groups?
8. How can local expertise best be used in the implementation of the new program?

Specific Contractor tasks shall be as follows:

2.3.1 Plan and conduct a start-up/entry briefing with the appropriate USAID and MTI to clarify contract objectives, collect key documentation for review, and to identify key stakeholders and information sources.

2.3.2 Prepare a preliminary Work Plan (not to exceed 4 pages) and Interview Instrument(s) (see task 2.3.4 below) for the project evaluation, which briefly outlines the overall approach and proposed methodology for the evaluation, the key documents that will need to be reviewed, and the key interviews that will need to be conducted to inform the evaluation. This Work Plan and the Interview Instrument(s) are defined as Deliverable 1 under this proposed contract.

2.3.3 Review documents relevant to the Employment Generation program and, more generally, to SMME development in South Africa.

2.3.4 Undertake interviews and briefings with key stakeholders who have been involved in the program. These will include but not be limited to officials from USAID, including the Mission Director or Deputy Director, the Mission's Program Manager and Evaluation

Advisor, and the Economic Growth team, SO 9 partners, some of the intended beneficiaries, government and private sector stakeholders, and others as identified by USAID. The evaluators will be expected to interview current Economic Growth (EG) partners, and, to the degree possible, former partners whose activities have ended. Evaluators will be expected to interview partners and beneficiaries and visit current and past program sites in several areas of South Africa. A list of past and present partners and program site locations will be given to the Contractor. Other critical contacts will include telephonic interviews with previous EG Team Leaders and others now stationed in other countries.

2.3.5 Compile and analyze data, develop findings and draw conclusions: Review the results, achievements and impact of the program. Identify lessons learned and any critical problems or failures. Make recommendations for USAID to consider in future programming, particularly in respect of the planned Economic Growth strategy.

2.3.6 Conduct two interim briefings for USAID personnel around key findings, key recommendations, and likely final outcomes . The first will occur early in the research phase and focus on apprising the SO9 Team Leader of the status of the analysis and preliminary findings. The second briefing will be scheduled to coincide with the end of the research, fieldwork, and preliminary analysis phases and will focus on providing feedback both to USAID as to the direction the evaluation is taking as well as to the Contractors to ensure as many of USAID's internal concerns are addressed prior to the distribution of the preliminary evaluation report to other stakeholders. These briefings will take place either at USAID or Mega-Tech offices, and together will be defined as Deliverable 2 under this contract.

2.3.7. Prepare and circulate a preliminary Draft Evaluation Report. As a critical element of the draft, the report will include a Summary of Main Findings and Recommendations. The Contractor will then be responsible for presenting the Draft Report, focussed on the Summary of Main Findings and Recommendations to various stakeholders to be identified by USAID, including USAID officials, MTI staff, and, possibly selected SO 9 partners. (The presentation will be made at USAID's offices in Pretoria.) The Draft Evaluation Report including the Summary of Main Findings and Recommendations and its presentation to key stakeholders is Deliverable 3 under this proposed contract.

2.3.8 Prepare a Final Evaluation Report incorporating comments from stakeholders, as appropriate. The Final Evaluation Report should include:

- An Executive Summary, which highlights the major findings, conclusions, and recommendations of the evaluation (2-4 pages). The Summary states the development objectives of the program; purpose of the evaluation; summary of findings, conclusions and recommendations; lessons learned.
- The Body of the Report, which shall include: (a) a brief description of the evaluation methodology used; and (b) an extensive discussion, by area of assessment, of evaluation findings, conclusions, and recommendations (not to exceed 40 pages).
- Lessons Learned: based on findings and conclusions, stated as actions that could be taken to strengthen the follow-on strategic objective.
- Annexes, which shall include: (a) the Scope of Work (b) a list of individuals and groups interviewed/visited; (c) a list of documents reviewed/consulted; (d) interview, survey, or other instruments used in the evaluation, if applicable, (e) the CV of the evaluator(s); and (f) other materials, if applicable, too bulky to be included in the body of the report but considered highly relevant by the evaluator.

The Final Evaluation Report is defined as Deliverable 4 under this proposed contract.

2.4 Outputs/Deliverables

The Contractor shall provide the following outputs/deliverables not later than the due dates indicated:

Deliverable 1	Work Plan and Interview Schedule, 3 working days from the contract start date.	June 2, 2006
Deliverable 2	Briefings for USAID personnel around key findings, key recommendations, and likely final outcomes.	First: June 22, 2006 Second: July 14, 2006
Deliverable 3	Draft Evaluation Report Summary of Main Findings and Recommendations distributed and presented.	Distributed: July 21, 2006 Presented: July 26, 2006
Deliverable 4	Final Evaluation Report	August 4, 2006

A.3 List of People Interviewed

Category	**Institution**	**Name of Person**
	USAID	Jo-Anne Lawrence Bill Brands Joel Kolker Kim Lucas Allan Hackner
Project Partners	SAIBL SARPP Land Bank (ARD) Ntinga VEGA SEGIR SACCOL BEES EASY COMMARK Mega Tech PAL	John, James, Johan Potgieter, Tim Bergstrom Jeff Jackson George Oricho Armin Sethna Dana Mullins Jeff Jackson David de Jong Kevin Kane Steve Weddle Norma Tregurtha Jan Rockliffe-King Gary Mullins, Jean McKenzie, Pam Goci, Tarryn Leonard
Donors	DFID Investment Climate Facility European Union IFC MSME Project Finmark Trust	David Pedley Hugh Scott Hubert Per Bernard Chidzero Mark Napier
Public and Private Sector	SEDA Khula / Business Partners IDC Banking Council / FSC Business Trust ABSA SAVCA First National Bank Standard Bank Sizanani Advisory Services Business Unity SA Economic policy advisors in the Presidency Making Labour Markets work	Wawa Damane Jo Scwenke Setlakalane Molepo Cas Coovadia, Nicky Lala-Mohan Brian Whittaker Sizwe Tati, Dawn Jefferson-Green JJ Fourie Iris Dempsey Prishy Padayachee, Frank Orchard Gerry Barnby Vic van Vuuren Allan Hirsch, Bongi Kunene Haroon Bhorat

Businesses Interviewed

Limpopo	
Babelegi Bus. Ent.	Robert Sekonya
Bardgory Architectural Drafting & Building Construction	Bradgory Mampq
Denkirk	Shelela Malatji
Difetakgom Mining	Steve Phasha
Far North Pest Control	Pat Pheeka
Mahlangu Bus. Service	David Mahlangu
Mpumalanga	
Temu Construction	Joseph Lekondeni
Thabologo Investments	Nkoane
RCCH Construction	Xavier Kleyhans
List Cleaning Chemicals	Sibusiso Sam Sibeko
Mihlumo Arts	Bonani Dube
Tswelopele Energy Conservation	George Mabidikama
Katleho Chemicals	Phumulani Mkefa
Eastern Cape	
Automotive - Auto Components	Themba Mtati
Automotive - Auto Components	Faaik Allie
Automotive - Auto Components	Hartmut Dohrer
Unique Roll-on Paint Products	Louise Greyling
Tyre Manufacturing	Edward Pikinini
Manufacturers of Fruit Sorbet in real Fruit Shells	Adrian Vardy
Oil and Energy Company	Sharon Mnqandi
Western Cape	
Orca Baths	Joe Stevens
First Impressions Promotions	Barry Nefdt
All Diesel Engin Pipes	Vincent Piedt
African Art Factory	Janet Pillai
Tri Link Logistics	Zea Fredericks
Associated Printing	Jane Norman
Glow Gear	Blanche De Wet

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A.5 Interview Guidelines

USAID SO 9 Evaluation Interview Guidelines,
Technical Approach and Work Plan
Submitted by
Roland Pearson & Sharda Naidoo
3 June 2006

Introduction

This document presents our overall plan for the evaluation of USAID's SO 9 programme, 2000-2007. The Strategic Objective 9, "Increased Market-Driven Employment Created" program operated through three key areas:

- Promoting SME development through business linkages and technical assistance;
- Building the financial sector by promoting increased access to financial services and products for target clients (i.e. SMEs); and
- Agricultural development through land transfers and linkages.

The sections below describe our technical approach to partner selection, areas of inquiry for interviews with partners and their SME clients, donors that we believe should be interviewed, and a range of public and private sector bodies that are involved and influential in policy and job creation initiatives.

Technical Approach

Our approach stems from the premise that in the past, and certainly going forward, job creation is the primary desired impact. In this context, we will engage in a dialogue with interviewees, framed by the following three questions in each program category:

- **Whether the program achieved its targeted results, and whether it generated unintended results or consequences, either positive or negative;**
- **Whether the activities undertaken were the most effective way of achieving intended results, or whether other activities or approaches might have yielded results more effectively; and**
- **What made successful activities work, and for activities that were not successful, what challenges were faced.**

Based on the list of partners provided, we will prioritise larger programmes of SO 9. We also will select a sufficiently diverse group of smaller partners to ensure that we include the major technical and cross-cutting issues as described below. In view of this evaluation assessing impact of past programmes and aiming to inform future programmes, four categories of interviews are planned:

- Partners – larger programmes and a diversity of small grantees
- SME Clients of partners
- Donors
- Public and private sector bodies that influence policy and deal with the real economy.

Illustrative lists of these are provided below.

Interviewees

Partners	**SME Clients**	**Donors**	**Public and Private Sector**
SAIBL SARPP Land Bank (ARD) Mega-Tech Grantees Sample of Agricultural and Biotech programmes Ntinga VEGA SEGIR IMALI FINCA SACCOL Capitec BEES	Based on interviews with partners and links provided – selection will cover successful and unsuccessful businesses (especially in the context of job creation)	DFID – Africa Competitiveness Initiative European Union IFC MSME Project Finmark	SEDA Khula / Business Partners IDC Banking Council / FSC Business Trust ABSA SAVCA DTI (Trade Negotiations) First National Bank Business Unity SA Economic policy advisors in the Presidency

We estimate that 75% of interview time will be spent with SO 9 partners and their SME clients, while 25% will be spent interviewing donors and public and private sector bodies.

<u>Partner / Provider Questions</u>

In addition to the three broad areas of questioning noted above, each set of interviewees will be probed for a series of other insights, which would ensure the team covers the queries raised in our terms of reference under the headings, "Evaluation Issues and Questions" and "Looking Forward: Issues for the New Program".

Partners will also be asked about the impact of and learning from their programmes in the following areas (where relevant):

- Views on: ASGISA, JIPSA, MER-IAP, and other critical policy initiatives and programmes[20].
- What would you do to create jobs?
- Biggest challenges / most successful experiences in creating jobs?
- BEE
- Trade and Investment
- Finance
- Sector policies
- Competitiveness
- Training / technical assistance
- Networks / advocacy
- Gender
- HIV

[20] The abbreviations respectively stand for: Accelerated and Shared Growth Initiative, Joint Initiative on Priority Skills Acquisition, and Micro Economic Reform-Integrated Action Plan.

- Regional cooperation and integration
- Youth

SME Questions

Impact – specific changes resulting from intervention / support
Sustainability of support received and future changes envisaged
Usage / knowledge of finance and support facilities (public or private)
Usage / knowledge of sector bodies and networks
Views on job creation

Questions for Donor, Public and Private Sector Interviewees

Learning
Markets, trends and policies
Appetite for partnerships
Views on: ASGISA, JIPSA, MER-IAP, and other critical policy initiatives and programmes.
What would you do to create jobs?
Biggest challenges / most successful experiences in creating jobs?

Time Frame

As yet, we see no substantial change to the work plan and time frame set out in our proposal. The week of 5 June will be spent mostly on background reading and setting up interviews. We expect that interviews will commence in the week of 12 June. We should note that the briefing on 22 June will most likely be on the basis of only document review and predominantly partner interviews. We doubt that we will have had sufficient time to meet with any meaningful number of donors or public / private sector stakeholders, and almost certainly no SMEs by that date. Nonetheless, the 14 July briefing should reflect a robust breadth of partner, SME, and stakeholder interviews.

NB: *The evaluation team must receive from USAID as soon as possible a comprehensive list of contacts for all partners, including, at a minimum, contact names, and the telephone, fax, and email of those persons. Where the lists already provided indicate US-based partners / contacts, we would like to obtain the contact details for the respective local counterparts. We will try to speak with some of the overseas-based contacts, but for logistical reasons, as well as for the substantive integrity of the evaluation, we must also have an opportunity to interview people in South Africa, who have been associated with the given programmes. Furthermore, while we will speak to Mega-Tech directly, in respect of their views of grantee performance and related matters, we also will want to speak directly with at least some of the grantees (however small their grants may have been); and thus will need their complete contact details, as well.*

A.6 Performance Indicator Definitions for Market Driven Employment Strategic Objective

PERFORMANCE INDICATOR DEFINITIONS FOR MARKET DRIVEN EMPLOYMENT STRATEGIC OBJECTIVE
General Definitions
SO5 Increased Market-Driven Employment Opportunities **Indicator 5.0 (a) Attributable Change in Net Employment**
Change in Net Employment is defined as the difference in the number of persons employed in one reference period, compared to a previous reference period. The employed comprise all persons of working age, in paid employment or self employment, who performed work for wage, salary, profit, or family gain, in cash or in kind. The employed may be full-time employees, part-time, temporary or casual employees (converted to a full-time equivalent figure), seasonal employees, and should include the number of jobs maintained. The aggregate number of persons employed shall reflect full-time equivalent jobs.
IR5.1 More Rapid Growth of Existing SMMEs **Indicator 5.1 (a) Number of Sales Supported**
A sale is defined as an exchange of goods and/or services between two different parties. The seller should be a HDE SMME that received support from a USAID implementing partner. Evidence of the completed sale should be supported by an independent legal document such as a contract, memorandum of understanding, financial statements or other form of documentation which demonstrates the number, value and type of good or service being transferred. The transfer between a buyer and seller will only be counted once. If the support provided does result in multiple sales, these will also be counted as long as they fall within 12 months of the last support provided. Export sales are defined as those where the buyer is based outside South Africa. Number and value of sales will be calculated for the reporting period from October 1 to September 30 and will only include sales completed during this period. Figures will not be cumulative and provided in South African Rands.
IR5.1 More Rapid Growth of Existing SMMEs **Indicator 5.1 (b) Value of Sales**
A sale is defined as an exchange of goods and/or services between two different parties. The value of sales is the gross sales figure and the seller should be a HDE SMME that received support from a USAID implementing partner. Evidence of the completed sale should be supported by an independent legal document such as a contract, memorandum of understanding, financial statements or other form of documentation which demonstrates the number, value and type of good or service being transferred. If the support provided by the implementing partner does result in multiple sales, the value of these sales will be reported as long as they fall within 12 months of the last support provided. Export sales are defined as those where the buyer is based outside South Africa. Number and value of sales will be calculated for the reporting period from October 1 to September 30 and will only include sales completed during this period. Figures will not be cumulative and provided in South African Rands. For financing secured in a non-Rand currency, they will be converted into Rands based on generally acceptable exchange rates on the date of the contract or legal document.
Sub IR 5.1.1 Improved SMME Capacity to Respond to Market Opportunities **Indicator 5.1.1 (a) Number of Historically Disadvantaged SMMEs Assisted**
Assistance occurs when a USAID implementing partner supports a sale, purchase, privatization or access to financing for a historically disadvantaged SMME. An SMME can only be counted once during the reporting period. Numbers will be calculated for the reporting period from October 1 to September 30 and will only include SMMEs assisted during this period. Figures will not be cumulative.
Sub IR 5.1.2 SMME Access to Financial Resources Increased **Indicator 5.1.2 (a) Number of Financial Agreements Supported**
Financing is defined as the amount of financial resources, in South African Rands, raised by an HDE SMME with support from a USAID implementing partner. Financing included under this Performance Indicator will be evidenced by legal documents such as loan documents, evidence of grant transfers, equity agreements, or other suitable legal representation of the transfer of financial resources. All financing agreements will be documented by the total financing provided and available to the HDE SMME. Finance available through revolving funds will be counted once. Financing will be calculated for the reporting period from October 1 to September 30 and will only include finance accessed during this period. Figures will not be cumulative and provided in South African Rands.
Sub IR 5.1.2 SMME Access to Financial Resources Increased **Indicator 5.1.2 (b) Value of Finance Accessed**
Financing is defined as the amount of financial resources, in South African Rands, raised to complete a transaction supported by a USAID implementing partner. Financing included under this Performance Indicator will be evidenced by legal documents such as loan documents, evidence of grant transfers, equity agreements, or other suitable legal representation of the transfer of financial resources. All financing will be documented by the total financing provided and available to the HDE SMME The value of revolving finance will not exceed the total value of instrument. Financing will be calculated for the reporting period from October 1 to September 30 and will only include finance accessed during this period. Figures will not be cumulative and provided in South African Rands. For financing secured in a non-Rand currency, they will be converted into Rands based on generally acceptable exchange rates on the date of disbursement (see www.x-rates.com for historic information).

A.7 Summary of PIRs 1999 to 2004

PIRs	
Programme	SO5 Program Implementation Review
Programme/ Project Objectives	Increased Market Driven Employment Opportunities The purpose of the activities under this RP is to improve marketing, finance, human capacity, technology and the policy and regulatory environment for urban and peri-urban based small medium and micro-enterprises. Historically disadvantaged entrepreneurs will be the target beneficiaries of this component of the program.
Implementing Agents	EASY, SAIBL, FINCA, World Education, EM&I, IFESH, IMALI , ARD, Deloitte & Touche and GEAR
Time Period	YEAR 1 - October 1999 –September 2000
SO Achievements	• The new strategy was completed and the Results Framework based on the Strategic Objective "Increased Market-Driven Employment Opportunities" was approved by Washington. This significantly opened up opportunities to develop and implement supporting programs. • The SO5 Team pulled together a donor coordination/consultative group for Agribusiness and SMMEs. With respect to its interface with RSA ministries, the Team structured the MPE, DTI and NDA bi-laterals to support capacity building in policy analysis and formulation.
	Donor Coordination: • During the reporting period, both the MPE and DTI Bi-laterals were successfully restructured to focus activities on building capacity for policy and regulatory analysis and formulation. Consequently, implementation of the MPE Agreement has accelerated. • DTI enlisted the services of PriceWaterhouseCoopers to perform a reconciliation of committed funds under their agreement.
	Microenterprise Development: • An APS requesting proposals on microenterprise development through business linkages was issued; in addition to Requests for Proposals for both Agribusiness Linkage and SMME Linkage also to incorporate microenterprise development. • A limited agreement with the NDA focusing on policy was signed. DTI and MPE bi-laterals were extended and modified to focus on policy, and to use the resources of US technical assistance contractors to bolster productive implementation. • The EASY, SAIBL and Deloitte Touche Privatization programs performed extremely well during this reporting period, with EASY far exceeding its target for the first three year contract and reporting impressive results on the program extension. • SAIBL also exceeded its predicted targets 12 months ahead of the program completion, while The Deloitte Touche Privatization program reports show that targets were also met for the period.
Challenges/ Not achieved	• The critical issue facing SO *5 was* obtaining sufficient funds to launch the new strategy, should the planned levels of economic growth funds not be received. R3 million a year for the next five years to support these activities was needed for the agreement signed with NDA, posing another challenge in raising the money to implement this programme. • Although the IMALI project had done very well in community mobilization through a village-banking scheme based on savings in the rural areas, there

	was a serious concern that the program focused more on capacity-building and infrastructure, but not enough on business loan processing/ disbursement.
Programme Achievements	SAIBL • SAIBL recorded dramatic success in providing business services to SMEs, including women owned firms. In terms of total business transactions- the major activity level indicator, SAIBL exceeded its projected targets.
	EASY • Deals financed = 42 • Financing leveraged = $33,100.647 • Employment opportunities created = 944
	SEGIR Privatization Project/ GEAR PP with Deloitte and Touché Tohmatsu • Unwillingness to divest ownership of state assets was witnessed in the Northern Province. • The Eastern Cape provincial government was very supportive, despite in-fighting among potential beneficiaries on various irrigation schemes that continued to inhibit total privatisation of these units. • Transactions supported =12
	IFESH • The International Foundation for Education and Self-Help was funded to assist in developing a critical mass of black and women technical and managerial employees in South Africa's traditional financial institutions. The purpose of this Grant was to: o develop Black and women bankers with technical skills and o to assist the previously disadvantaged population access financial services. • Although the programme reached close out with USAID, it has won funding support from the financial institutions themselves and other donors. • A testament to IFESH impact and sustainability is recognition by the Banking Council of South Africa of IFESH's training and certification process of Black and women bankers.
	APS Grant to World Education: Ntinga 11: SMME Capacity Building & HIVIAIDS Information &Education Initiative • World Education was awarded a grant of $940,000,for over two years, incrementally funded with a total of $478,000 provided in the first year to work with proven micro-finance institutions (MFIs) and micro-enterprise service organisations (MESOs) that promote service innovations, and target growth sectors of micro-enterprise with the aim of stimulating micro-enterprise employment. • In addition, the grant was to be used as a cost effective vehicle to integrate and address issues posed by the HIV/AIDS crisis.

<table>
<tr><td></td><td>APS Grant to Enterprise Management & Innovation (EMI&I) - Sustainable Employment Micro -enterprise Development (SEMED) Grant
EM&I were awarded a one year grant to implement the Sustainable Employment Micro- Enterprise Development (SEMED) Project, in response to S05's Micro-enterprise Development Program Annual Program Statement (APS).
The SEMED Project is developing innovative methodologies, leading to "hands-on", practical programmatic interventions in the APS's three Intermediate Result Objectives which will directly facilitate the growth of targeted SMMEs and an improvement of the environment in which they function.</td></tr>
<tr><td></td><td>Bilateral Agreement with Department of Trade & Industry
The agreement with DTI was extended to September 2002 after a reconciliation of their finances and the agenda for activities was developed.</td></tr>
<tr><td></td><td>IMALI (Improved Microenterprise Access to Liquidity): Cooperative Agreement;
In September 1998, USAID/South Africa signed a three-year, $3.6 million cooperative agreement with ACDWOCA, and its partners, the Alliance for Microenterprise Practitioners, Africa Institute for Policy Analysis (AIPA) and the University of Pretoria, to institutionalize village banking in six provinces of South Africa.
The project performed very well in terms of training, institution capacity-building, community mobilization and the identification and rectification of regulatory constraints.</td></tr>
<tr><td></td><td>Annual Program Statement Grant to Associates in Rural Development (ARD) for "Agribusiness Linkage Program"
The project specifically targets the Eastern Cape region to develop agribusiness linkage activities between commercial and emerging agriculture. The project started very well with linkages and business deals concluded in the dairy, livestock, and vegetable markets.</td></tr>
<tr><td>Outputs</td><td>Value of business transactions
SAIBL = $45 million
Privatization Program/DTT = $68.9 million
Number of business transactions:(from contracts & equity/quasi-equity partnerships)
SAIBL = 27
EASY = 42
Privatization Program/DTT =19
Value of financing leveraged:
EASY = $33.1 million
Number of potential job opportunities created:
SAIBL =962
EASY =944
Privatization Program/DTT = 5,064
Number of management-level staff trained:
IFESH = 200
Number of corporate assets made available through Privatization MPE/Deloitte program = 22</td></tr>
</table>

Time Period	YEAR 2 - October 2000 – September 2001
SO Achievements	• Funding for our agricultural program was made available to expand the types of activities under the portfolio with anticipated increases in funding. • Counterpart contributions under the DTI and MPE bi-laterals were satisfied. PILs were also completed to acknowledge this fact. A PIL was drafted with NDA to determine details regarding the specifics and content of their contribution. • An IEE (Categorical Exclusion with Conditions) was approved for all activities under the SO 5 strategy. Conditions were recommended because the program aims at growth of enterprises that could indirectly result in activities affecting the environment. • Based on the success of the pilot agribusiness linkage programme in the Eastern Cape, a five year contract was awarded to expand the programme nationally. • Implementation of SO4 programmes improved, with support directed at critical policy issues directed at privatization and the small business regulatory environment. • Three grants were given this year to support micro enterprise / finance activities, including an extension of the village banking programme of IMALI
Programme Achievements	AGRILINK • AGRILINK facilitated the sale of 68,500 litres of fresh milk from a dairy scheme in Keiskammahoek to a local dairy shop. There were five separate transactions, the largest being for 30,000 litres in June • AGRILINK played a significant role in identifying markets for vegetable producers and in helping farmers to diversify their product offerings and rehabilitate their loan debts. • Assisted emerging agribusinesses to develop increased financial, managerial and technical capacities to deliver quality agricultural production efficiently in order to successfully meet the needs of expanding markets.
	SAIBL Due to the outstanding results of the SAIBL project, a two-year extension to the cooperative agreement was completed.
	Privatisation Programme/ DTT The DTT agricultural privatization activity was extended for one-year.
	IMALI The project was extended for one additional year, although results of the year were not good. Positive steps were taken following the evaluation of MALI to move the program in a more economically viable direction.

	Programme close outs • Out of seventeen activities that were to be closed this period, six were contracts, two Cooperative agreements and nine Grant Agreements. These included: • World Council Credit Union (WCCU) • Volunteers in Technical Assistance (VITA), Expired December 1999. • World Education/Ntinga, Expired December 1999. • International Foundation for Education & Self Help (IFESH), Expired December 1999. Other closed programmes included Private Agencies Collaborating Together (PACT), awaiting Controllers' office to de-obligate un-liquidated balance of $444,679.00 Cooperative League of South Africa (CLUSA), the grantee does not exist anymore –expired 1995. EASY/Phoenix Venture Partners, on hold because of VAT issues that need to be resolved Small Business Administration (SBA), closed, but awaiting our Controller's office to de-obligate un-liquidated balance of $890.60. Informal Business Training Trust (IBTT), had outstanding advance of $0.01 and outstanding final audit report for the year ended September 1996. Business Linkages for Under-Utilized Enterprises (BLUE), had outstanding advance of $12 1,102.14 and outstanding final audit report for the year ended September 1998. Audit was submitted and RIG questioned total unsupported costs of R89,863 ($17,052). Get Ahead Foundation (GAF), has been liquidated and still owe a final audit report for the year ended August 1998. Independent Business Enrichment Centre (IBEC), No outstanding issues. Awaiting reconciliation from CONT office in order to close the file and de-obligate un-liquidated balance of $77,825.65. United States South Africa Leadership Exchange Program (USSALEP), no outstanding issues. Awaiting reconciliation from CONT office in order to close the file. Association for Black Accountants of South Africa (ABASA), closed, but awaiting Controller's office to de-obligate un-liquidated balance of $307,477.09. Junior Achievement, closed but awaiting Controller's office to de-obligate un-liquidated balance of $14,157.09 Independent Business Enrichment Centre (IBEC), closed, but awaiting Controller's office to de-obligate un-liquidated balance of $77,825.65. Private Sector Counselling Organization (PRISCO), has an outstanding advance of $61,407.42 and outstanding final audit report for the year ended June19 96.
Outputs	• Efforts to link historically disadvantaged enterprises with big business exceeded expectations in enhanced markets, increased value of business transactions and employment opportunities created.

	Value of business transactions - SAIBL = $45 million - Privatization Program/DTT = $68.9 million Number of business transactions (from contracts & equity/quasi-equity partnerships): - SAIBL = 27 - EASY = 42 - Privatization Program/DTT = 19 Number of potential job opportunities created: - SAIBL =962 - EASY = 944 - Privatization Program/DTT = 5064 Number of management-level staff trained: - IFESH = 200 Number of corporate assets made available through Privatization MPE/ Deloitte program totalled 22.
Time Period	YEAR 3 - October 2001 – September 2002
SO Achievements	• USAID's major agribusiness development program succeeded in facilitating over 27,000 business transactions worth over $63.6 million exceeding its planned targets. Technical assistance to identify new, innovative and niche markets for historically disadvantaged agribusiness people and capacity building to help them respond to the standards and requirements of these markets was also provided. • The agriculture privatization program has made successful use of public private partnerships, assisting in 15 transactions to transfer state-owned agricultural assets to historically disadvantaged ownership • The technical assistance, capacity building, and financial leveraging totalling $12.4 million provided by USAID has ensured, not only that these complex deals are concluded, but that the new enterprises will be commercially viable. • FY 2002 the SMME growth program has focused on linkages that exploit the trade opportunities available through the Africa Growth and opportunities Act (AGOA) and in the Southern African Development Community (SADC) region. • USAID also continued to support the development of 29, primarily women-owned, rural village banks through technical assistance and training. However, an evaluation raised concerns about progress in this program, and the long-term viability of the financial service centres is uncertain. • USAID worked with partners to develop consistent methodologies to ensure accurate data collection to monitor and measure performance for the Employment Creation Strategy.
Outputs	• The privatization component has been responsible for creating 2,820 employment opportunities. • Agribusiness growth program has generated $102.5 million in business transactions, and leveraged financing for the growth of black agribusiness totalling $42 million. • Overall the program generated approximately 37,600 market-driven employment opportunities. • Over 13,400 entrepreneurs (36 percent women) have received awareness and prevention information. Over 176,000 condoms were distributed. • Over $116 million in business transactions were generated and over 5,000 employment opportunities created. Over $335 million transactions and

	11,700 employment opportunities have been recorded during the life of the program. • The program also assisted 75 small and medium agribusinesses to access finance worth $3.3 million and facilitated access to land through grants and loans to over 3,700 emergent farmers. • To date USAID's agribusiness growth program has generated $102.5 million in business transactions, and leveraged financing for the growth of black agribusiness totalling $42 million. Overall the program generated approximately 37,600 market-driven employment opportunities.
Time Period	YEAR 4 - October 2002 – September 2003
SO Achievements	• A total of $2.4 million has been obligated. SO5 plans to obligate an additional $500,000 in FY03. The total amount committed to date is $1,155,619 of which $786,554 has been expended. • Implementation of four biotechnology grants funded through the Bilateral started. The NDA requested a rural finance advisor positioned at the Department, and that bi-lateral funds be used to amend the Agrilink II contract with EM&I to extend Agrilink II project activities to the Northwest Province. • The SMME portfolio performed well. An evaluation and impact assessment found that the program was "very successful" with a significant impact in terms of job creation and increased sales attributable to the program. In addition, the evaluators found that based on the cost of assistance provided, the program was extremely efficient when compared to other donor and government programs. • Working closely with other USG institutions, USAID supported a number of study tours for Southern African Development Community (SADC) member countries; arranging a professional biotechnology visit for Zambian government officials, supporting two biotechnology participants in the International Visitor program, and assisting with the development of intellectual property rights related to biotechnology.
Challenges	• Activities in the Northern Province have slacked off, due to general lack of political will to restructure. • Access to finance continues to be a major issue for AgriLink clientele. A close relationship with Land Bank and other non-private sector lenders was established and will be further examined. • The regional trade activity was slow to take off and the pipeline remained high as a result of slower than anticipated disbursements. • Neither the SMME nor the agribusiness program was able to achieve their targets related to access to finance and this is consistent with macro-economic conditions and market experiences. • Lower than expected results were achieved for finance accessed by small and medium businesses, $69, million against a target of $250 million, signifying the difficulty historically disadvantaged SMMEs are still having in raising capital.
Actual Programme Performance/ Achievements	SEGR Privatization Project - Agricultural Privatization • The project linked employees and foreign investors to acquire a defunct NW province owned poultry operation. The integrated operation has the capacity to provide approximately 2,000 jobs and to expand to be the third largest poultry operation in South Africa. • In the Eastern Cape and the Northwest Province the project has begun responding to a number of requests from groups and individuals to assist in restructuring deals (including land deals).

	South Africa International Business Linkages (Corporate Council on Africa) • Business transactions recorded by SAIBL clients to date amount to $219.5 million and over 8,000 jobs created. LOP targets for transactions are $222.5 million and 3,000 jobs. The figures for the past 6 months are $28.7 million and 1,650 respectively. • In addition, the regional trade aspect of the program has proven so promising that RCSA has committed $405,000 to the program to support additional linkages between other Southern African She's and South Africa.
	Agrilink II/Enterprise Management & Innovation (Pty) Ltd. • AgriLinks expanded emergent farmers' access to new markets such as alfalfa for the dairy industry and new high-value, commodities such as chillies and export quality avocados and mangos. 1000 emergent farmers were brought into the alfalfa market and this exceeds to overall project targets. • The project also expanded its innovative use of livestock auctions, which it institutionalized in the Eastern Cape, to new provinces. Livestock auctions have been highly successful in orienting emergent farmers to livestock commercial value, increasing income, and improving animal health through exposure to new technologies, health practices, education and veterinary services. Long-term commercial exploitation of livestock has potential to improve water usage and reduce environmental degradation as per the environmental guide in the program.
	SEMED, EM&I • The project has generated nearly R800 million in business transactions, far exceeding the LOP target of R342 million. Approximately R39 million in financing was raised, about a third of the target. • The appreciation of the rand had a dramatic, negative impact on the budget as 80% of costs were Rand denominated.
	Foundation for International Community Assistance (FINCA) • FINCA has disbursed 3,798 loans totalling R5.45 million, putting them about 20% behind the pace to achieve overall program numbers. However, FINCA remained optimistic that they can achieve the overall targets FINCA/ South Africa also engaged in an aggressive fundraising effort which resulted in $250,000 grant from SIDA. • Portfolio at Risk ratio jumped dramatically from less than 10% to 27%. Remedies such as tighter credit controls and redeployment of staff are being put into place. Rand /dollar exchange rate appreciation dramatically impacted on the program and will likely result in an early termination without additional resources.
Outputs	• Over $440 million was generated in business transactions since the start of the program, exceeding the target by l0%, and 8,500 jobs have been created, exceeding the target by more than 98%. The program also trained almost 200,000 entrepreneurs. Of this number, approximately 10,000 entrepreneurs benefited from face-to-face training in a range of business skills. • The first year of the regional trade activity achieved $4.4 million in business transactions already concluded against a target of $6.6 million for the entire program. • In 2003 USAID's support to microfinance activities leveraged approximately $137,000 in short-term cash loans (averaging $1 10/loan) to microentrepreneurs, 90% of whom were women. The business development program for microentrepreneurs helped over 350 of entrepreneurs access new market opportunities that resulted in $85 million in business transactions. • In Agribusiness development, more than $1 16 million in sales was generated from over 23,500 business transactions, and over the life of the program more than $205 million in sales has resulted from over 49,000 business transactions directly related to emerging agribusinesses and farmers, surpassing all targets.

	• Agricultural Privatisation -over $55 million worth of assets were transferred from state ownership through 20 transactions, exceeding the target by some 33%. In addition, over 10,000 jobs having been created or sustained. • During the reporting period $.5 million was allocated for additional biotechnology research and outreach in South Africa. Land Tenure: over 20,000 hectares of agriculturally productive land was transferred to emerging black farmers and over 400 emergent farmers, 50% of whom were women, have received land due to assistance from USAID funded projects.
Time period	YEAR 5 - October 2003 – September 2004
SO Achievements	• The success of the USAID employment creation program which targets rural areas throughout South Africa has been widely acknowledged by provincial governments, several of whom considered buying into the program with their own funds. • USAID/South Africa also supported a microfinance activity that provides financial services to self employed low-income clients, over 90% of whom are women, to facilitate their development and integration into the wider economy. • Agribusiness development Program activities expanded in 2004 from three provinces to eight provinces, with staff based in seven provinces. • While targets for the numbers of sales contracts were met, the total value of sales was significantly below targets in large part due to the strength of the South African Rand which significantly limited export sales both within the region and to Europe and the U.S and limited domestic market expansion opportunities. • USAID moved away from focusing exclusively on the divestiture of state-owned agricultural assets to assisting "willing seller-willing buyer" transactions between large commercial agricultural enterprises (e.g., farms or agro-processors) and former workers who become shareholders in the enterprise. During FY 2004, over $2.6 million worth of assets were successfully transferred to a total of 200 shareholders. • Program activities expanded in 2004 from three provinces to eight provinces, with staff based in seven provinces. During FY 2004, over 500 new jobs were created and over $13.4 million in agricultural sales were generated through over 29,000 sales contracts • More than $3.8 million of finance was accessed by over 11 emerging agribusinesses.
Challenges	• Over the past three years, the Mission's Economic Growth (EG) funds have declined dramatically, with a concurrent shift in the balance of funds from discretionary EG to agricultural funds (AG). Since agriculture is not an optimal source of employment generation, the Mission may have to adjust its strategy to fit its funding. Should employment generation continue as the SO, the Mission will conduct an assessment of the existing intermediate results and associated activities to determine whether they are the most effective for maximizing impact (i.e. creating the most jobs). • While targets were met for the total levels of financing accessed, the numbers of clients who accessed finance were significantly lower than targets (200), indicating financing institutions' propensity for larger transactions. • Targets for the numbers of sales contracts were met, however the total value of sales was significantly below targets in large part due to the strength of the South African Rand which significantly limited export sales both within the region and to Europe and the U.S coupled with limited domestic market expansion opportunities

Actual Programme Performance/ Achievements	SAIBL Emphasis on building linkages with government bore fruit, with buy in from the North West Province totalled R3.3 million, and the establishment of offices in Mpumalanga and Western Cape. Jobs created =2416 Sales Contract supported = 36446, valued at R764 million Finance leveraged = R69 million Value of deals supported = $ 13 million Over 150 small scale farmers received TOT
	FINCA Only 50% of the target loans were disbursed at this point, although nearly 100% of the targets set for the value of loans were achieved.
	PFID Sales were improved and a farm manager hires to assist with the farm at University of Fort Hare and small scale farmers. It was recommended that coordination with regional PhD programme be established to improve implementation.
	SACCOL R1 million was disbursed to recapitalize the weak SACCOs. New stabilisation staff hired. 67 HDE SMMEs were assisted with loans valued at R213.600, 5320 financial agreements, valued at R7 943 000 supported. USAID provided the association with technical assistance and training in monitoring and management. This activity generated approximately $87,000 (vs. a target $100,000) in cash loans to historically disadvantaged micro enterprises in this past year. The average size of loan was $450.
	BIOTECHNOLOGY An additional $500,000 was allocated for additional biotechnology research and outreach for South Africa. The funds assisted Michigan State University to complete ongoing work on improved potato varieties for South Africa and the New Economic Plan for African Development (NEPAD) in the development of national biotechnology policy harmonization programs, specifically using South Africa as a pilot case.
Outputs	• Since the USAID employment generation program began in 2000, over $600 million in SME business transactions have been generated, against an original target of $250 million, and over 11,000 jobs (vs. an original target of 6,300) have been created. • Overall, the USAID employment creation program has leveraged approximately $300 million in financing for small and medium business and provided technical assistance and mentoring to 5,700 historically disadvantaged entrepreneurs over its life. • Small businesses taking advantage of USAID's regional and AGOA trade activities have been able to conclude $36.5 million in sales, exceeding the target for this specific activity by nearly 60%. • The agribusiness linkages program created nearly 500 jobs in 2004 and generated over $13.4 million in sales by historically disadvantaged agribusinesses through over 26,343 sales contracts. It also has helped agribusinesses access financing worth over $3.6 million. • Small, medium, and micro enterprises assisted by the program have secured financing totalling $70 million in the past year (1 5% above the targeted level).
Documents Consulted	1. SO5 PROGRAM IMPLEMENTATION REVIEW (PIR) October 1,1999 - March 31,2000 2. SO5 PROGRAM IMPLEMENTATION REVIEW (PIR) April l, 2000 - September 30, 2000

	3. SO5 PROGRAM IMPLEMENTATION REVIEW (PIR) October 1,2000 - March 31,2001 4. SO5 PROGRAM IMPLEMENTATION REVIEW (PIR) April ,2000 - Septenber,2001 5. SO 5 Program Implementation Review (PIR) October 1,2001 -March 31,2002 6. Project Implementation Review USAID South Africa, May 2003 7. Market Driven Employment PROGRAM IMPLEMENTATION REVIEWS November 2003 8. PORTFOLIO REVIEWIPROGRAM IMPLEMENTATION REVIEW MAY 2004 9. PORTFOLIO REVIEWIPROGRAM IMPLEMENTATION REVIEW MAY 2005 S09: SUSTAINABLE EMPLOYMENT

A.8 Performance Data Sheets – 2004/05

MARKET DRIVEN EMPLOYMENT STRATEGIC OBJECTIVE
SMME AND AGRICULTURE COMBINED PERFORMANCE DATA SHEET

NAME OF GRANTEE/CONTRACTOR — Combined Partner totals Using formulas based on other sheets herein. DO NOT CHANGE THESE NUMBERS WIILL ERASE FORMULA

CONTRACT OR AGREEMENT NO.

CONTRACT OR GRANT COMPLETION DATE

SO or IR	Results Statement	Indicator	Unit of Measure	Disaggregation	2004 Target	2004 Actual	2005 Target	2005 Actual	2006 Target	2007 Target	Cum Target	Cum Actual	Over / (Under)	% Ov or (Und)
SO 5.0	Increased market-	5.0 (a)	Number of full time	total change in no. of jobs	3,950	4,521	3,290	4,121	2,180	2,130	7,240	8,642	1,402	19.4%
	driven employment	Net change in private	equivalent jobs	total change in no. of jobs held by women	1,275	1,969	1,330	1,167	370	0	2,605	3,136	531	20.4%
	created	sector employment of		change in full-time jobs	3,150	4,148	1,600	3,742	0		4,750	7,890	3,140	66.1%
		assisted companies		change in part-time jobs (reported on full-time equivalent basis)	750	158	790	314	0		1,540	472	(1,068)	-69.4%
				change due to privatisation or in previously privatized jobs	0	24	300	450	0		300	474	174	58.2%
				change in seasonal jobs (reported on fulltime equivalent basis)	550	0	1,300	1,483	0		1,850	1,483	(367)	-19.8%
IR 5.1	More rapid growth	5.1 (a)	A sale	no of sales contracts supported	57,000	107,669	37,188	11,095	42,014	42,000	94,188	118,764	24,576	26.1%
	of existing SMMEs	Number of sales		no of export sales	220	14,033	3,220	2,266	4,240		3,440	16,299	12,859	373.8%
		supported		no of sales involving majority women owned businesses	8,300	22,437	6,768	29	7,500		15,068	22,466	7,398	49.1%
				no of sales originating from micro enterprises	23,000	20,660	88	103	0		23,088	20,763	(2,326)	-10.1%
		5.1 (b)	South African	Rand value of sales contracts	1,027,000,000	1,858,506,687	1,187,500,000	1,682,634,005	1,166,500,000	1,121,500,000	2,214,500,000	3,541,140,692	1,326,640,692	59.9%
		Value of Sales	Rand	Rand value of export sales	194,000,000	277,078,460	163,000,000	225,224,917	252,800,000	252,800,000	357,000,000	502,303,377	145,303,377	40.7%
				Rand value of sales involving women owned businesses	11,080,000	306,810,606	119,250,000	183,349,516	120,000,000		130,330,000	490,160,122	359,830,122	276.1%
				Rand value of sales emanating from micro enterprises	11,500,000	72,931,974	21,250,000	33,013,444	0		32,750,000	105,945,418	73,195,418	223.5%
Sub IR 5.1.1	Improved SMME	5.1.1 (a)	A client	total number of SMMEs assisted	5,707	1,972	3,093	2,026	2,600	2,600	8,800	3,998	(4,802)	-54.6%
	capacity to	Number of historically		number of women owned enterprises assisted	640	387	408	148	380		1,048	535	(513)	-48.9%
	respond to market	disadvantaged SMMEs		number of micro enterprises assisted	5,000	1,426	2,207	323	2,037		7,207	1,749	(5,458)	-75.7%
	opportunities	assisted												
Sub-IR 5.1.2	SMMEs access to	5.1.2 (a)	An agreement	total no of transactions in which finance was accessed	31,186	12,446	375,111	472,492	374,954	374,960	406,297	484,938	78,641	19.4%
	financial resources	Number of financial		no of financial instruments accessed from equity finance	8	268	6	0	6		14	268	254	1814.3%
	increased	agreements supported		no. of financial instruments accessed from private sector debt	30,978	11,814	36	8	20		31,014	11,822	(19,192)	-61.9%
				no. of financial instruments accessed from public sector/parastatal debt	75	4	10	0	1		85	4	(81)	-95.3%
				no. of financial instruments accessed from supplier credits	70	9	54	79	0		124	88	(36)	-29.0%
				no. of other forms of finance accessed e.g. government grants, in-kind, cash	59	157	39	340	3		98	497	400	409.7%
				no. of financial transactions involving women owned businesses	30,977	10,625	170,140	213,174	170,134	170,134	201,117	223,799	22,682	11.3%
				no. of financial transactions involving micro-enterprises	30,958	11,803	46	61	0		31,004	11,864	(19,140)	-61.7%
		5.1.2 (b)	Value in South	Rand value of finance accessed	92,326,659	160,631,711	893,192,543	1,063,504,618	911,869,780	872,869,780	985,519,202	1,224,136,329	238,617,127	24.2%
		Value of finance	Africa Rand	Rand value of finance accessed from equity financiers	34,250,000	3,845,000	30,090,000	0	30,000,000		64,340,000	3,845,000	(60,495,000)	-94.0%
		accessed		Rand value of finance accessed from private sector debt	24,250,000	84,247,500	30,140,000	6,428,000	30,000,000		54,390,000	90,675,500	36,285,500	66.7%
				Rand value of finance accessed from public sector/parastatal debt	18,750,000	5,054,139	15,480,000	0	20,000,000		34,230,000	5,054,139	(29,175,861)	-85.2%
				Rand value finance accessed as supplier credits (based on draw-downs)	7,000,000	33,792,500	810,000	19,561,908	0		7,810,000	53,354,408	45,544,408	583.2%
				Rand value of other finance accessed e.g. government grants, in-kind, cash	7,750,000	26,878,714	8,532,483	9,538,686	0		16,282,483	36,417,400	20,134,917	123.7%
				Rand value of finance accessed by women owned enterprises	11,301,659	5,568,606	347,983,672	432,904,998	352,803,672	352,803,672	359,285,331	438,473,604	79,188,273	22.0%
				Rand value of finance accessed by micro enterprises	1,101,659	1,228	900,000	353,000	0		2,001,659	354,228	(1,647,431)	-82.3%
Data Point 1	SMME	Hours of training	Hours	total hours of training	20,021	95,904	43,610	26,031	46,540	46,500	63,631	121,935	58,304	91.6%
	entrepreneurs	received by individual		hours of training to women	5,521	31,943	4,954	1,208	6,000		10,475	33,151	22,676	216.5%
	receiving training	entrepreneurs in		hours of formal training (registered skills program/learnership)	12,000	93,196	14,342	2,760	13,000		26,342	95,956	69,614	264.3%
		relevant business skills		hours of informal training (mentorship/technical assistance/other)	8,021	2,051	1,269	1,544	2,000		9,290	3,595	(5,695)	-61.3%

MARKET DRIVEN EMPLOYMENT STRATEGIC OBJECTIVE
SMME PERFORMANCE DATA SHEET

NAME OF GRANTEE/CONTRACTOR	Combined SMME Partner totals
CONTRACT OR AGREEMENT NO.	
CONTRACT OR GRANT COMPLETION DATE	

SO or IR	Results Statement	Indicator	Unit of Measure	Disaggregation	2004 Target	2004 Actual	2005 Target	2005 Actual	2006 Target	2007 Target	Cum Target	Cum Actual	Over / (Under)	% Ov or (Und)
SO 5.0	Increased market-driven employment created	5.0 (a) Net change in private sector employment of assisted companies	Number of full time equivalent jobs	total change in no. of jobs	2,700	4,037	1,900	2,343	1,000	1,000	4,600	6,380	1,780	38.7%
				total change in no. of jobs held by women	1,000	1,693	430	412	0	0	1,430	2,105	675	47.2%
				change in full-time jobs	2,500	3,988	1,300	2,315	0	0	3,800	6,303	2,503	65.9%
				change in part-time jobs (reported on full-time equivalent basis)	200	2	400	6	0	0	600	8	(592)	-98.7%
				change due to privatisation or in previously privatized jobs	0	0	300	450	0	0	300	450	150	50.2%
				change in seasonal jobs (reported on fulltime equivalent basis)	0	0	600	901	0	0	600	901	301	50.2%
IR 5.1	More rapid growth of existing SMMEs	5.1 (a) Number of sales supported	A sale	no of sales contracts supported	32,000	78,628	35,175	7,713	40,000	40,000	67,175	86,341	19,166	28.5%
				no of export sales	200	13,941	3,220	2,261	4,240	4,240	3,420	16,202	12,782	373.7%
				no of sales involving majority women owned businesses	6,000	22,423	6,768	29	7,500	7,500	12,768	22,452	9,684	75.8%
				no of sales originating from micro enterprises	0	0	88	103	0	0	88	103	15	16.5%
		5.1 (b) Value of Sales	South African Rand	Rand value of sales contracts	800,000,000	1,684,665,362	1,042,500,000	1,542,439,920	1,000,000,000	1,000,000,000	1,842,500,000	3,227,105,282	1,384,605,282	75.1%
				Rand value of export sales	150,000,000	237,819,956	160,000,000	221,338,000	250,000,000	250,000,000	310,000,000	459,157,956	149,157,956	48.1%
				Rand value of sales involving women owned businesses	80,000	264,115,206	104,250,000	183,349,516	120,000,000	120,000,000	104,330,000	447,464,722	343,134,722	328.9%
				Rand value of sales emanating from micro enterprises	0	0	21,250,000	33,013,444	0	0	21,250,000	33,013,444	11,763,444	55.4%
Sub IR 5.1.1	Improved SMME capacity to respond to market opportunities	5.1.1 (a) Number of historically disadvantaged SMMEs assisted	A client	total number of SMMEs assisted	300	242	810	713	400	400	1,110	955	(155)	-14.0%
				number of women owned enterprises assisted	100	75	208	148	160	160	308	223	(85)	-27.5%
				number of micro enterprises assisted	0	0	355	323	0	0	355	323	(32)	-9.1%
											0	0	0	#DIV/0!
Sub-IR 5.1.2	SMMEs access to financial resources increased	5.1.2 (a) Number of financial agreements supported	An agreement	total no of transactions in which finance was accessed	30,979	12,006	374,795	472,106	374,710	374,710	405,774	484,112	78,338	19.3%
				no of financial instruments accessed from equity finance	3	5	6	0	6	6	9	5	(4)	-44.4%
				no. of financial instruments accessed from private sector debt	30,973	11,803	36	3	20	20	31,009	11,806	(19,203)	-61.9%
				no. of financial instruments accessed from public sector/parastatal debt	1	0	10	0	1	1	11	0	(11)	-100.0%
				no. of financial instruments accessed from supplier credits	0	3	54	79	0	0	54	82	28	51.9%
				no. of other forms of finance accessed e.g. government grants, in-kind, cash	2	0	17	0	3	3	19	0	(19)	-100.0%
				no. of financial transactions involving women owned businesses	30,967	10,625	170,140	213,056	170,134	170,134	201,107	223,681	22,574	11.2%
				no. of financial transactions involving micro-enterprises	30,957	11,803	45	57	0	0	31,002	11,860	(19,142)	-61.7%
		5.1.2 (b) Value of finance accessed	Value in South Africa Rand	Rand value of finance accessed	60,326,659	70,022,968	816,994,780	997,625,315	824,869,780	824,869,780	877,321,439	1,067,648,283	190,326,844	21.7%
				Rand value of finance accessed from equity financiers	30,000,000	0	30,090,000	0	30,000,000	30,000,000	60,090,000	0	(60,090,000)	-100.0%
				Rand value of finance accessed from private sector debt	20,000,000	65,897,500	25,240,000	703,000	30,000,000	30,000,000	45,240,000	66,600,500	21,360,500	47.2%
				Rand value of finance accessed from public sector/parastatal debt	10,000,000	0	15,480,000	0	20,000,000	20,000,000	25,480,000	0	(25,480,000)	-100.0%
				Rand value finance accessed as supplier credits (based on draw-downs)	0	3,555,900	810,000	19,561,908	0	0	810,000	23,117,808	22,307,808	2754.1%
				Rand value of other finance accessed e.g. government grants, in-kind, cash	0	0	240,000	0	0	0	240,000	0	(240,000)	-100.0%
				Rand value of finance accessed by women owned enterprises	10,001,659	5,568,606	347,983,672	432,904,998	352,803,672	352,803,672	357,985,331	438,473,604	80,488,273	22.5%
				Rand value of finance accessed by micro enterprises	1,659	1,228	900,000	353,000	0	0	901,659	354,228	(547,431)	-60.7%
Data Point 1	SMME entrepreneurs receiving training	Hours of training received by individual entrepreneurs in relevant business skills	Hours	total hours of training	10,000	86,259	15,570	5,720	15,000	15,000	25,570	91,979	66,409	259.7%
				hours of training to women	2,500	29,256	4,914	1,208	6,000	6,000	7,414	30,464	23,050	310.9%
				hours of formal training (registered skills program/learnership)	9,500	86,259	14,342	2,760	13,000	13,000	23,842	89,019	65,177	273.4%
				hours of informal training (mentorship/technical assistance/other)	500	0	1,229	1,544	2,000	2,000	1,729	1,544	(185)	-10.7%

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
2	MARKET DRIVEN EMPLOYMENT STRATEGIC OBJECTIVE														
3	AGRIBUSINESS PERFORMANCE DATA SHEET														
4	**NAME OF GRANTEE/CONTRACTOR**				Combined AGRICULTURE Partner totals										
5	**CONTRACT OR AGREEMENT NO.**					NA									
6	**SO or IR**	**Results Statement**	**Indicator**	**Unit of Measure**	**Disaggregation**	**2004 Target**	**2004 Actual**	**2005 Target**	**2005 Actual**	**2006 Target**	**2007 Target**	**Cum Target**	**Cum Actual**	**Over / (Under)**	**% Ov or (Und)**
7	SO 5.0	Increased market-driven employment created	5.0 (a) Net change in private sector employment of assisted enterprises	Number of full time equivalent jobs	total change in no. of jobs	1250	484	1390	1777.7	1180	1130	2,640	2,262	(378)	-14.3%
8					total change in no. of jobs held by women	275	276	900	754.5	370		1,175	1,031	(145)	-12.3%
9					change in full-time jobs	650	160	300	1427	0		950	1,587	637	67.1%
10					change in part-time jobs (reported on full-time equivalent basis)	550	156	390	308	0		940	464	(476)	-50.6%
11					change due to privatisation or in previously privatized jobs	0	24	0	0	0		0	24	24	#DIV/0!
12					change in seasonal jobs (reported on fulltime equivalent basis)	550		700	582	0		1,250	582	(668)	-53.4%
13															
14	IR 5.2	Increased commercial viability of existing small and medium agribusiness	5.2 (a) Number of sales supported	A sale	no of sales contracts supported;	25,000	29041	2,013	3382	2014	2000	27,013	32,423	5,410	20.0%
15					no of export sales;	20	92	0	5	0		20	97	77	385.0%
16					no of sales involving majority women owned businesses;	2300	14	0	0	0		2,300	14	(2,286)	-99.4%
17					no of sales originating from micro enterprises	23,000	20660	0	0	0		23,000	20,660	(2,340)	-10.2%
18															
19															
20			5.2 (b) Value of Sales	South African Rand	Rand value of sales contracts;	227,000,000	173,841,325	145,000,000	140,194,085	166,500,000	121,500,000	372,000,000	314,035,410	(57,964,590)	-15.6%
21					Rand value of export sales;	44,000,000	39,258,504	3,000,000	3,886,917	2,800,000	2,800,000	47,000,000	43,145,421	(3,854,579)	-8.2%
22					Rand value of sales involving women owned businesses;	11,000,000	42,695,400	15,000,000	0	0		26,000,000	42,695,400	16,695,400	64.2%
23					Rand value of sales emanating from micro enterprises	11,500,000	72,931,974	0	0	0		11,500,000	72,931,974	61,431,974	534.2%
24												0	0	0	#DIV/0!
25	Sub IR 5.2.1	Improved Small and medium agribusiness capacity to capitalize on market opportunities	5.2.1 (a) Number of historically disadvantaged small and medium agribusinesses assisted	A client	total number of SMMEs assisted	5407	1730	2,283	1313	2,200	2,200	7,690	3,043	(4,647)	-60.4%
26					number of women owned enterprises assisted	540	312	200	0	220		740	312	(428)	-57.8%
27					number of micro enterprises assisted	5000	1426	1852	0	2037		6,852	1,426	(5,426)	-79.2%
28															
29															
30															
31															
32	Sub-IR 5.2.2	Increased access to financial resources for small agribusiness	5.2.2 (a) Number of financial agreements supported	An agreements	total no of transactions in which finance was accessed;	207	440	316	386	244	250	523	826	303	57.9%
33					no of financial instruments accessed from equity finance;	5	263	0	0	0		5	263	258	5160.0%
34					no. of financial instruments accessed from private sector debt;	5	11	0	5	0		5	16	11	220.0%
35					no. of financial instruments accessed from public sector/parastatal debt;	74	4	0	0	0		74	4	(70)	-94.6%
36					no. of financial instruments accessed from supplier credits;	70	6	0	0	0		70	6	(64)	-91.4%
37					no. of other forms of finance accessed e.g. government grants, in-kind, cash;	57	157	22	340	0		79	497	418	529.1%
38					no. of financial transactions involving women owned businesses;	10	0	0	118	0		10	118	108	1080.0%
39					no. of financial transactions involving micro-enterprises.	1	0	1	4	0		2	4	2	100.0%
40			5.2.2 (b) Value of finance accessed	Value in South African Rand	Rand value of finance accessed;	32,000,000	90,608,743	76,197,763	65,879,303	87,000,000	48,000,000	108,197,763	156,488,046	48,290,283	44.6%
41					Rand value of finance accessed from equity financiers;	4,250,000	3,845,000	0	0	0		4,250,000	3,845,000	(405,000)	-9.5%
42					Rand value of finance accessed from private sector debt;	4,250,000	18,350,000	4,900,000	5,725,000	0		9,150,000	24,075,000	14,925,000	163.1%
43					Rand value of finance accessed from public sector/parastatal debt;	8,750,000	5,054,139	0	0	0		8,750,000	5,054,139	(3,695,861)	-42.2%
44					Rand value finance accessed from supplier credits (based on draw-downs);	7,000,000	30,236,600	0	0	0		7,000,000	30,236,600	23,236,600	332.0%
45					Rand value of other finance accessed e.g. government grants, in-kind, cash;	7,750,000	26,878,714	8,292,483	9,538,686	0		16,042,483	36,417,400	20,374,917	127.0%
46					Rand value of finance accessed by women owned enterprises;	1,300,000	0	0	0	0		1,300,000	0	(1,300,000)	-100.0%
47					Rand value of finance accessed by micro enterprises.	1,100,000	0	0	0	0		1,100,000	0	(1,100,000)	-100.0%
48	Data Point 1	Agribusiness entrepreneurs receiving training	Hours of training received by individual entrepreneurs in relevant business skills	Hours	total hours of training	10,021	9,645	28,040	20,311	31,540	31,500	38,061	29,956	(8,105)	-21.3%
49					hours of training to women	3,021	2687	40	0	0		3,061	2,687	(374)	-12.2%
50					hours of formal training (registered skills program/learnership)	2500	6937	0	0	0		2,500	6,937	4,437	177.5%
51					hours of informal training (mentorship/technical assistance/other)	7,521	2,051	40	0	0		7,561	2,051	(5,510)	-72.9%
52															

A.9 Summary of Performance against Key Indicators (FY 2000 to FY 2002)

Performance Indicator	Actual	Target
Employment Opportunities Created	49,305	40,000
Number of Completed Business Transactions (non-ag)	871	700
Value (US$) of Completed Business Transactions (non-ag)	$332 M	$300 M
Number of SMEs / Entrepreneurs Receiving Training	9,919	8,000
Value of Finance Accessed (non-ag)	$211	$200
Number of Completed Business Transactions (ag)	27,233	600
Value (US$) of Completed Business Transactions (ag)	$1,005 M	$40 M
Emerging Farmers and Agribusinesses Receiving Training	3,533	700
Value of Finance Accessed (ag)	$38	$40

A.10 Résumés of the Consulting Team

Roland Pearson

Mr. Roland Pearson, brings to bear a more than 20 year career of starting up and expanding successful financial and commercial entities, especially in eastern and southern Africa. His professional career started in the 1980s in banking in the United States of America, where he honed his skills in small and medium enterprise lending, and corporate cash management. Over the past 15 years, he has applied his diversified advanced qualifications and skills base in financial analysis, market research and product development, macro and micro economics, organisational development, commercialisation, business development, and coaching and mentorship in a multitude of strategic advisory, technical assistance, and project management roles, mainly in the banking, microfinance, development finance, and SME development arenas of eastern and southern Africa.

He currently owns and manages his own niche consultancy, Siana Strategic Advisors (Pty) Ltd., focusing his energy on providing project implementation and management services to initiatives in the public and private sectors that aim to serve low to moderate income clients, and which hold potential for ‘disruptive innovation’. From 2000 to 2002, Mr. Pearson was based in Nairobi, Kenya as the Programme Director for AFCAP, a regional capacity building initiative funded by the Department for International Development (DFID), and the Consultative Group to Assist the Poorest (CGAP). Prior to that posting, he spent nearly seven years in South Africa, where he led ECI*Africa* as its founding Executive Director.

Academically, Mr. Pearson earned a Master of Arts degree with Honours in International Relations, with concentrations in the fields of International Business Finance, Development Economics, Sub-Saharan Africa, and Law and Social Change, from the Fletcher School of Law and Diplomacy, Tufts University, USA. He also holds a BA degree with Honours in International Relations from Brown University, USA. A Member of the *International Who's Who of Professionals* from 1997, Mr. Pearson’s career has afforded him opportunities to work in 21 African countries, plus the United States, and several European and Asian countries, as well.

Key achievements over Mr. Pearson’s professional tenure include leading small and medium sized firms from inception to sustained profitability; while ensuring lasting benefits of his work by bolstering the technical and professional expertise of emerging entrepreneurs and managers. Meanwhile, Mr. Pearson has built a diverse network spanning several countries and continents to play pivotal roles in pioneering markets, negotiating commercial partnerships, and influencing public policy.

Of particular relevance to this SO 9 evaluation, Mr. Pearson has designed, implemented, managed, and assessed numerous initiatives in the SME development field, and conducted several different kinds of assignments for USIAD, including (in reverse chronological order):

- Review and advice upon the legal, regulatory, strategic issues facing the institutional positioning of ‘SEF Life” for the Small Enterprise Foundation in 2006.

- As Vice Chairman of the Micro Enterprise Alliance and as a consultant to various organisations in the SME development and microfinance sector, integral participation in and advice upon the National Credit Act in 2005 and 2006.

- USAID DCA analyses, including economic, developmental, financial, and risk assessments of the INCA, Cash Bank, Johannesburg Metro, Capitec, and other transactions in South Africa, Zambia, and Namibia between 1998 and 2005.

- Conceptualisation, market research, product design, and business and financial planning from 2003 to 2005 for *MTN Banking*, South Africa's most substantial initiative in cell phone banking solutions for the mass market.

- In 2004, Mr. Pearson examined the administrative barriers to investment and regulatory reform in South Africa for the World Bank. This included developing case studies, exploring business environment reforms aimed at increasing domestic and foreign investment in South Africa, the political economy and institutional issues that have shaped the reforms, driven the reform process and interaction between various stakeholders – including the private sector, and influenced the government's success or failure (or partial success/failure) in implementing these reforms, possible linkages to reforms in the area of black empowerment, public service delivery reform, customs, and access to credit, and identifying key stakeholders, champions and implementers who participated in the reform process.

- As part of the USAID South Africa Joint Programme Assessment (JPA) in 1999, Mr. Pearson facilitated a joint strategic planning process between USAID and its South African government counterparts – Department of Trade and Industry, Office of Public Enterprises, and National Department of Agriculture – to debate and set a common vision for private sector development through 2010. He crafted the analytical framework; facilitated debate among key stakeholders; and built consensus around a new approach that would directly respond to South Africa's job creation challenge. This output formed the foundation for what was then SO 5, which has changed into SO 9.

- In a 1999 contract to the Development Bank of Southern Africa (DBSA), Mr. Pearson outlined mechanisms that must accompany privatisation to ensure positive welfare effects on the poor at the micro level. The research informed DBSA's regional investment policy for public-private ventures.

- Also in 1999, Mr. Pearson led a study to review the SME sector in Lesotho, with a view to understanding the current constraints to SME development and the options for further DfID involvement.

- Between 1998 and 1999, Mr. Pearson crafted the detailed action plan for the first 24 months, and a fund raising strategy, as well as assisted the Microfinance Regulatory Council (MFRC) in its financial structuring and budgeting. He particularly focused on consumer education and marketing, while providing interim management at start-up. He also contributed to workshop facilitation among core stakeholders, outlining of key job descriptions, and formation of operational structures and procedures. (Mr. Pearson has carried out several additional assignments with MFRC since its inception; most recently the USAID financed final review and assessment of MFRC's performance and impact in 2005.)

- In 1996 and 1997, Mr. Pearson led teams looking at the performance of First National Bank and Nedcor under USAID's Housing Investment Guarantee programme.

- Between 1995 and 1996, Mr. Pearson provided full-time technical assistance to the core implementation team; financial and training product design; assistance in board structuring, selection and training; co-ordination of fund raising; and advice in management systems and controls in the establishment of Khula Enterprise Finance Ltd (Khula) and Khula Credit Guarantee. This assignment coincided with and followed advisory services to the South African Department of Trade and Industry on its National Small Business Strategy.

- For the Black Construction Industry (BCI) Emerging Contractor Support Programme in South Africa in 1996, Mr. Pearson drafted the detailed financial proposal for BCI, which included designing a prototype retention / insurance product, suggesting investment and risk management criteria for targeted equity funds, structuring a credit rehabilitation program for emerging contractors with poor credit histories, and recommending appropriate institutional arrangements for provision of bridging finance to very small contractors.

- For USAID in Zambia and Kenya in 1995, Mr. Pearson led a three person team, which evaluated and analysed the response of rural financial institutions to structural adjustment and economic reform in Anglophone Africa. He also undertook macroeconomic analysis, financial sector review, and interpretation of reform impact on selected economic subsectors, banking, and financial systems.

- For the Sunnyside Group (now SBP) in South Africa in 1994, Mr. Pearson wrote a position paper on tax policies and structures that were supportive of small and medium enterprise development, including recommendations on graduated tax, tax amnesty, capital investment allowances, tax holidays, and incentives for foreign investors – many of which have become part of national legislation.

- For the World Bank Small and Micro Enterprise Development Project in Zimbabwe in 1993, Mr. Pearson designed the training and technical assistance for Zimbabwean banks and other formal financial institutions to lend to small and micro enterprises.

- From 1989 to 1991, Mr. Pearson provided advisory, market research, and product development services to the Small Enterprise Development Corporation of Zimbabwe.

Sharda Naidoo

Sharda Naidoo has accumulated a broad range of detailed expertise in the SMME field over the last twenty years. The areas in which she has specific expertise are:

- SMME Policy Analysis and Development
- Evaluations and Impact Assessment
- Business Development Services and Finance for SMMEs
- BEE Policies and Strategies
- Regulatory Issues in SMME Development
- Economic Development with particular emphasis on Employment Creation

Having started with research on the constraints to black business development in 1986 with Consumer Behaviour for USAID, she continued this work in coordinating development of national small business policy for the ANC at the Friedrich Ebert Stiftung (FES). Ms Naidoo's experience has enabled her to accumulate detailed technical knowledge in the financial and business support arenas of SMME development, management, institution building and training in these areas.

During her tenure as Executive Director of the Micro Enterprise Alliance (1996-2001), she built it into one of the strongest networks in Africa through a range of programmes to build best practice among South African institutions providing business development services and microfinance. She developed a tool to measure institutional and technical performance of BDS agencies and managed the development of a comprehensive set of technical courses for MFIs, leading into a qualification in microfinance, now used by the University of Pretoria's Centre for Microfinance. In addition to this she led advocacy and information programmes that changed the Usury Act Exemption in 1999. She served on the boards of the dti's National Small Business Regulatory Review, the Micro Finance Regulatory Council and AFMIN, the Africa Microfinance Network. She was part of the committee establishing AFMIN and worked actively with Women's World Bank conducting country and network assessments in the process.

During the last five years of running her consulting firm, she has conducted evaluations for DFID and SIDA. For SIDA she conducted research and designed their private sector development programme (50 million Krone programme) and conducted institutional assessments of Marang, SEF, Finca and Beehive. The latter resulted in $2m investments in Marang and Finca. Her work for DFID included evaluations of the Uganda Deregulation Project and of DFID's business development services programme with the Mineworkers Development Agency.

Academically, her highest qualification is an MA in Development Economics from the University of Sussex in 1992. Her thesis was on Unemployment in South Africa analysing qualitative and quantitative aspects and researching models for employment creation.

Her client base includes international agencies, donors, local and national government departments, universities, MFIs and business development support agencies. Assignments that illustrate her specifically relevant expertise for this assignment include:

- In 2006, she has researched access to finance for women in South Africa for the International Finance Corporation as part of their international GEM, Gender Entrepreneurship Market programme. This entailed detailed policy analysis in the SMME field, extensive interviews with business women, private and public sector financial institutions, BEE policies, outcomes and impact, and analysis of business development services in South Africa with recommendations to government, financial and business agencies and women's business networks.

- In 2005, she conducted research on economic advancement programmes in the country which necessitated data collection on employment issues, the incidence of poverty and analysis of donor and government programmes in the field of small and micro enterprise development.

- In the course she developed on economics and economic development for social workers in 2005, methods of conducting impact assessments featured prominently as well as other aspects of integrating social and economic development.

- In 2002 as financial consultant to UNOPS, she established a guarantee fund as well as policies and products for enterprise promotion. She leveraged the guarantee fund of R26 m up to a R40 m loan fund for SMMEs in four provinces.

- Her work with Marang Financial Services in 2004 included training staff in the use of specialised tools in Market Research for Microfinance, holding discussions with over 600 clients all over the country, designing changes to loan products to meet client needs, introducing an individual loan product and writing manuals. This is one of the first processes of an MFI graduating from group to individual loans in the country.

- She conducted impact assessments for DFID in South Africa and Uganda, where she was part of a team with Allan Gibson in 2001 in the evaluation of the Mineworkers Development Agency, and on the evaluation of the Uganda Deregulation Project.

- As consultant at the Friedrich Ebert Stiftung in the early 1990s, she coordinated the development of the ANC's policy on small business development.

- Co-ordinator of the Consumer Behaviour study on constraints to black business development in South Africa for USAID in 1986.

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