A SURVEY OF LOCAL BUSINESS SERVICE CENTRES IN THE EASTERN CAPE

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### ACRONYMS

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<thead>
<tr>
<th>Acronym</th>
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<tr>
<td>BAC</td>
<td>Business Advice Centre</td>
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<td>COMSEC</td>
<td>Community Self Employment Centre</td>
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<td>DBSA</td>
<td>Development Bank of Southern Africa</td>
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<td>DEAET</td>
<td>Department of Economic Affairs, Environment and Tourism</td>
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<td>DVEDC</td>
<td>Duncan Village Entrepreneurial Development Centre</td>
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<td>ECDA</td>
<td>Eastern Cape Development Agency</td>
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<td>ECLBSCA</td>
<td>Eastern Cape Local Business Service Centre Association</td>
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<td>IDT</td>
<td>Independent Development Trust</td>
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<td>IDP</td>
<td>Integrated Development Plan</td>
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<td>LBSC</td>
<td>Local Business Service Centre</td>
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<td>LED</td>
<td>Local Economic Development</td>
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<td>LIBEC</td>
<td>Libode Business Enrichment Centre</td>
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<td>MADP</td>
<td>Mount Ayliff Development Project</td>
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<td>MTI</td>
<td>Ministry of Trade and Industry</td>
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<td>NECBRIAC</td>
<td>North Eastern Cape Business Resource, Information and Advice Centre</td>
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<td>NSBC</td>
<td>National Small Business Council</td>
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<td>PSBC</td>
<td>Provincial Small Business Council</td>
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<td>SALGA</td>
<td>South African Local Government Association</td>
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<td>SANCO</td>
<td>South Africa National Civic Organisation</td>
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<td>SMME</td>
<td>Small Medium Micro Enterprise</td>
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<td>TLC</td>
<td>Transitional Local Council</td>
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<td>TEDC</td>
<td>Tombo Entrepreneurial Development Centre</td>
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<td>TRANSIDO</td>
<td>Transitional National Development Trust</td>
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<td>UBSC</td>
<td>Umtata Business Service Centre</td>
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<td>UEDI</td>
<td>Umtata Economic Development Initiative</td>
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<td>USEC</td>
<td>Uitenhage Self Employment Centre</td>
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1. INTRODUCTION

Local Business Service Centres (LBSCs) are accredited organisations which provide non-financial business support to viable and potentially viable small, medium and micro enterprises (SMMEs). Currently there are five accredited LBSCs in the Eastern Cape. There are also a number of service providers, which offer business support to SMMEs, but which haven’t been accredited by Ntsika Enterprise Promotion Agency, because they currently don’t meet specified criteria. There are well over twenty such organisations distributed across the Eastern Cape. These organisations refer to themselves as local business service centres, and to make for a less interrupted read, will be referred to as LBSCs in this study.

This study aims to investigate a sample number of LBSCs in the Eastern Cape in order to:

- evaluate their organisational capacity
- describe the nature of their services
- assess their output (number of clients)
- assess their efficacy
- assess their sustainability
- assess their impact
- assess their role in and impact on Local Economic Development (LED)

The study also aims to describe and analyse the policy environment in which LBSCs operate. In this regards the macro-policy framework, as well as the legislative, regulatory and institutional contexts will be explored.

Research methods included documentary research (policy documents, business plans etc), as well as in-depth interviews with LBSC directors and staff. A total of twelve LBSCs were selected as case studies, with the criteria being that the full range and diversity of LBSCs is captured in the study. Interviews were also conducted with officials from the Department of Economic Affairs and Tourism and Ntsika, as well as with academics and consultants. A questionnaire survey was also administered to over 100 clients of a number of LBSCs. The findings of this survey will be included in the final draft of the report.
2. THE POLICY ENVIRONMENT

2.1 CONTRADICTIONS IN THE MACRO-POLICY FRAMEWORK: GEAR AND THE RDP

- **The Growth, Employment and Redistribution Strategy (GEAR)**

The starting point for our discussion of the policy environment in which LBSCs operate is the country's macro economic policy - GEAR. Said by Finance Minister Trevor Manuel to be "non-negotiable" in its broad outlines, GEAR is essentially constraining in its effects on LBSCs and the small businesses they service, and in a sense runs contrary to the notion of Local Economic Development. Labelled "neo-liberal" by its critics, GEAR advocates economic growth as the key to combatting poverty and deprivation. Its trickle-down logic and promises that the market will provide have disastrous consequences for the poor and unemployed.

Fiscal conservatism is part and parcel of the monetarist imperative of reducing the balance of payments deficit. In effect this means reduced social spending on wages and services. National and provincial governments will be hardpressed to meet delivery targets within the confines of shrinking budgets and calls to rationalise operations. The pinch is being felt by the Provincial Department of Economic Affairs, Environment and Tourism which has a budget cut of 21% on last years budget (down from R161.1 million to R128 million). Spending on SMME's has in turn been reduced by the provincial department (down 27%), which must be seen as a major impediment to LED, particularly in impoverished rural areas. The trend suggests that less money will be spent developing and maintaining organisations (such as LBSCs) which service the SMME sector. The call from government is for "tighter financial management", with unrealistic and stringent criteria being attached to qualifying for government subsidies. Rural organisations which currently do not have the institutional capacity to meet such criteria will increasingly find themselves written out of the equation.

GEAR (with its anti-inflation rationale) also means a higher bank rate. These higher interest rates will adversely affect SMMEs, and particularly start-up businesses, where margins of profitability are slight and the need for financial assistance great. Trade liberalisation associated with GEAR also means that SMMEs are pitted against huge transnational corporations, which use advantages of economies of scale to undercut prices of local producers. This greatly inhibits the movement of SMMEs into sectors such as manufacturing, and puts a question mark over their sustainability.

- **The Reconstruction and Development Programme (RDP)**

The RDP, a socio-economic policy framework drawn up by the ANC-led tripartite alliance, seeks
"to mobilise all of our people and our country's resources toward the final eradication of apartheid" (RPD Policy Framework, 1994). The first priority of the RDP is "to meet the basic needs of the people - jobs, land, housing, water, electricity, telecommunications, transport, health care, social welfare etc". With regards SMMEs, the RDP states,

"Small businesses, particularly those owned and operated by black entrepreneurs, must form an integral part of the national and economic policy. Micro producers should develop from a set of marginalised strategies into dynamic small enterprises that can provide a decent living for both employees and entrepreneurs. Policies to that end must focus on women, who are represented disproportionately in this sector, especially in the rural areas".

In order to do this, "government agencies .. must provide infrastructure and skills .... and develop an integrated approach to the four major constraints facing SMMEs: the lack of access to credit, markets, skills and supportive institutional arrangements".

The RDP is unequivocal in its demand that the satisfaction of basic needs be the driving force of governmental development interventions. Strategies should be designed to first and foremost benefit those social groups most dispossessed and marginalised by apartheid. In particular, rural women are singled out as the priority target of such interventions. To this end, the RDP calls for "a specific programme to be established to ensure government support for women entrepreneurs.....which must be easily accessible and include skills training and access to credit".

To what extent are GEAR and the RDP compatible? Can these RDP objectives can be met within the framework of GEAR and the constraints of reduced social spending? Would not the satisfaction of basic needs (as envisaged in the RDP) be better realised through fiscal expansion (eg based on Keynesian rather than laissez-faire economic principles)?

2.2 THE REGULATORY AND INSTITUTIONAL FRAMEWORK

2.2.1 Department of Trade and Industry

The key policy document which governs the SMME sector is the White Paper on a National Strategy for the Development and Promotion of Small Businesses in South Africa, which was formulated by the Department of Trade and Industry (DTI) in February 1995. It suggests that "the stimulation of Small, Medium and Micro Enterprises (SMMEs) must be seen as part of an integrated strategy to take the South African economy onto a higher road - one on which our economy is diversified, productivity enhanced investment is stimulated and entrepreneurship flourishes". The key objectives of the White Paper are the following:

- create an enabling environment for small enterprises
- facilitate greater equalization of income, wealth and earning opportunities
- address the legacy of apartheid-based disempowerment of black businesses
- support the advancement of women in all business sectors
- create long-term jobs
- stimulate sector focused economic growth
- strengthen cohesion between small enterprises
• level the playing fields between large and small businesses and between rural and urban businesses
• prepare small businesses to face the challenges of an internationally competing economy
• develop a nationwide network of Local Business Centres (LBSCs)

Chief Director, Dr Alistair Ruiters, describes the Department of Trade and Industry's vision for SMMEs as being about "integrating small businesses into the heart of the economic activity of this country. We want to see the growth of strong, dynamic, innovative and competitive SMMEs in South Africa; businesses for whom high productivity, efficiency of all factors of production and domestic and international competitiveness are important goals".

To realise this vision, the MTI has established three institutions: Ntsika Enterprise Promotion Agency to provide non-financial business support to SMMEs; Khula Enterprise Finance Ltd to provide access to financial support; and the National Small Business Council which networks and advises government on policy matters to ensure "an enabling environment" for small business development.

2.2.2.1 Ntsika Enterprise Promotion Agency

In order to achieve these objectives, the DTI has set up support agencies to provide both financial and non-financial support to SMMEs. The Ntsika Enterprise Development Agency has been set up to provide non-financial support to SMMEs. Ntsika does not work directly with SMMEs, but does so through intermediaries, which are accredited Local Business Service Centres (LBSCs). LBSCs are accredited organisations which deliver business and support to viable and potentially viable SMMEs. Peter Morrison, the chairperson of the LBSC Association, calls LBSCs "the champion of the small business sector. It is their role to work with provincial government and local authorities to create an enabling environment for LED".

LBSCs offer core services in the following areas:

• **counselling** - this encompasses support at stages of business development ranging from pre-start up through to launch, survival, and business growth and development;

• **basic business management training** - this includes entrepreneurial development, functional skills training such as bookkeeping and marketing, and training which relates to management development;

• **information** - offer relevant information on such aspects as business opportunities, varieties of financial support, network services, regulatory issues etc;

• **referral** - refer clients to financial institutions and micro-lending schemes, to training institutions for technical training, to markets etc.

Ntsika has a set of criteria which must be met in order for a LBSC to be accredited. The purpose of accreditation, says Patrick Silo, Programme Manager of the Business Service Division of Ntsika, is to ensure quality control and to ensure that public funds are used in an accountable manner. With regards the latter, he says: "We know the history of NGOs in this country. We need
to ensure that public money is spent as effectively as possible".

In the first round of accreditation which took place in 1996, some 27 LBSCs were accredited across the country. Criteria for accreditation included a clear statement of purpose (complete with business plan), having legal status, and offering the core services. Once LBSCs were accredited, they were then required to have business practices which conformed to Ntsika standards. If business practices did not conform to such standards, accreditation status could be withdrawn or suspended. In the first round of evaluation for re-accreditation, some 5 of the 27 LBSCs had their accreditation withdrawn. Recently (as of January this year), Ntsika has formulated new criteria for accreditation. These new criteria are more stringent than before, and include being registered as a company, having a business plan, being audited by a reputable firm of accountants, having sound employment and business practices etc.

Once an organisation has been accredited, it is then eligible for financial assistance. The amount varies according to the output of the LBSC (number of clients counselled and trained), but is generally in the region of between R100 000 - R160 000 per annum. Today there are 36 accredited LBSCs in South Africa, four of which are in the Eastern Cape. The accredited LBSCs in the Eastern cape are COMSEC, Stutterheim Business Advice Centre, Umtata Business Service Centre, and the Uitenhage Self Employment Centre.

According to Patrick Silo, Ntsika has recognised that many SMME service providers need assistance before they can become accredited. For this reason, they are developing a Service Provider Development Programme which can "get an organisation ready for accreditation within 9 months". It appears that the programme is still in its embryonic stage with none of the service providers included in the survey having undergone the programme. What remains unclear is how many LBSCs in a given area (region, province) Ntsika would be willing to accredit. Patrick Silo says that Ntsika intends working more closely with the provincial DEAET to work out a strategy as to how many LBSCs would be required in each of the regions of the Eastern Cape. Ntsika seems to be working with the philosophy of having a few high quality LBSCs (five or six in each province) rather than many mediocre centres. In this respect, Ntsika are not as needs-driven as many SMME service providers and their association (the LBSC Association) would like them to be.

2.2.2.2 Khula Enterprise Finance Ltd

Khula was established by the MTI in 1996, under the Companies Act, as a limited liability company with its own board of directors. It was established to narrow the gap between small and large businesses with regards access to finance. Khula does not lend directly to the SMME applicant, but rather works through intermediaries (Retail Financial Intermediaries - RFIs) which deal directly with the public. These intermediaries can be banks, NGOs or provincial development corporations.

In a paper entitled "Options for Provincial and Local Government in SMME Finance", Khula identifies its role as:

- providing strategic input through participation in planning LED initiatives
- facilitating relationships between financial institutions and local government
• building capacity in relevant local government departments
• facilitating equity investment in LED initiatives
• facilitating loans to the small business community

As of yet, Khula have not been very active in the Eastern Cape, although they are presently setting up a formalised relationship with banking institutions in the Eastern Cape. This has meant that SMMEs have faced an uphill battle in securing finances to start or develop their businesses. While the Get Ahead Foundation and the Independent Business Finance Centre have a few outlets in the Eastern Cape, these are mostly concentrated in the urban centres of Port Elizabeth and East London. Also, the financial assistance they offer (R500 - R5000) is to the lower end of the micro enterprise market. As a result, there is no active middle ground lending institution which services the small business sector in the Eastern Cape. That the Eastern Cape Development Association is about to receive a 60%-70% cut in its budget means that the already undercapitalised market is going to become even smaller.

2.2.2.3 National Small Business Councils (NSBC)

The NSBC was formed in 1995 as an essentially advisory and facilitatory body. It became a statutory body through the National Small Business Act (Act 102 of 1996) which identified the following functions of the NSBC:

• to represent and promote the interests of small business, with emphasis on those entities referred to in the National Small Business Strategy
• to advise the national, provincial, and local spheres of government on social and economic policy that promotes the development of small business as outlined in the Small Business Development Act.

The NSBC is made up of 18 members - two members elected from each of the nine provincial councils. The Provincial Small Business Councils (PSBC) have also been created as statutory bodies by the National Small Business Act. The PSBC has the same broad aims as the NSBC. As the Eastern Cape coordinator of the PSBC says: "our aim is to get input from local business organisations in terms of issues which impede their development and then to advise government at all levels on these issues". As such, the primary role of the PSBC is to work as an intermediary between organised small business and government.

In order to facilitate this role, in September 1997 the PSBC organised a "Provincial Small Business Summit", bringing together government and 24 representatives from 24 towns across the Eastern Cape. The major concerns which emanated from the workshop are as follows:

• there has been very little visible change for SMMEs in the province;
• the fundamental obstacles facing SMMEs is lack of access to finance and information
• Ntsika's and Khula's services are not fulfilling people's expectations
• LBSCs are not being adequately monitored
• there are not sufficiently strong links between newly established LED forums and government
2.2.3 Department of Economic Affairs, Environment and Tourism

The MEC for the Provincial Department of Economic Affairs, Environment and Tourism (DEAET), Mr Enoch Godongwana, defines the two critical imperatives confronting the province as being economic and social transformation (Policy Speech, 1998/99). Economic transformation entails employment creation, addressing problems of uneven development and marginalisation, and bringing the historically disadvantaged into the mainstream economy. Social transformation refers to the restructuring and institutional reform of government to streamline delivery. In facing these imperatives, says Godongwana, the government should not lose sight of fundamentals of the Reconstruction and Development Programme. In terms of this policy framework, and in line with the Provincial Growth and Development Strategy, local economic development (LED) is seen as the key strategy.

How LBSCs fit into this strategy is less clear. The DEAET is currently "restructuring the support given to LBSCs and SMME service providers". This is because "experience has indicated that expenditure on structures and institutions to provide support services and capacity-building for small business enterprise is not always cost-effective. Local Business Service Centres and Service Providers are examples of such institutions" (Policy Speech, 1998/99: 10).

In terms of its previous policy towards LBSCs and service providers, over the past two years DEAET has granted funding (usually to the tune of R160 000) to such service providers (whether they were accredited or not), administered through the Eastern Cape Development Agency (ECDA). The money was made payable in three instalments, of R60 000, R50 000, and a final R50 000. Conditions were attached to the payments such that fulfillment of the conditions was a precondition for the next instalment. Such conditions usually included that the service provider furnish a programme of action for the period of the grant, submit quarterly reports to the department, account for how the money was spent (submit audited financial statements) and in some instances undergo an evaluation by the ECDA. In all, a first payment was made to some 17 NGOs, and in a large number of cases, they did not qualify for further installments. In the words of Mr Khulile Radu, the deputy director of the provincial SMME desk, many of these organisations were "not worth the paper they are written on".

The DEAET feels that the cost-benefit of this system is unacceptable. In most cases the money was spent on salaries and operating costs with little to show in the way of output. This has led the DEAET to revise its SMME policy, which it is currently in the process of doing. It is busy restructuring support given to LBSCs and service providers towards an "output-based reward system". Mr Radu points out that departmental support will rather be given to "established institutions which provide accredited and quality training which would be marketable anywhere in the world". The "output-based" institution given as an example was Border Technicon.
According to Mr Radu, DEAET is "not morally obliged" to support LBSCs or community projects (community gardens, piggeries etc). In most cases, community projects should be supported by their relevant government department. LBSCs on the other hand are supposed to be supported by Ntsika. The DEAET, which until recently has had little to do with Ntsika, is also becoming more involved in the accreditation process, and intends working more closely with Ntsika to decide which LBSCs should become accredited, and also to recommend certain service providers (those with potential) for Ntsika's start-up programme.

On the ground, the regional offices of DEAET were represented in most of the boards of the LBSCs included in the survey. At the same time though, they were found to be quite ineffective in linking the LBSC into broader LED initiatives. The DEAET appears to be a little uncertain of the role of LBSCs in LED. The current strategies which are emerging seem to indicate that LBSCs and community-driven projects must be linked in with LED, but at the same time are not in themselves the vehicle of LED. According to Mr Maqula and Mr Radu, this function belongs to TLCs, with the idea being that TLCs will establish LED units or offices, and work closely with LED forums. It is to the role of TLCs in LED that we now turn.

2.2.4 Transitional Local Councils

The White Paper on Local Government makes it clear that economic growth and job creation are no longer the preserve of provincial and national government. The White Paper also makes it clear that local authorities are no longer just going to provide services, but will have to play more of a developmental role. In addressing service backlogs, local authorities, by virtue of their powers and functions, have an important role to play in LED. The role of local authorities in LED can be summarised as follows:

- **policy maker**: ensuring small businesses/emerging entrepreneurs have access to the tender process; prevent regulations and by-laws from becoming barriers to economic growth; streamline delivery; assist training and capacity-building process of local NGOs;
- **entrepreneur**: as owners of land and buildings, local authorities can maximise their commercial potential by involving the private sector and other stakeholders;
- **promoter**: the local authority can create a positive image of its locality which can attract investors and promote economic development
- **catalyst**: local authorities can encourage development initiatives, by for example, releasing planning infrastructure programmes;
- **lobbyist**: local authorities can lobby provincial and national government for programmes that benefit their localities (The Local Authority's Role in Local Economic Development' NFI, 1998)

The Local Government Transition Amendment Act (1996) requires that local authorities formulate an Integrated Development Plan (IDP) within one year of their being constituted. An IDP is a general planning framework for all social, economic and environmental developments, including housing, transport, land use etc. The new IDP planning scheme requires that planning for each sector is done in consultation and collaboration with all stakeholders in the community.

The South African Local Government Association is an important development in focusing the new developmental role of local authorities. It provides local authorities with a collective voice,
allows them to review outdated laws and ordinances, and lobby government to repeal such laws and create an enabling environment that really promotes development of the previously disadvantaged communities.

While the new developmental role of local authorities is clear, exactly how LED is to be facilitated is less obvious. In larger towns and metropoles (eg Port Elizabeth and East London) it is conceivable to think of a LED department or unit within the TLC. Other smaller towns may appoint a LED coordinator, who would then liaise with the community LED Forum. Other towns may have no LED coordinator, with the councillors themselves interacting with the LED forum. What is common in all these models is the establishment of LED forums. This is in line with current government thinking (eg the Provincial DEAET). It is the LED forums which will ensure that the interests of all stakeholders within the community are represented in economic development initiatives. LED forums are therefore broader structures than LBSCs, which can be seen to have more narrow and sectarian interests (SMMEs).

These LED forums can be constituted either as formal structures (Section 21 Companies or Trusts) or just comprise of an informal body of stakeholders. The advantage of formal structures is that they can appoint staff, and as a legal entity, raise funds and implement projects. Such an organisation would then maintain accountability to the broader community through the composition of its board of directors, which would be made up of all stakeholders. Such an organisation could implement projects on behalf of the TLC, the TLC Informal structures on the other hand would operate more as a lobby group to pressurise the TLC into adopting policies and practices that are in their interest.

2.3 ASSESSMENT

The picture being painted here is one of considerable shifts in government policy, firstly in terms of the RDP and GEAR, and secondly in terms of LBSCs and LED. Without going into details of the ideological terrain on which struggles around GEAR will be fought, it is suffice to say that government is "tightening its belt". The new fiscal conservatism is most definitely being felt by provincial government, who must now ensure that "cost-effective" measures are adopted. Annual budgets have been cut in most departments (including DEAET) and measures are being taken to reduce expenditures.

This has resulted in new spending logics, for example the output-based approach of DEAET. If outputs are not sufficient (presuming that they can be measured or quantified), spending will not be justified and funds will not be made available. One wonders the effect this logic will have on crucial interventions such as organisational development and institutional capacity-building, the results of which are at the best of times difficult to measure (at least in the short term). Another consequence of this logic is that more spending will go to established and credible institutions. Given that many of these "credible" institutions (eg Border Technicon) were established before 1994, one hopes that new patterns of government spending will not serve to impede socio-economic transformation and merely reproduce the status quo.

But where does all this leave LBSCs? Given policy shifts around LED, the future of LBSCs is tenuous. The concept of LBSCs pre-lived that of LED, and the "problem" now exists as how best to situate LBSCs in the emerging institutional framework. Largely a result of the Ntsika model
being thrust upon them, LBSCs have tended to have too narrow a focus which in effect precludes them from being seen (by DEAET for example) as vehicles of LED. While it is going to have to be LBSCs themselves who redefine their role and place in LED, much depends on debates which are currently ongoing among policymakers. LBSCs, through their association or the Provincial Council of Small Business, need to be made aware of the issues so that they can voice their interests and concerns. Proactive steps like that being taken by the Umtata Business Service Centre to transform itself into a broader LED organisation must be commended. The changing policy environment will affect the various LBSCs very differently. Those like Stutterheim, COMSEC and USEC, which have their committed donor funding and a good working relationship with their TLCs, will not be adversely affected by these policy shifts in the short-to-medium term. But the same cannot be said for those undercapacitated LBSCs presently looking to Bisho for assistance.

3. CASE STUDIES

3.1 UMTATA BUSINESS SERVICE CENTRE

BACKGROUND

The Umtata Business Service Centre (UBSC) was initiated by stakeholders in Umtata, under the direction of the regional office of the Department of Economic Affairs, Environment and Tourism, soon after the March 1995 President’s Conference on Small Business Promotion in Durban. The organisation, then called the Eastern Region Local Business Centre, was officially launched in July 1996 as a Section 21 company, and was fully accredited by Ntsika. At the time it was intended that the LBSC would service nine towns in the Eastern Region, but lack of resources and capacity saw the LBSC redefining its scope to just the Umtata district. Thoughts that Ntsika would fully fund the organisation proved unfounded, and the LBSC experienced extreme financial difficulties with most of the staff resigning after not being paid. The Presidential Project Team found the ailing organisation on its deathbed, and (with the Independent Development Trust) injected financial and organisational support. The business plan was redesigned with the input of the PPT and IDT, and the present director (Chris Motsilili) appointed.

OBJECTIVES AND ACTIVITIES

The mission of the Umtata Business Service Centre is to contribute to the overall economic development and job creation within the district of Umtata by rendering project facilitation, quality training, business information, advice, and other support services to local start-up and existing small enterprises and fostering a positive local business environment in order to enhance the survival, growth and wealth creation potential of these enterprises.

The activities of the UBSC includes counselling; basic business training (business plan, financial management, marketing, business management); marketing support; rendering business
information and advice; referral to financial support; referral to vocational skills training; identifying business opportunities; after-care support to clients; and packaging and facilitating projects in partnership with the LED unit of the Umtata TLC. The facilitation of business linkages and bulk purchasing opportunities and training in computers and information systems are planned but not implemented.

CLIENTS

Training only began in the latter half of 1997. Thus far the UBSC has trained over one hundred entrepreneurs, in sessions of 20-25 clients, using the ILO Start Your Business/Improve Your Business guidelines. Clients come mostly from rural villages surrounding Umtata, although an increasing number of clients are channelled to the UBSC from the Wild Coast SDI. About 70% of UBSC's clients come from rural villages, with the remaining 30% coming from the urban centre of Umtata. Most of the clients are women. Currently there are low numbers of youth and disabled persons among the clients. This suggests a need for special programmes for the youth and disabled persons.

Besides this training, the UBSC also assists about 15-20 people per month with business plans, and advises them on how to set up their businesses and where to get training and financial assistance.

ORGANISATIONAL CAPACITY

The UBSC has 5 employees: a director, a projects co-ordinator, a business advisor, a secretary and an office assistant. The director, Chris Motsilili who holds a post-graduate diploma in enterprise management from Rhodes University, has the role of managing the centre, recruiting and managing staff, fund-raising, and designing and implementing programmes. The projects co-ordinator, who has the role of establishing relations with SMMEs on the ground and implementing and co-ordinating projects, has completed a number of business management and counselling courses, including the ILO's training of trainers course as well as courses with the Trident Institute and Business Skills for South Africa. The business advisor is currently attending a business management course. It is the business advisor's role to advise and counsel entrepreneurs, and to assist clients with business plans, business finance etc. The secretary has received training in computer literacy.

The UBSC has a representative board of directors which meets once a month. The board is the highest decision-making body of the UBSC and has the stated role of "setting the overall strategic vision and direction of the Centre and ensuring maintenance of quality and professional standards". Board members are comprised of local stakeholders including Cooper's and Lybrand, Transkei Training Centre, Transkei Chamber of Commerce, Transkei Photographer's Association, African Hawker's Association, Independent Business Enrichment Centre, Unitra Commerce Students Society, the Eastern Cape Development Agency, Umtata Transitional Rural Council, and the Umtata Transitional Local Council.
The UBSC's office appears well resourced (computer's, phones, fax etc) and well organised. Administrative procedures appear to be in place, and there is a clear delegation of responsibilities from the director down. Nonetheless, there is always room for improvement. The UBSC is a young organisation and is very much still finding its direction. The performance of staff has yet to be thoroughly assessed and training needs identified.

**NETWORKING AND LINKAGES**

Mostly through its board of directors, the UBSC is well connected with stakeholders in the area, including the TRC, TLC, chamber of commerce, financial institutions, and various business associations. Perhaps the one area of weakness with regards local linkages and networking is to the private sector which can help both resource the UBSC and provide business linkages for clients.

The UBSC initially had a strained relationship with Ntsika after it was left with no funding and support shortly after it became accredited. Had it not been for the intervention of the Presidential Project Team, the UBSC would most likely have collapsed. Relations with Ntsika have since improved with Ntsika and UBSC trying to rekindle their relationship and work out formulae whereby Ntsika can compensate UBSC for counselling and business training for clients.

The UBSC does not have an established relationship with the provincial Department of Economic Affairs (SMME Desk), although there are meetings and discussions with the regional office. The UBSC is disappointed that money (R160 000) it had been promised by the SMME desk had been withdrawn after UBSC began receiving PPT support. Generally, the strategic input of Economic Affairs has been minimal, with the need existing for a more formalised relationship.

The relationship to the Presidential Project Team on the other hand is good. After all, it was the intervention of the PPT which saved UBSC, and it is they who pay the operational costs (from the R16 million they have in their budget for LED in the former Transkei).

An important linkage which UBSC has established is to the Association of LBSCs. The director, Chris Motsili, attends monthly meetings with the Eastern Cape Association of LBSCs, and also represents the Eastern Cape in the South African Association of LBSCs. This relationship allows for a sharing of information and experiences, and gives the LBSC a collective voice (which however has been rather quiet).

**SOLVENCY**

The UBSC has secured funding from the Presidential Project Team (PPT) and the Independent Development Trust (IDT) to cover operational costs for the next three years. Ntsika have also pledged their support through paying for the training and counselling of clients.

Currently the UBSC charges clients for training and business plans, although this covers less than 5% of the operating costs of the LBSC. Clients are charged R200 for a business plan and R100
for training (2 week course). Chris Motsilili explains that clients are not always willing to pay for services: "Clients tend to see the LBSC as a government office and therefore they cannot understand why they have to pay".

According to Motsilili, charging clients helps sift clients: "The demand [for services] is huge. What clients are being asked to pay is a commitment fee". But at the same time they "listen with an open ear" if someone is committed but cannot pay for the service.

**ASSESSMENT**

The experience of the Umtata Business Service Centre really captivates the changing landscape of LED and the attempts by SMME service providers to locate themselves accordingly. Had it not been for PPT intervention, there is no doubt that the UBSC would no longer be operating.

The UBSC is a young organisation (it has been functioning with funding for just over a year), and has come a long way in that short space of time. It was first conceived as an organisation which would provide support to SMMEs, now it is hoped that it will be a vehicle for LED in the Umtata district. In this regards, it has established firm links with other stakeholders in the local economy, illustrated through the representivity of its board. Also, the firm support base provided by the PPT allows it some room to develop organisationally, and allows it to be more exploratory and innovative than would be the case if it was more cost-recovery oriented. Its link with the Wild Coast SDI in particular, holds many possibilities. It enjoys a good relationship with the TLC, but needs to give more thought to linking (emerging) entrepreneurs with markets in the local authority and state sector (eg. through working with emerging contractors and providing tender advice). This weakness is not all of the UBSC's making. As Chris Motsilili explains: "We are one of the few doors open to the public but we struggle to get basic information from government on policy developments, opportunities available in government projects, tenders etc".

The UBSC has a dedicated director and staff. At the same time, the team is quite inexperienced and LED is a new (indeed unfolding) concept. The UBSC needs intervention, particularly at the level of developing institutional capacity. In this regards, plans are underway for PACT (from Johannesburg) to undertake organisational development support work with UBSC. Support is also needed in building strategic vision and orienting the organisation towards more integrated LED initiatives.

One such initiative which should stand the organisation in good stead is the Umtata Economic Development Initiative which is a structure which has been established to "co-ordinate the existing local (public and private) organisations in all matters pertaining to the economic development of Umtata and surrounding areas, and ....to facilitate policy related aspects at local, provincial and national levels". (Business Plan for the Establishment of the Umtata Economic Development Initiative, March 1998). Given that the UBSC will be a key player in the initiative, it is hoped that this process will direct the UBSC towards a more integrated and co-ordinated LED strategy.

There are currently no monitoring and evaluation procedures in place. While there is an after-care programme, this only provides a partial and fragmented assessment of the impact of the UBSC on LED in the area. Another area of concern is the absence of a comprehensive sustainability
programme. Funding (PPT and IDT) has been secured for the following three years only, leaving an element of uncertainty about the future of the organisation. This impacts negatively on staff morale and the development of medium-to-long term planning.

3.2 CARD TRUST - IDUTYA

BACKGROUND

The Card Trust was started in Cizel Location outside Idutyta in 1995 by a group of women who wanted to provide employment opportunities for their community. Some funding was secured from the Transkei Anti-Poverty Trust and a number of business training and co-operative projects were launched. Soon thereafter, under the directorship of Joy Thinyane, Card Trust moved into Idutyta town so that its services could reach a broader constituency. Card Trust is not yet accredited with Ntsika, but is currently in the process of accreditation. According to the director, Joy Thinyane, the Presidential Project Team has promised to fund them once they are accredited. Card Trust is currently registered as a section 21 company (despite being called a trust), and somewhat miraculously survives without any core funding.

OBJECTIVES AND ACTIVITIES

The broad aim of Card Trust is to "decrease unemployment in the region, and thereby contribute to the growth and success of the region" (Joy Thinyane, interview). It does this through helping with business plans, providing business training, counselling and advice, facilitating business linkages and marketing support, and providing after-care support (to ensure that clients are running their businesses according to their training).

CLIENTS

Card Trust has serviced over 500 clients since they were established. These clients are mostly grouped in "informal co-operatives" in sectors such as sewing, poultry, retailers, micro-bakeries, brick-making, micro-irrigation schemes, and communal gardening. Most of the clients are rural women, many of whose husbands are migrant workers.

There have been attempts to establish client databases, with each project being required to have a physical list of projects. The beginnings of a monitoring and evaluation system are also evident, with follow-up and after-care forming an integral part of the activities of the Trust.
ORGANISATIONAL CAPACITY

Card trust employs six people: a director/manager, an administrator, two trainers/fieldworkers, a bookkeeper and an office assistant. All employees have had limited training, largely because they do not have the funds for the necessary training. The manager/director, Joy Thinane, has some bookkeeping training (which she acquired before joining the Trust) and has also attended the ILO's Training of Trainers course (paid for by the Transkei Anti-Poverty Trust funds). None of the other employees have received training paid for by the Trust or funders. The fieldworkers hold diplomas in agriculture, attained at their own expense before joining the Trust.

The only organisational development support Card trust has received is from an East London consultant, Anthea McGaw (sic), who was paid for from the original Anti-Poverty Trust donation. It appears that although this training was somewhat superficial, the Card Trust have made the most of it and have put basic management and administrative systems in place.

As a result of lack of funds, Card Trust does not have even the most basic of physical resources such as a photocopy machine, fax, computer etc, which really hinders their attempts to reach the level of organisational development required for accreditation. Also, the lack of transport means that fieldworkers have to use taxis to undertake site visits and after-care. This is both expensive and inconvenient.

Card Trust is still in the process of setting up a representative board of directors, which is one of the accreditation criteria specified by Ntsika. It is planned that the board will comprise of representatives from the various business associations in Idutywa, from the Idutywa Chamber of Commerce, from the TLC, and from a financial institution (Ibec or ECDA).

NETWORKING AND LINKAGES

Somewhat ironically, when one considers their funding and capacity predicament, Card Trust have established relations with most of the important role players in LED, including Ntsika, the regional office of Economic Affairs, and the Transkei Presidential Project Team (PPT). All three have promised financial support, but thus far none has been forthcoming. Ntsika has suggested that Card Trust go through the accreditation process, after which it will receive ongoing support (through buying training and counselling services). According to Joy Thinane, the PPT will also fund the organisation once it is accredited and can show that it is well managed and administered. The provincial Dept of Economic Affairs has also promised financial support to the tune of R160 000. As is the case with Ntsika and the PPT, no money has yet been made available to Card Trust.

This is not to say that no support has been coming from the government. The regional office of the Dept of Economic Affairs has been providing some advisory support, and has facilitated the Trust's participation in a MITI's conference on small business. The Dept of Agriculture has also given support, in the form of a R200 000 grant to the farming and gardening projects (not for the Trust). But according to Joy, the money was only made available two years after it was approved.
which demotivated entrepreneurs who had just started businesses and were awaiting the assistance.

Card Trust interacts regularly with the ECDA, to whom it refers clients for financial assistance. The Trust also has contact with Ibec who are funding a nutrition programme which Card Trust is facilitating. It also maintains regular contact with a number of local business associations such as the Idutywa Chamber of Commerce, the local Hawker's Association, the Idutywa Association for Women Business Owners, the Farmer's Association, and the Taxi Association. The Trust interacts with a number of NGOs in the region and province, and is a member of the NGO Coalition. It is also a member of the Eastern Cape Association of LBSCs, and feels it has received some guidance from the association. The Association has facilitated a relationship between the Trust and the Stutterheim Business Advice Centre, with the firmly established LBSC providing organisational support and strategic input to the fledgling LBSC.

Currently there is very little interaction between the Trust and the TLC, although it is hoped this will change when the TLC is represented on the board. There is no relationship with youth or organisations for disabled persons.

**SOLVENCY**

The only operational funding that Card Trust has received has been the initial Transkei Anti-Poverty Trust grant of R 38 000, which has long ago been spent (on operational costs and putting basic systems in place). Because they receive no ongoing external funding, Card Trust have had to become very cost recovery oriented. Clients are charged for joining the projects/co-operatives (R50 registration fee) and the Trust has over 500 members on their books. Clients are also charged for the counselling and training they receive. Rates vary from R10 for counselling, R100 to draw up a business plan, and between R30 and R50 for 5 day technical and business management training courses offered each month. The Trust has about 20 people attending these courses each month. According to the staff of Card Trust, clients are "mostly willing to pay" although there are those who simply cannot afford to pay. They will be required to pay what they owe once their businesses are running and they are earning some form of income.

That Card Trust manages to survive without core funding must be attributed to the dedicated staff and the willingness of the community to pay for services. But the Trust is nowhere near recovering its full operating costs through charging for services (and nor will it ever be). The lack of secured funding seriously impedes the activities of the Trust, and throws a cloud over its future.

**ASSESSMENT**

Card Trust appears to be in something of a "catch 22" situation: it needs to build its institutional capacity and become accredited before it receives support from Ntsika and the PPT, and at the same time it needs intensive funding and organisational development (OD) intervention before it will be accredited (given the strict Ntsika criteria).
That it even wants to go the Ntsika route (and become accredited) is not something the Card Trust staff are convinced about. In the words of the director Joy Thinyane, "we don't know whether we should become an LBSC or just follow our vision. Even though we are battling without assistance, we are fearful that once we get support we might lose what we have".

Card Trust is currently fulfilling an important need in the Idutywa community, and are worried that the reorientation that accreditation will entail might shift their focus away from the projects they service. At the same time, they do not want another "LED organisation" to be set up in Idutywa. Joy Thinyane is adamant that it is Card Trust which should become the "LED vehicle" for the Idutywa area, and therefore needs to be developed. If this means having to become accredited, then so be it. The question still remains as to how Card Trust will develop (without funds and OD support) to the stage of being able to pass Ntsika's evaluation criteria.

3.3 DUNCAN VILLAGE ENTREPRENEURIAL DEVELOPMENT CENTRE

BACKGROUND

The Entrepreneurial Development Centre was established shortly after a Duncan Village Development Forum initiated workshop. The workshop, held in Port Alfred in September 1995, and entitled "Economic Development Options for Duncan Village", was an attempt to identify business opportunities associated with the Presidential Project. A few months later, a consulting company - Gaia Development Industries - was contracted by the East London TLC (EL TLC) to set up the Entrepreneurial Development Centre as part of the Duncan Village Presidential Lead Programme. In terms of their appointment brief, Gaia were contracted to "assist the Duncan Village Development Forum through the Duncan Village Trust to set up the Entrepreneurial Development Centre and to transfer skills to manage and sustain the centre" (Letter of Appointment of Gaia Development Corporation of South Africa (Pty) Ltd as Project Managers, City of East London, Directorate of Planning and Engineering Services).

The Duncan Village Community Development Trust (DVCDT) is the sole shareowner of the EDC which was registered as a Pty Ltd company, although it is Gaia who provides support to the EDC on a day-to-day basis. However, under Gaia's direction, the EDC has steadily sunk into a financial and management crisis which has come to threaten its very existence. Recently a task team comprising of members of the EL TLC, the regional office of the Department of Economic Affairs, the Duncan Village Development Forum, the Duncan Village Community Development Trust and the EDC has been established to investigate the problems being experienced in the EDC. The findings of the Task Team have not yet been made available. The EDC is not accredited by Ntsika.
OBJECTIVES AND ACTIVITIES

The main objective of the EDC is to nurture and develop local entrepreneurs through providing start-up loans and providing intensive business skills training throughout the period of loan repayment. The EDC concept is designed to overcome problems start-up entrepreneurs have both in terms of securing finances and managing their businesses. The EDC negotiates soft loans from large financial institutions and lends on to local entrepreneurs. During the 5 year period of loan repayment, the EDC assumes primary responsibility for marketing, administration, financial management, personnel management etc, increasingly allowing the entrepreneur to take over responsibility until the loan is repaid and the business stands alone. The money which has been repaid can now be lent to other start-up entrepreneurs.

Such businesses or projects which the EDC has established include the brickyard, a door and window frame factory, a cement products and tiles factory, a bath and basin factory, a fencing factory, a roof trusses factory, and a gardening project which provides fresh produce for Duncan Village, Cambridge and Buffalo Flats. The EDC does not undertake all the technical and business skills training of entrepreneurs in the various businesses, but rather sub-contracts the expertise they do not have (eg. to Border Training Centre).

CLIENTS

According to Mr Sygman Khandanisa, the acting General Manager of the EDC, about 500 people have been trained and placed in businesses by the EDC. Clients are grouped in various projects, and collectively own 49% of the businesses (the EDC owns 51%). But financial difficulties being experienced by the EDC has meant that people in some projects (eg the brickyard) have been working for as long as 14 months without receiving any remuneration.

Currently the EDC does not charge client fees for training offered to entrepreneurs. Cost recovery comes from the 51% share the EDC has in the businesses it has established, and in the R3000/month management fee the EDC charges businesses once they become sustainable.

ORGANISATIONAL CAPACITY

The EDC has a core staff of 5 employees: a general manager, a training manager, a bookkeeper/secretary, a development officer, and a cleaner. The staff are currently undergoing training, funded by the ELTLC. Employees are being trained in the ILO's training of trainers programme, and the bookkeeper/secretary is being trained in bookkeeping at MSC.

The EDC has infrastructural capacity (phones, fax, photocopy machine, computers etc) but has seriously lacked managerial capacity, which has resulted in the allegations of financial mismanagement. The recent appointment of Mr Khandanisa as acting General Manager may provide the EDC with the leadership it has lacked. That relations are beginning to improve between the EDC and the Duncan Village Community Development Trust means that the Trust is better positioned to provide organisational development support to the EDC and play a more
active role on its board. Currently the EDC is busy drawing up a business plan which will (hopefully) provide it with strategic direction.

NETWORKING AND LINKAGES

Largely as a result of its relationship to the Duncan Village Community Trust and the Development Forum, and because of Duncan Village's status as a Presidential Project, the EDC has been exposed to a tremendous amount of support, especially by the ELTLC which has been tasked to oversee the implementation of the Presidential Project. The relationship with the TLC has resulted in significant financial support, as well as in-kind support such as training, business linkages etc. Once the current crises are finally resolved, the EDC will be positioned to undertake consultancy services such as training on behalf of the TLC. This could potentially become an important source of funding for the EDC.

The EDC also interacts with the Provincial Dept of Economic Affairs (SMME desk), with the EDC having been awarded a R160 000 grant from Bisho, of which it has received R110 000. The EDC did not, however, spend the R110 000 as it was supposed to, and as a result Economic Affairs is withholding the additional R50 000 until the EDC accounts for the R110 000.

The EDC has a developing relationship with Ntsika. Thus far, Ntsika has mostly been involved in information dissemination, inviting the EDC to workshops and conferences, and linking it with other SMME service providers and training agents. Mr Sygman Khandanisa hopes that in time the EDC will become accredited with Ntsika, which will enable it to have ongoing funding and training support.

With regards local structures, the EDC has had a somewhat strained relationship with the Duncan Village Development Trust, which is the sole shareholder of the Pty Ltd company. The cause of this has been the mutual distrust of Gaia (the consultants) and the Trust, and a disagreement between the two parties over another project (the Hawker's Marketplace). Petter Matthews, CEO of the Trust, feels that Gaia "have been a destabilising influence in the community", and has been a constant critic of the methods used by Gaia and the EDC. These criticisms have been recently recognised and corroborated by the ELTLC and other stakeholders in Duncan Village. This said, the relationship between the Trust and the EDC has improved with the appointment of the new (acting) general manager of the EDC, the recognition of the EDC of their problems, and the mutual concern the two organisations share in solving the EDC's problems.

The relationship of the EDC to the Forum has had its ups and downs. Initially, it was individuals in the development forum who smoothed Gaia's entrance into Duncan Village, but more recently the forum has portrayed as an impediment to development. In a memo to the chairperson of the Forum, Gerhard Breytenbach, the director of Gaia writes: "Gaia and the EDC have found it extremely difficult to implement the projects, the main reason being that each time a project has to be implemented the community is faced with a new individual who does not understand the problems associated with the implementation of programmes". That Gaia felt that the Duncan Village community demanded too much in terms of participating in the affairs of the EDC is illustrated in a recent interview. Breytenbach explains: "It is the role of the Forum and the community to define what needs to be done. It is the consultants and implementors who should
define how this is done”.

SOLVENCY

The core funding for the EDC comes via the ELTLC, which has provided R500 000 from the Duncan Village Presidential Lead Project fund to “set up the EDC and to transfer skills to manage and sustain the centre”. An additional R800 000 is to be made available after the R500 000 has been accounted for. The EDC has also received funds from the Dept of Economic Affairs to the amount of R110 000, with an additional R50 00 promised after the initial grant is accounted for. Besides these grants, the EDC has also negotiated a loan with the Eastern Cape Development Agency for R1.2 million.

It is planned that the EDC will become cost-recovery oriented. Money will be generated from the 51% share ownership of the various businesses which the EDC has established. Thus far none of the projects are sufficiently profitable for the EDC to have generated income. The EDC will also earn income from the interest owing to them on the loans taken by the entrepreneurs. Further, as has been mentioned, the EDC will offer training services to other projects associated with the DV Presidential Lead Project and generate income accordingly. Given the managerial and financial crisis which has been experienced by the EDZ, this has not yet happened.

ASSESSMENT

The experience of the EDC highlights some of the community dynamics and tensions which surround development, particularly in a community which is faced with an injection of hundreds of millions of rands (by virtue of the Duncan Village Presidential Lead Project). This case study also factors consultants into the equation. With regards the level of involvement of consultants, the EDC stands alone among all the LBSCs and SMME service providers included in this survey, for the simple and obvious reason that none of the other LBSCs/service providers had the funds which the EDC had at its disposal. That the EDC has not been effective is a case in point that money doesn't always make for a successful LBSC.

Much depends on the outcome of the Task Team which has been investigating the problems in the EDC. It is hoped that once financial statements have been audited, and more is known on the nature and scope of mismanagement, procedures can be put in place to remedy the situation. Already, the appointment of the new (acting) general manager and the heightened involvement of the Duncan Village Community Development Trust in the affairs of the EDC are a step in the right direction. Given the opportunities which the Presidential Project has for SMMEs in Duncan Village, it is hoped that the EDC can get its house in order and start offering relevant and effective services to those in need.
3.4 AMATOLA BUSINESS SERVICE CENTRE

BACKGROUND

The Amatola LBSC was established in July 1996, although the idea to begin such an organisation had been mooted even before 1994 in the Border-Kei Development Forum where it was noted that very little was being done to provide business advice to black entrepreneurs. The current CEO of the Amatola LBSC, Joseph Bukani, then working in a banking institution, recognised that their inability to draw up proper business plans was one of the key reasons SMMEs were not getting financial support from banks. Also, their lack of business management skills meant that large numbers of start-up entrepreneurs were failing in their ventures. While there were financial institutions being established in the region, the need existed for an organisation which provided business advice and counselling, and linkages to markets. In July 1996 the Amatola Local Business Service Centre was established with funds provided by Ntsika, the Department of Economic Affairs and First National Bank.

The Amatola LBSC is not accredited. It applied in 1995 even before it became operational, but was rejected on the grounds that it did not have a representative board (among other reasons). It then rectified the problem areas which Business Development Service (BuDS) had specified, and reapplied. According to Bukani, the "power struggle" within BuDS, which led ultimately to its demise, resulted in the processing of their application being delayed. By the time Ntsika had got back to them, the accreditation criteria had changed (become more difficult) and the Amatola LBSC had to reapply. This was in March this year. They have not since heard from Ntsika.

OBJECTIVES AND ACTIVITIES

According to their mission statement, the Amatola Business Service Centre's main aim is to "assist SMMEs in the area [Central Region] to participate more effectively in local, regional and international markets in a manner that is sustainable and benefits SMMEs and their backers". The Amatola LBSC also aims to create a "one stop information centre" whereby SMMEs can access information on markets, finance, counsellors, trainers, administrators and bookkeepers and any other information related to business. This would facilitate the participation of SMMEs in the economy, allow them to deliver quality and appropriate products, and through providing business advice and after-care, make SMMEs more attractive to financial institutions.

The various services offered by the Centre include counselling, basic business training, marketing support and referral to financial support and other SMME service providers. Most of the actual training is done by other service providers who Amatola outsource this function for a commission of 10%. Establishing business linkages is one area which needs developing. One reason for not having gone far enough in establishing such linkages is the reluctance of the established private sector in King Williams Town to support SMMEs.

As Joseph Bukani is the chairperson of the Eastern Cape Local Business Service Association, the
office serves as its headquarters. Office activities in this regards involve organising meetings, duplicating and disseminating information which is of interest to LBSCs/SMME service providers, networking with organisations involved in LED etc.

CLIENTS

According to Joseph Bukani, the Amatola Local Business Service Centre has provided services (counseled, trained or referred) to over 400 clients since its inception. A number of these have been located in specific projects such as the brick making project in Dimbaza (funded by GTZ) and Triple Trust projects in Peddie and Alice. Plans are also underway to do similar work with projects in Zwelitsha and Ilitha.

ORGANISATIONAL CAPACITY

Due primarily to financial constraints, the Amatola LBSC currently has no capacity. The director, Joseph Bukani is presently working on a voluntary basis and is about to leave the organisation. The same is true for the secretary. Unless they get some relief funding, the LBSC is sure to close within the next few months. According to Bukani, they should have closed months ago.

Since its inception, the Amatola LBSC has had a staff of four - a director, a business co-ordinator, a secretary and a cleaner. The director has a banking background, and has training and skills in marketing, accounting and business administration. The business co-ordinator has training and skills in bookkeeping and basic business management, and the secretary undertaken a secretarial course.

The Amatola LBSC has a board of seven, with skills in accounting, marketing, banking, and community services. Two of the board members are ANC MPLs.

The office has computers and printer to the value of R21 000, and office equipment (phone, fax, photocopy machine, furniture) to the value of R22 000.

NETWORKING AND LINKAGES

One of the strengths of the Amatola LBSC is its networking with other organisations involved in LED. In its "Strategies of Delivery" outlined in its Operational Guidelines, the LBSC endeavours to "link with other LBSCs or similar NGOs, big business and banks, and SMMEs at the grass roots level".

Long before it was even established, the Amatola LBSC made contact with Ntsika. Although Ntsika has provided some financial support (R45 000) to the LBSC, relations have soured somewhat over the last year or two. The reason for this is the grievance which the Amatola LBSC has of the accreditation process. Bukani criticises the accreditation process on the grounds that assistance from Ntsika comes only after the LBSC is accredited. Ntsika doesn't give sufficient
support while the LBSC is going through the long and tedious process of becoming accredited. Who is supposed to assist the LBSC before it is accredited?

Lack of assistance is also Bukani's main criticism of the Department of Economic Affairs, which he says is reneging on its policy position to support LBSCs. Bukani argues that Ntsika says that operational costs should be borne by the provincial government, but the Dept of Economic Affairs has only given R110 000, which doesn't nearly cover operational costs for a year.

The Amatola LBSC does not interact as frequently as it should with Khula, the MTI agency set up to provide finances to SMMEs. This, Bukani argues, is because Khula is not sufficiently represented at the provincial and local level. In terms of institutions which provide finance, the Amatola LBSC has made contact with the following: Future Bank, IBEC, ECDA, Triple Trust, Education with Enterprise Trust, Thembani International Guarantee Fund, The Nations Trust, ABSA Foundation, Southern Life Foundation.

While linkages with government may not be what they should, the Amatola LBSC enjoys a wide network of support from the NGO sector, including the Alliance of Micro-Enterprise Development Practitioners, Triple Trust, GTZ, Ntinga Micro-Enterprise Support Project, and perhaps most significantly, the Eastern Cape Association of Local Business Service Centres. The Amatola LBSC is a member of the NGO Coalition.

The Amatola LBSC has also interacted with the King William's Town TLC, with Bukani having addressed the ANC caucus within the council to look at ways of facilitating an enabling environment for SMMEs in the King Williams Town -Bisho nexus. The LBSC has also made presentations to development fora in surrounding communities (Dimbaza, Iitha, Zwelithsha etc). The LBSC also interacts with several business chambers (NAFCOC, King Williams Town, Border-Kei).

SOLVENCY

The Amatola LBSC has received financial support from the following: Ntsika (R45 000 -to specific programmes), Provincial Department of Economic Affairs (R110 000), First National Bank (R20 000), Southern Life Foundation (R5000), GTZ (R45 000, for equipment). The LBSC is still owed R50 000 by the Dept of Economic Affairs. According to Director of the SMME Programme in the Dept of Economic Affairs, the government is awaiting a detailed account of how the R110 000 was spent before more funds are made available. All things considered, prospects for the future appear bleak. For the past six months the activities of the LBSC have been seriously constrained by lack of funds. The director and secretary are working on a voluntary basis and are at the point of resigning.

Bukani argues that cost-recovery is the way forward, but it will take at least 5 years before a substantial proportion of operating costs can be recovered from clients. Currently the LBSC recovers 10% of the training fees from the service providers they contract with on behalf of their clients, but income derived from this is negligible.
ASSESSMENT

The main weakness of the Amatola LBSC is its sustainability. This is an indictment on both the government and the LBSC itself. Too much optimism has been invested in receiving financial assistance from government (Ntsika and Economic Affairs). For this both parties (government and Amatola LBSC) are guilty: government for creating the impression that they were going to support LBSCs, and the Amatola LBSC for becoming so reliant on government funding (rather than also sourcing donor funding, private sector funding, and being more cost-recovery oriented).

In terms of being more directed towards cost recovery, the Amatola LBSC would need to undertake more training itself, rather than outsource this to other service providers. Clients who cannot afford such services can look to ways of getting their training costs subsidised (eg by the Ntinga Micro-Enterprise Support Project). The Amatola LBSC will also have to undertake more work as a training agent in development projects (for government, TLC and NGOs). This will have to involve a strategic shift away from facilitation to actually providing the service.

The problems facing the Amatola LBSC are not unique. It is in the same predicament as a number of other SMME service providers - of needing funds in order to develop itself to satisfy the Ntsika criteria. Much will depend on the outcome of the accreditation application submitted in March this year, although with the new rigorous criteria, this remains to be seen.

It would be a great pity if the Amatola LBSC does not resolve its current financial crisis. It has had some notable achievements, particularly in the area of networking, and information dissemination, although to some extent this comes out of Bukani’s position as chairperson of the ECALBSC.
3.5 STUTTERHEIM BUSINESS ADVICE CENTRE

BACKGROUND

The Stutterheim Business Advice Centre (BAC) is often heralded as the "success story" of the Eastern Cape LBSCs/SMME service providers. Indeed there are important lessons in the Stutterheim experience which could be applied to other LBSCs. But as Nico Ferreira, the executive director of BAC points out, Stutterheim has been a process. One cannot therefore just expect to copy the model and hope for miracles.

While Stutterheim did not fall into the former homelands, apartheid dictated that the majority of its 30 000 black residents lived in abject poverty. Average household income stands at R400/month, and 60% of the economically active population are unemployed. The BAC, together with the Stutterheim Development Foundation, was initiated by the Stutterheim Forum, a structure which was formed in the late 1980s to "address problems of poverty and unemployment in the Stutterheim community, and in so doing hasten the process of reconciliation" (Chaturvedi, 1996). As such, the success of BAC must be seen within the context of the broader development process in Stutterheim.

OBJECTIVES AND ACTIVITIES

The main aim of BAC is to stimulate the growth of small business and provide support for entrepreneurs. In order to do this, the LBSC has three medium term objectives:

- to facilitate the development of sub-sectors with the greatest potential for micro enterprises;
- to support entrepreneurs in establishing and expanding micro enterprises; and
- to promote and develop an entrepreneurial culture that will encourage individuals to exploit the economic opportunities available in the region with a particular emphasis on black empowerment.

In order to meet these objectives, the BAC provides the following services: business information, business skills training, technical skills training (eg shoemaking, construction skills, weaving), facilitating linkages with large businesses, business advice, facilitating the development of sub-sectors, and facilitating access to physical business premises and trading sites.

The BAC also assists clients with credit facilitation. In doing this BAC helps clients prepare a business plan, refers clients to banks and financial institutions, helps with the loan application forms, and does follow-up work and monitoring of loan repayments.

Another activity undertaken by the BAC, and linked with its objective of facilitating marketing support for clients, has been the establishment of the Amatola Market Society. The society has facilitated the establishment of 6 markets in the Stutterheim area (Mgwale, Wartburg, Stutterheim,
Kei Road, Izdenge, and Keiskammahoek). The markets provide an opportunities for entrepreneurs (especially farmers) to sell their goods and for buyers to have regular access to a diversity of goods and services.

CLIENTS

BAC's interventions are aimed at two broadly defined groups:

- the unemployed (mostly schoolleavers and young adults), in order to stem the flow of urban migration to urban centres due to the lack of employment opportunities in the rural areas.

- micro and small entrepreneurs (mostly owner operated businesses which operate with the support of family members and at most one or two employees). Since women are overly represented in the small and micro enterprise sector, it follows that a large number of BACs clients are women. In training these women, the BAC is trying to overcome prevailing attitudes which seek to confine women to "traditional" (and non-profitable) sectors such as sewing and knitting.

The BAC works intensively with a core group of 30 clients who they train (and if need be refer for training), advise, nurture and monitor closely in their start-up businesses. The BAC has worked with some 200 such clients over the past 6 years. Richard Ntame, who has just won the Anglo Vaal/National Industrial Chamber small business award for best manufacturer of the year, is one such client. Says Richard: "Mine is a business, not a project. I employ three people and so far we have made over 200 beds. The BAC has been a great help to me. They have helped me with business management, marketing and bookkeeping, and have referred me to the CSRI who provided me with technical training".

BAC also runs "business awareness days" in surrounding villages. These are followed up by 1 week training courses in basic business management (using the ILOs start your business/improve your business guidelines). This year alone the BAC has run eight such courses, with an average of 20 trainees per course. In terms of this programme, the BAC has serviced about 100 small towns in the Eastern Cape since its inception. Most of these clients are given training in business skills, agricultural skills, and construction.

ORGANISATIONAL CAPACITY

Its organisational capacity is what makes the BAC an effective LBSC. BAC has a dedicated and trained staff of five, or six if one counts the "grandfather" of the organisation - the non-paid executive director Nico Ferreira. Nico has a wealth of experience in small business development, having been in the game since 1972.

Besides Nico Ferreira, the BAC has a staff of three full time and two part-time employees. Full-time staff are comprised of a director of training, a director of extension services, and a business
advisor/counsellor. The part-time employees comprise of an administrator and bookkeeper whose job it is to ensure that the BAC’s sound administrative procedures and practices are followed.

Because of the realisation that qualified and competent staff are in short supply in rural areas, the BAC has developed a staff development and capacity-building programme. In terms of this programme, staff have undergone training with the ILO, Business Skills South Africa, Ntsika and NGOs such as GTZ.

The BAC are well resourced, having telephones, a fax, computers (with links to the internet), a printer, a scanner, and a car for site visits.

NETWORKING AND LINKAGES

The success of BAC must be seen as related to the broader development process of Stutterheim, and its strong relationship to the Stutterheim Development Foundation and the TLC. As has been mentioned, the BAC and the Development Forum were initiated by the Stutterheim Development Forum, a CBO established in the late 1980s and made up of civic structures in the broader Stutterheim area. Today the Forum consists of representatives from Mlungisis, Cenyu, Cenyulands, Kubusie, Van Rensburg, Warburg, Mgwali, Isedenge, Heckel, and Stutterheim itself.

The development arm of the Forum, the Stutterheim Development Foundation, has eight working committees (health, education, agriculture, tourism, works etc), with the BAC feeding into the work of the economic development committee. The Development Foundation, and consequently the BAC, enjoys an excellent working relationship with the TLC, encouraged by the mayor, former civic leader Chris Magwangqana. Indeed, Stutterheim has come a long way. Less than a decade ago, Stutterheim was characterised by political tension and racial strife, culminating in a seven month consumer boycott of white-owned business. In the words of mayor Chris Mangwangqana, this process "has taken tremendous time and effort". But the message is clear - reconciliation is only possible if accompanied by development and an improvement in quality of life.

The BAC reports a good relationship with Ntsika, although Mrs Ferreira, who also works for the BAC on a voluntary basis, points out and the recent process to become reaccredited "took and enormous amount of time and resources". She noted that it would be incredibly difficult for an LBSC with less capacity (computers etc) to ever become accredited. The BAC also reports a good working relationship with the regional office of Economic Affairs.

The BAC, largely through the work of Nico Ferreira, has a wide network of contacts in the field of LED. The BAC is an active member of the ECLBSCA, and works closely with a number of LBSCs/SMMME service providers in the province, rendering advice and support (eg with Card Trust in Idutyga). The recent LED workshop (13-15 May 1998) is an example of the kind of work the BAC does in bringing stakeholders together, and facilitating discussion around key issues and strategies.

The BAC also reports a good (and growing) relationship with the established private sector, both as a donor (eg Nedcor) and in terms of establishing linkages with small and micro industries. In
particular, subcontracting arrangements whereby rural entrepreneurs supply inputs for large companies holds many opportunities that are only now beginning to be tapped into (eg with ESKOM).

**SOLVENCY**

As an established LBSC, the BAC appears to have overcome many of the teething problems associated with financial sustainability. It enjoys a reputation as an effective and well managed organisation, both of which are prerequisites in attracting donor funding. Key donors include Nedcor and the Transitional National Development Trust (becoming the National Development Agency). Furthermore, the BAC is fully accredited which means the continued availability of Ntsika funding. That this is tied into performance criteria also does not adversely affect BAC given the large number of clients they train and work with.

Cost recovery from clients is no: a major part of BAC’s strategy for financial sustainability. This is because most of their clients come from impoverished communities, and cannot afford to pay for the full costs of being trained. Clients are charged between R20 (eg. for a computer literacy course) and R50 (eg. for the ILO’s business skills training). Clients are never turned away if they cannot pay.

**ASSESSMENT**

A number of factors have contributed to BAC’s success. Firstly, there is the question of its management and organisational capacity. Much has to do with the dynamic leadership of Nico Ferreira and his effort in building the BAC. Working on the assumption that they do not have a wide skills base to draw from, the BAC has invested time and resources into training staff. A trained and dedicated staff combined with adequate financial support has ensured that the BAC has the necessary institutional capacity to do the job. Because it has organisational capacity and is effective in what it does, the BAC is guaranteed to continue to be supported by donors and government (Ntsika).

Another factor which has contributed to the success of the BAC is its forming part of the broader umbrella body, the Stutterheim Development Forum (which also includes the Stutterheim Eduction Trust and the Kei Development Trust). The BAC (and the Development Foundation) enjoy a good relationship with the TLC, and generally speaking, the Stutterheim community has a common development goals and vision, which is quite remarkable given its history of political tension. The town appears to be in a high participation cycle, which obviously bides well for the BAC.
3.6 ALIWAL NORTH: NORTH EASTERN CAPE BUSINESS RESOURCE, INFORMATION, AND ADVICE CENTRE (NECBRIAC)

BACKGROUND

NECBRIAC emerged through an initiative of the Aliwal North Legal and Community Advice Centre (ANLAC). In response to the challenge of the Border Kei Development Forum (1992-94) to identify areas through which to address development in the region ANLAC convened a workshop in June 1994. The SMME sector was identified by the workshop as a crucial vehicle to spark development within the region. This focus was ANLACs contribution to the Border-Kei development Plan. A subsequent working committee was established, made up of representatives of development organisations from the local areas of Dordrecht, Steynsburg, Burgersdorp and Aliwal North to look into establishing a local business service centre. According to a NECBRIAC proposal document the "committee lost interest in the process and fell by the wayside, the process took longer than envisaged to come to fruition and it was the co-optation of additional members and linking up with resources of institutions like the Development Bank of Southern Africa, Independent Development Trust, Small Business Development Corporation, Border-Kei development Forum, University of the Orange Free State's Small Business Development Unit, University of Fort Hare's Institute of Management, sub-regional business associations, Department of Economic Affairs of the Eastern Cape and the Department of Trade and Industry's Ntsika Enterprise Promotion Agency (NEPA) that fuelled the process and gave direction" (NECBRIAC, 1998).

NECBRIAC is registered as a Trust in terms of Section 6(1) of the Trust Property Act, 1988 (Act 57 of 1988). The registration of the Trust was finalised in January 1996. However, the centre only started operating after an initial funding boost of R350 000 was received from a joint funding initiative from the DBSA and the IDT. Ntsika has not yet accredited the centre.

OBJECTIVES AND ACTIVITIES

NECBRIACs vision is framed within the context of improving the quality of life in the sub-region through economic development programmes. The specific elements of the NECBRIAC vision include promoting a commercially active society with particular emphasis on disadvantaged sectors of the community in the North Eastern Cape, increasing employment opportunities, eradicating poverty and reducing crime. Within this broad vision the SMME sector has been identified specifically in terms of: establishing and improving the survival rate of SMMEs, developing the skills capacity of SMMEs and promoting a sense of self-worth and confidence among people involved in SMMEs (NECBRIAC, 1998). In order to realise this vision NECBRIAC has identified a number of objectives and programmes. These objectives relate to unlocking the entrepreneurial potential within the sub-region;
organising job-creation programmes and linking suitable people to job opportunities; organising home-based self-help schemes; providing researched business plans; providing training, counselling and advice; facilitating access to loan funding; facilitating linkages with other assistance programmes and developing a relevant information data base (NECBRIAC, 1998).

Internal training provided by NECBRIAC to its clients is tailored to the needs of specific individuals with the underlying rationale that their clients are at varying levels of business competency and education and therefore need to be addressed in terms of their specific needs. Rather than getting directly involved in the running of client's businesses NECBRIAC offers advisory and other business related services. NECBRIAC's director sees it like this, "The incubator idea promotes a dependency relationship and makes people feel that they have no control over their own businesses".

Other services offered by NECBRIAC are tender advice, business plan design, facilitate the accessing of finances, signposting to other sources of finance and reshaping businesses. NECBRIAC also offers business advice and information on business finance, marketing, stock and prices.

NECBRIAC has its offices in Aliwal North which are visited by clients off the street. The majority of these come to the centre because they want finances for their businesses. Many people come to the centre for help with general issues such as filling out telephone application forms which NECBRIAC staff assists them with if possible. This role of general advice and help does not however interfere with NECBRIAC's core role of servicing businesses.

CLIENTS

NECRBIAC has identified 15 towns within the North Eastern Cape as the target for service delivery. These towns include: Aliwal North, Burgersdorp, Jamestown, Lady Grey, Barkly East, Dordrecht, Indwe, Venterstad, Steynsburg, Molteno, Sterksdroom, Ugie, Maclear, Elliot and the Herschel district (centred on the commercial centre of Sterkspruit and 69 surrounding villages). This is a vast area of operation which the centre director admits cannot be serviced evenly within the context of the current capacity of the centre. NECBRIAC has plans to establish satellites in Barkly East, Dordrecht, Burgersdorp and Sterkspruit.

The majority of clients are found in the Herschel district (50%), followed by Burgersdorp (20%), Aliwal North (10%) and Venterstad and Jamestown (20%). The typical client of the centre includes micro and medium enterprises. These are mainly tuck shops and taverns in the urban areas but also include spray painters, a tyre centre, manufacturer of burglar proofing and furniture. In the rural service areas general dealers and tuck shops constitute the majority of small businesses serviced.

There are follow-ups and monitoring by NECBRIAC staff but there is currently no structured assessment/evaluation program. The centre has also up until now not measured its impact on local business or quantified the extent of its impact on job creation. The Director Buyisile Jonas however admits that their initial target of creating 480 jobs in three years has been a bit ambitious and that the
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Department of Economic Affairs Environment and Tourism is described by Jonas as frustrating, "We do not exactly know where the problem lies but there is a degree of incompetence somewhere in the provincial department." NECBRIAC also relates to the Department of Economic Affairs Environment and tourism through their membership of the Eastern Cape LBSC association.

Relations with Ntsika do not inspire hope for the NECBRIAC, relations seem to be primarily at the level of information exchange. NECBRIAC staff have however attended some of Ntsika's workshops. NECBRIAC is nevertheless convinced that accreditation by Ntsika is essential and that current accreditation criteria are acceptable. The only criticism raised about accreditation was that Ntsika should be more involved in assisting service providers to become accredited.

NECBRIAC is part of an NGO coalition involving KOPANO (Adult basic literacy), ANLAC (Aliwal North legal advice centre) and Tokolani (youth program). They also have links with IBTT (Independent business training trust), DBSA (a NECBRIAC donor). This coalition at one point was embroiled in the question as to whether a business service centre should not rather be part of a general community advice centre.

While NECBRIAC has strong community links it has distanced itself from links to any political organisation in order to prevent the perception that it is a politically motivated organisation. The links with the community are reflected in terms of a current NECBRIAC initiative to develop entrepreneurship at schools, to "Get school children to formulate business plans and get them active around business issues, but the attitude of teachers from the townships is not inviting."

NECBRIAC has also been involved in a local youth forum, and with the Department of Education and culture's youth programme festival in the northern region. NECBRIAC also participates in a local health forum. There is however no development forum in the area. While links have been established with the Aliwal North Business association, there is very little co-operation from black or white business organisations.

**SOLVENCY**

The centre relies on funding from the IDT (Independent Development Trust) and the Development Bank of Southern Africa (DBSA). The IDT provided an initial R300 000 and the DBSA R50 000 for the start up of the centre during 1996-97. Funding has also been received from the TNDT R275 000. NECBRIAC funding however runs out in June and thus far funding no further funding has been secured.

The NECBRIAC has started moving towards cost recovery and now charge for business plan design and a facilitation fee based on a sliding scale for securing finances on a sliding scale. NECBRIAC also designs and copies party and funeral programmes for additional income.
ASSESSMENT

The NECBRIAC currently seems to be a little over ambitious in terms of the areas it intends servicing. This is understandable in the context of the currently limited resources. However its current capacity for service provision is by far outstripped by the envisioned area of service provision, in the words of the NECBRIAC director, "When we set up in towns people flood us, we cannot keep up. The work we have is far beyond the capacity of our existing organisation."

In the words of Buyisile Jonas service centres find it difficult to achieve accreditation because "like small businesses they are set up out of necessity and through enthusiasm".

3.7 COMMUNITY SELF EMPLOYMENT CENTRE - PORT ELIZABETH II

BACKGROUND

The Community Self Employment Centre (COMSEC) was initially established through an initiative of the Regional Economic Development Forum (REDF) in the early 1990's which brought business, labour and government together to address economic development within the region. The REDF set up the Eastern Cape Job Creation Trust (ECJCT) which identified manufacturing, engineering and textiles as core sectors in any initiative to create jobs. COMSEC was born as a project of the ECJCT to focus on job creation within these sectors. The ECJCT entered into a twenty year lease agreement with spoornet and secured the premises from which they currently operate. ECJT also raised a R3 million loan and refurbished the premises located on a 23 hectare property. While COMSEC was officially launched in 1995 its history thus goes back to the early 1990s.

In the words of Izwile, an in-house publication at COMSEC, "In terms of the government's White Paper on designing a national policy for the development of small businesses, COMSEC can be regarded as an advanced and progressive model of a Local Business Service Centre". COMSEC is synonymous with the LBSC initiative in that it is not only a role model of a successful LBSC, a precursor of the LBSC initiative but has also recently become a model or blueprint for duplicating an LBSC success story. The CSIR is currently marketing the COMSEC model through its national drive to promote Entrepreneurial Support Centres (ESCs) which are based on the COMSEC model and even duplicate the COMSEC logo. COMSEC is a fully accredited LBSC which was accredited by Ntuluka at the launch of the LBSC initiative in 1996. COMSEC has also recently been re-accredited by Ntsika.
OBJECTIVES AND ACTIVITIES

COMSEC has a comprehensive, multi-faceted vision of the role of entrepreneurial development. This involves community involvement in long-term sustainable job creation; entrepreneurial skills development amongst the unemployed; promoting networking which facilitates work opportunities and cohesion between small enterprises; broadening the industrial base in the Eastern Cape; promoting an export-driven economy and enhancing the capacity of small businesses to meet the demands and needs of an internationally competitive economy; provide input in respect of labour intensive public works projects and act as a catalyst in the implementation of outsourcing/subcontracting projects (COMSEC, 1988).

The services which COMSEC offers in terms of working towards this vision are equally comprehensive and broadly include advice, site rental, marketing, linkages and technical services. In terms of entrepreneurial development and support COMSEC provides technical and business advice; subsidised accounting services; administrative support through the on-site Entrepreneurial Administration Support Centre; communal equipment; a fully equipped training centre; an information and resource centre and a tender advice centre.

COMSECs Tender Advice Centre (TAC) offers a comprehensive range of support services to entrepreneurs who potentially want to tender, have successfully tendered and also to those who have failed in their tendering bids. The services include counselling and training. COMSEC offers a wide range of training services. Core training courses offered by COMSEC include the International Labour Organisation (ILO) Start Your Business and Improve Your Business; Business Skills South Africa (BSSA) core programme, Your Business Plan, Build A better Business and Practical Tendering Skills; Business Linkages for Underutilised Enterprise (The Blue Project) Obtaining Tender business and the General Law of Contract and Public Tender Contracts.

CLIENTS

COMSEC has a wide range of clients split between on-site entrepreneurs and external clients. There are a variety of on-site businesses at COMSEC. The majority is however involved in manufacturing, particularly engineering and textiles. According to COMSEC's Robin Winter, the industrial park currently has a 13% vacancy.

External clients generally approach the centre for financial assistance. Many make use of the signposting services which COMSEC offers, referring people to other sources of finance. External clients also approach the centre for business plan preparation, feasibility studies and market access.

Services generally required by internal clients include mainly marketing, sourcing raw materials and linkages. According to Robin Winter COMSEC has successfully helped secure R2 million worth of tenders and contracts in the last ten months.
COMSEC has an applaudable list of successes which can be added to the above. Since 1995 COMSEC has had more than 2400 consultations, created 1317 jobs and has an annual turnover in excess of R12 million.

While there are clear indications that COMSEC is successful there is currently no monitoring mechanism in place through which to assess how effective their services are, according to Robin Winter, "How effective are our services? I have a gut feeling that they are not too effective. Up until now we have no effective mechanism in operation through which to assess the effectiveness of our services. We are creating jobs and growing businesses but are still putting mechanisms in place to assess how effective we currently are."

ORGANISATIONAL CAPACITY

There are currently nine people employed by COMSEC including a director, manager of business development services, a complex manager, two secretaries, three contract staff and a person who makes the tea. The skills of staff and management are continually updated through various staff development programmes. These include computer skills development, business skills development and training skills development. Staff receive periodic training from Ntsika. In addition Ntsika has also recently facilitated COMSEC staff access to a training course on SMME policy development in Japan.

COMSEC is governed by a board of trustees constituted by a broad range of interests many of whom are influential in terms of the work that COMSEC does. There is also a management committee which oversees the operational side of COMSEC activities. COMSEC is very well resourced in terms of basic office equipment and other equipment. COMSEC has communal equipment used by on-site businesses; a fully equipped training centre and an information and resource centre with internet access.

NETWORKING/LINKAGES

COMSEC is quite openly disgruntled by the support that it has received from national and provincial government. It is also quite clear that the COMSEC operation is not in any way dependent on government support. COMSEC pre-existed the Ntsika LBSC initiative and the current support services of Ntsika are insignificant in terms of the sustainability of operations at COMSEC. When asked to sum up the support received from Ntsika, COMSECs Robin Winter identified some financial support, a lap-top computer, staff training (particularly in terms of extension courses) and access to other training such as the recent training course on SMME policy development in Japan attended by COMSEC staff. In general there seems to be little contact with Ntsika. A similar situation applies to Khula, where there is however virtually no interaction, the little that there is being of no consequence.

"At the moment there is no real value in being an accredited LBSC, until accreditation becomes..."
meaningful its value is like a piece of paper on the wall”. According to Robin Winter, the LBSC concept has not been effectively marketed in South Africa, nationally or locally. To make LBSCs work, local government must get involved in the development of small businesses what is happening in Port Elizabeth.

The relationship with the regional Department of Economic Affairs Environment and Tourism is described as good. However, according to Robin Winter, "Provincial economic Affairs do not seem to be keen on the LBSC concept". While relations with provincial government are not amicable this is not the case at the local government level. COMSEC has strong links to the Port Elizabeth TLC. The director of COMSEC is also the deputy mayor of Port Elizabeth. This has allowed the interests of small business in general a voice in local government. COMSEC has received financial support from the TLC (as well as the Western District Council). The procurement policies of the TLC are seen as favourable in terms of providing access to local small business entrepreneurs, according to Robin Winter, "TheTender Advice Centre has received fair support from the TLC in terms of its procurement policies". COMSEC is also currently involved in an initiative with the TLC to extend the services of the Tender Advice Centre (TAC) whereby COMSEC will link up with the TLC database. The services of COMSECs TAC and the business advice centre will as a result be made more available and accessible within the metropolitan area.

COMSEC also has good relations with the Port Elizabeth Regional Chamber of Commerce and Industry (PERCCI). COMSEC is currently directly involved in the PERCCI task team, which is looking at the question of small business access to financial resources.

COMSEC is currently engaged in a replication process with the CSIR, through which the COMSEC model is being marketed nationally as a blueprint for entrepreneurial support and development. This is also an important source of revenue for COMSEC.

The formidable array of trustees which are associated with COMSEC has played an important part in facilitating networking of the centre, as COMSECs in-house publication Izwile suggests, "trustees come from a diverse sector of the community, such as business, education or politics. Through their positions, they are able to put COMSEC in touch with relevant contacts and ultimately, with the entrepreneurs on site". The COMSEC trustees are representatives from the following organisations and institutions:

Community organisations (SANCO[South African National Civics Organisation] and Penco [PE north Civic Organisation], labour organisations (COSATU [Congress of South African Trade unions], NACTU [National Congress of Trade Unions], Yster and Staal, PEUWU [Pe unemployed workers union]), business community (Spoorret, SBDC [Small Business Development Corporation], PERCCI [PE Chamber of Commerce and Industry], CSIR [Council for Scientific and Industrial Research], ABCON, IBEC, Black Management Forum), political parties (ANC and NP), local government (PETLC, Uitenhage Municipality, ARSC), Education/tertiary institutions (Vista university, Institute for Development and Planning Research, PE Technikon, East Cape Training Centre and Career Advancement Centre).

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COMSEC approached the ECDA in terms of a bid to take over the evaluation of ECDA applications due to their own lack of capacity. This would have involved characterising them, drawing up appraisals and helping with business plan development. However, ECDA is perceived as being paralysed particularly since there are to be cuts of around 60% in funds allocated to ECDA. As a consequence the whole initiative between COMSEC and the ECDA fell apart.

COMSEC has good relations and has over the years built up credibility with the local business community. The consequences of these linkages have had positive effects on their client base of entrepreneurs who have gained access to contracts and tenders through the credibility provided by COMSEC. Recently COMSEC facilitated an arrangement between Delta Motor Corporation and Yenzo Manufacturing (Pty) Ltd which is based on-site at the COMSEC industrial complex/park. The outsourcing contract from Delta is valued at R35-million over the next five years. The links with Delta have also benefited other clients of COMSEC such as Zama Engineering which began by repairing steel component carriers for Delta and expanded into the light engineering field (PERCCI).

**SOLVENCY**

Robin Winter put the total operating budget of COMSEC at R5 million while the average annual turnover is estimated at R12 million. Of this amount only R160 000 was sourced from provincial government (Department Of Economic Affairs Environment and Tourism) and R100 000 from Ntsika. The bulk of COMSEC funding (55-60%) is from donors. COMSEC charges a four percent commission on successfully sourced contracts which is split between the entrepreneur and the source. The rest of its funding is self-generated through income from rentals.

COMSEC receives support from Anglo/De Beers, Associated Biscuits, BEES, British High Commission, CSIR, Deloitte and Touche, Delta Motor Corporation, DBSA, Gentyre, NEDCOR, Port Elizabeth City Council, Eastern Cape Provincial government, SBDC, Shatterprufe, SIDA, Spoornet, Standard Bank Foundation and the Western District Council.

COMSEC does not charge businesses on-site for services directly. The fees for these services are built into the rentals. The rentals charged by COMSEC are broken down in terms of the following: 70% of rental is for property management, 20% for entrepreneurial support and 10% for administrative support.

Advice and technical support is currently not charged for by COMSEC. According to Robin Winter however, COMSEC is currently in the process of introducing a fee structure for advisory services.
ASSESSMENT

The COMSEC 'success story' is not due to government initiatives to promote SMMEs through Ntsika nationally or through the Department of Economic Affairs Environment and Tourism provincially or regionally. In fact the relationship is inverted in that the COMSEC experience seems to be informing the development of LBSCs nationally. The CSIRs adoption of the COMSEC model as a blueprint for LBSC development is a clear example of this. The COMSEC model has emerged due to a number of factors that relate to its particular experience. In the first place COMSEC is located within the industrial heartland of the Eastern Cape - Port Elizabeth (accounting for 44% of Eastern Cape GDP and 61% of the Manufacturing contribution to Eastern Cape GDP) which is home to a sizeable portion of the South African motor industry. The advantage of linking into a sophisticated local economy is quite clear. This is particularly so with the motor industry where international trends to sub-contracting or outsourcing are becoming increasingly important and which have indeed provided a significant source of linkages with COMSEC promoted entrepreneurs.

Through its sophisticated networking infrastructure facilitated in part by the web of contacts its board of trustees provides COMSEC is more favourably placed than say a rural LBSC in terms of accessing resources. COMSEC is at a strategic advantage in that the director of COMSEC is also the deputy mayor of Port Elizabeth. Having a strong voice in local government and particularly the Port Elizabeth TLC is crucial to the interests of small business development.

COMSEC, in addition, has an historical advantage over other more youthful attempts to promote small business development services in that it has gone through the teething process and has, through experience developed an organisation that seems to be succeeding in the Eastern Cape. This has given it a certain amount of credibility particularly when it comes to sourcing contracts.

COMSECs strengths are that it has established itself as a successful business support and employment creation centre that has built credibility locally, nationally, within the business community, local community and at all spheres of government. It has a team of highly skilled and trained staff, sophisticated support service and fully equipped facilities. In addition it is operating in an environment where the local economy is sophisticated and offers many opportunities for business linkages with established businesses. It also operates within the context of a relatively highly resourced TLC sympathetic to its vision. On the other hand COMSEC has identified weaknesses as involving access to funding, particularly within the context of a vacuum of middle ground financial institutions financing small businesses. The fact that COMSEC relies on donor funding for 60% of its budget is also seen as a major constraint.

Furthermore COMSEC sees the proliferation of NGO/service providers within the small business sector as "cherry picking" and being inhibitive to effective networking as they target the 'easy' aspects of support service. In general there is still a large degree of suspicion and lack of confidence in disadvantaged SMMEs colouring the whole environment within which COMSEC operates. Affirmative procurement is seen by COMSEC as in many cases merely window dressing.
3.8 GRAAF REINET LOCAL BUSINESS SERVICE CENTRE

BACKGROUND

The LBSC was first started in 1994. The idea of the LBSC emerged out of an initiative by the Graaf-Reinet Self Help Project For the Disabled (GRASHEPROPHIDISA). The latter called a meeting with local business interests, which resulted in the election of an interim committee to oversee the development of an LBSC. This structure has held numerous consultative meetings with local small business people to keep them posted on activities of the centre.

The LBSC has applied for accreditation by NTSIKA. Its application was rejected as it was not registered as a section 21 company. The LBSC is in the process of registering as a section 21 company. This process has been held up due to lack of funding to pay for legal services to facilitate registration. Apart from the above the LBSC has met all of the criteria for accreditation. At the moment the business service centre essentially functions as a community advice centre and community project.

OBJECTIVES AND ACTIVITIES

The stated objectives of the centre emerged out of the specific needs of the local community in terms of a lack of local business skills, training initiatives to build business capacity and of any business counselling. The objectives of the centre are therefore to address the above needs by developing the local economy and provide training for entrepreneurs to enhance local business capacity. The centre has identified specific target groups for its interventions within a broad focus of black empowerment through skills training. Its target group includes the disabled, women, youth and the unemployed.

The centres scope of services include business advice, aftercare service, financial advice and skills training. Currently the bulk of the LBSC services offered are however concentrated on giving advice and counselling.

CLIENTS

The centre has a database of 35 clients who visit the centre on average twice a week. Most of the clients have their own running businesses (25) and almost a third are establishing businesses (10). Existing clients are broken up into sewing/clothing (5), taverns (7), spaza shops (11), confectionery/baking (1), decorating (1). There are also a number of clients who are as yet unsure of the type of business they want to engage in (10).

The current focus of the LBSC is within the Graaf-Reinet area, there are however plans to move out into outlying areas of Graaf-Reinet. Financial constraints currently limit the area of operation.
Monitoring programmes are in place but seem to be somewhat unstructured and ad hoc. The monitoring and aftercare service was identified as crucial by the LBSC and is being focused on in terms of internal capacity building of the LBSC's operations.

ORGANISATIONAL CAPACITY

The management structure of the LBSC currently consists of a board of six directors made up mainly of local people who own their own businesses. The LBSC currently has a staff compliment of six people which includes a manager, co-ordinator, business councillor, information officer, treasurer and secretary.

Due to a lack of funding the LBSC staff are all working on a voluntary basis and virtually no staff training has taken place since the inception of the centre. The LBSC has telephone and fax access through GRASHEPROPHIDISA, but does not as yet have its own office infrastructure or accommodation. The premises currently occupied are provided by GRASHEPROPHIDISA. The LBSC does not possess any form of transport currently restricting the service access to surrounding communities.

NETWORKING/LINKAGES

There has been some networking and linking with NTSiKA and the regional (Western Region) offices of the Department of Economic Affairs. This has however not had any positive results as yet in terms of financial or other support. There have been promises of assistance by Ntsika but nothing has been forthcoming as yet, as Louise Masimela, the director puts it, "Ntsika are confusing us, up until now they have not come back to me".

Apart from the close links with GRASHEPROPHIDISA and its membership of the Eastern Cape LBSC Association there have been no linkages with any other NGOs or CBOs. The relationship with GRASHEPROPHIDISA however seems to be vital to the emergence and continued existence of the LBSC.

The content of the relationship with the Graaf Reinet TLC currently seems to be limited to solidarity. The TLC has however promised office accommodation once the LBSC becomes accredited.

SOLVENCY

No funding has been received by the LBSC as yet which has created immense problems in terms of setting up even the basic infrastructure of the LBSC. The contributions by clients are currently the only source of income. However, due to the financial position of the potential local entrepreneurs the contributions that they can make are minimal. The charging of fees for services has been identified
as a priority and a system of charging fees for services is in the process of being set up. The current funding needs of the LBSC are to set up basic infrastructure.

ASSESSMENT

The LBSC is operating in an environment where the only reason for its survival seems to be a strong commitment to the ideals of the LBSC by the staff and community and the benevolence of a sympathetic NGO. Networking and the creation of linkages with other organisations and institutions is at the formative stage with virtually no structured relationship currently in existence. While monitoring programmes are in place they seem to be somewhat unstructured and ad hoc.

The strength of the LBSC is the local community support, the dedicated staff and the support from the local NGO. The enthusiasm and support is however tempered by a lack of financial resources, skills, staff training and transport. The LBSC staff are currently frustrated due to an inability to communicate with other relevant stakeholders and support services. Due to a shortage in financial resources even the attending of LBSC association meetings in Port Elizabeth is too expensive. On the positive side, the LBSC seems to be receiving a lot of support in the form of advice from other LBSCs.
3.9 LIBODE BUSINESS ENHANCEMENT CENTRE

BACKGROUND

The Libode Business Enhancement Centre (LIBEC) was established in late 1997. It emerged essentially as a result of LUDICO agencies in Umtata who identified the LBSC as a necessity in the area. While LUDICO facilitated the emergence of LIBEC it is still providing support in terms of the use of its office infrastructure which is at the disposal of LIBEC.

LIBEC has applied for accreditation from NTSIKA but has not yet received accreditation, as it does not offer all the services required by NTSIKA accreditation criteria. LIBEC services mainly community projects with the intention to transform these projects into businesses.

OBJECTIVES AND ACTIVITIES

The stated objective of LIBEC is to "strengthen and diversify the rural economy of the Wild Coast communities and business for increased income, tax base and jobs through collaborative socio-economic technical assistance with support from higher education institutions, government and the private sector". The specific objectives have been identified as developing a strategy for economic development; to initiate, encourage and promote business projects and infrastructure; to market the locality and attract entrepreneurs, businesses and investors; to provide business information and advice; to facilitate entrepreneurs access to public and private sector services and resources and to encourage a 'business atmosphere' in the area.

LIBEC has identified specific focus groups for its interventions, namely the business community in general, women, youth and the disabled. In order to meet its objectives and reach its target groups a number of programmes have been identified as core areas of operation. These include training, business counselling, tender advice, information dissemination, LED support, referrals to sources of funding and formulating business plans.

Services are currently concentrated on activities relating to agriculture. These can broadly be divided into community projects and businesses. The major focus of LIBEC at the moment is on servicing community projects with just under half of all activities focusing specifically on business related services. It offers training in Start and Improve Your own Business (SIYB). The director of LIBEC is an ILO accredited SIYB trainer.
CLIENTS

LIBEC's area of operation is primarily the Libode area and the adjacent areas of Ngqeleni. The current client base of LIBEC is made up of adults over the age of 25 approximately 75% of whom are women. The majority of LIBEC's business clients are involved in general dealers (25 businesses) followed by saloons (5 businesses) and catering (2 businesses). Community projects are centred on agricultural projects such as poultry and piggeries.

Currently, follow up programmes, monitoring and evaluation takes place in an ad hoc unstructured fashion. Contact is maintained with people who have been trained by LIBEC or who have been referred to other training institutions to assess their progress. There is no structured mechanism of evaluation to gauge the extent to which job opportunities have been created. However LIBEC claims that 10 people have already successfully started businesses as a result of training which they have provided.

ORGANISATIONAL CAPACITY

LIBEC is a registered Section 21 Company which is governed by a board of directors. Directors have been elected from various structures in the local community. These include the Municipality, District Council, Department of Economic Affairs (SMME desk), Eastern Cape Development Agency (ECDA), Chamber of Commerce, Hawkers association, Builders association, Taxi Association, Traditional leaders, SANCO, Farmer's Union, COSATU, LED specialist, women and Youth Affairs (Department of Education).

The responsibilities of the board include: formulation and adherence to policy; adherence to the constitution; supporting management; setting, maintaining and evaluating operational standards; setting, maintaining and evaluating short and long term goals and ensuring its sustainability.

LIBEC has received a grant of R 60 000 from the Department of Economic Affairs which is the first of a two part payment. The second payment has not yet been disbursed.

Libode LBSC operates out of a wooden structure at the entrance to the Libode magisterial offices, which were previously the offices of the District Development Forum. The LBSC does not have electricity, fax or phone. Telephones are only accessed through the magisterial offices and are thus not directly available. Use of computers and fax machines is only available from Umtata some 30 km away.

The office itself has no electricity, no telephone or other basic office equipment. Currently the office infrastructure of LUDICO, which is based in Umtata, is being used. Sending faxes and using computers thus entails a journey to Umtata. As most of LIBECs clients/beneficiaries are based in rural areas which are often inaccessible a reliable 4X4 vehicle would be a crucial component of their operational infrastructure. Mobility is however currently limited to the use of a Toyota Corrola
owned by the director of LIBEC.

LIBEC staff consists of two people a director and a secretary. The director has received ILO accreditation in terms of the SIYB and has undergone training through Just Exchange in Capetown. The secretary has completed courses through Damelin College. Staff have not undergone any training since the emergence of LIBEC.

NETWORKING/LINKAGES

LIBEC networks with other LBSCs, is a member of the Eastern Cape LBSC association and is in the process of negotiating funding through the Agricultural Bank. Links have also been established with the Small Business Council in Umtata which has been identified as an important source of advice.

The department of Economic Affairs Environment and Tourism offers advice to LIBEC and has been the only source of financial assistance. While Links with NTSIKA have been established this is currently only at the level of information exchange and advice. Accreditation by Nstika has however been identified as important for LIBEC.

Relations with the Libode TLC are described as good. The TLC agrees with and supports the mission and vision of LIBEC. The TLC refers clients to the LBSC, helps promote awareness of the LBSC and invites members of the LBSC on trips to remote rural areas allowing them to create awareness of the existence of LIBEC. The relationship with the TLC has not as yet however generated any concrete business opportunities or generated any employment. Issues such as tendering and promoting local contractors and sub-contractors have not as yet been discussed with the TLC. A similar relationship seems to exist with the local TRC which is aware of LIBEC’s existence and refers people to LIBEC. The District Development Forum no longer exists in Libode.

BON (Business opportunities Network) has been approached for information on tendering. Nothing has been forthcoming as yet. Links have been established with the Libode/Nyandeni Region Business Association which has offered assistance in terms of business training programmes.

SOLVENCY

The only source of external funding has been the Department of economic Affairs, which has given LIBEC a grant of R60 000. A second payment of an equal amount has not as yet been received by LIBEC.

Internally some finances are being recovered through the SIYB training program for which trainees pay R200. Other services are currently being offered free of charge. LIBEC is however looking into a fee structure for all its business related services.
There is presently a critical shortage of funds. The director pointed to a dilemma facing LIBEC. LIBEC is servicing poor and marginalised interests in poverty-stricken areas, but because of a lack of funding they have to charge fairly exorbitant fees for training to secure the existence of LIBEC. These charges are however beyond the reach of the very beneficiaries being targeted.

There is a critical need of funds for training programmes for both beneficiaries and staff of the centre. Even the most basis of office infrastructure is not in place. LIBEC urgently requires a 4X4 vehicle to develop programmes in the rural and more inaccessible areas.

**ASSESSMENT**

Ironically, the services which are required for NTSIKA accreditation cannot be implemented due to a shortage of resources, staff and training. The LBSC urgently requires intervention in order to be able to meet the accreditation criteria. However training and support are only likely to flow in once they have achieved accreditation.

LIBEC has a business plan that has identified the phasing in of particular services and time frames within which this is to be achieved. The operations and implementation of the business plan are being hampered by the present lack of resources and communication infrastructure.

While there are initiatives toward networking, these are currently limited to accessing advice on developing the services of the LBSC. The networking capability of LIBEC does not as yet seem capable of accessing business opportunities, contracts or facilitating tendering despite efforts to achieve this.

LIBEC’s current strengths are that the director is trained and accredited by the ILO in terms of the SIYB (Start and Improve Your Own Business training program) and that the centre is providing a necessary service as the only business service provider in the area.

LIBEC is operating in a very constrained environment of limited available skills, limited access to training and limited resources particular in term of basic office infrastructure such as electricity, telephone, office equipment, transport and staff.
There is presently a critical shortage of funds. The director pointed to a dilemma facing LIBEC. LIBEC is servicing poor and marginalised interests in poverty-stricken areas, but because of a lack of funding they have to charge fairly exorbitant fees for training to secure the existence of LIBEC. These charges are however beyond the reach of the very beneficiaries being targeted.

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3.10 MOUNT AYLIFF DEVELOPMENT PROJECT

BACKGROUND

The Mount Ayliff Development Project operates out of a small room in a building situated next to the taxi rank at Mount Ayliff. The LBSC was initiated by interest in the local community as well as being identified by the presidential project team as a site for an LBSC. MADP was established in early March 1997. While MADP services community projects its area of concern and operation is broader.

MADP applied for accreditation by Ntsika in January 1998 but was not accredited, as they did not have a business plan. A business plan is in the process of being drawn up and MADP plans to apply for accreditation again once the business plan is complete.

OBJECTIVES AND ACTIVITIES

The mission statement and business plan of MADP is currently in the process of being finalised. The current mission of MADP is however identified as stimulating "the economy of Mount Ayliff through empowering small, medium and micro-enterprises and participating in initiatives with spin-offs for SMMEs." The particular objectives which guide MADP include increasing local employment and income opportunities; strengthening the capacities and entrepreneurial skills of local communities; developing a more resilient, sustainable and diversified local economy through business interventions and participation in local economics development initiatives; facilitating and recruiting funds aimed at supporting SMMEs; assisting existing and newly established businesses to improve their productivity; identifying new markets and maximising spin-offs from the public investment and public works programmes.

The services being offered by MADP include business skills training, technical training, counselling services and information provision. Business skills training is conducted internally through MADP staff members. MADP has facilitated technical training through various external organisations depending on specific needs. The CSIR has presented a course in fruit drying for which participants paid R50. IMMSA conducted a course in conflict resolution due to the current conflicts being experienced by women involved in the bakery projects. NUM has conducted training in baking. IKWESI has conducted training with unemployed people in Mount Ayliff with regards to recycling waste material.

Counselling services currently offered internally by MADP include financial advice and solving business problems. Business related problem counselling takes place through an ad hoc process depending on the particular needs of clients. Financial advice services are more structured in that a relationship with the Get Ahead foundation and ECDA has been established. MADP supplies application forms for ECDA and assists clients in filling in application forms. So far 25 clients have
successfully accessed financial assistance through the support of the MADP.

In terms of the provision of information the MADP distributes brochures and other information which they receive through networking with other organisations. MADP staff actively go out and source information which is brought back to Mount Ayliff and distributed to clients. MADP has access to the database of the department of Economic Affairs. There is currently very little happening in terms of tendering advice and market linkages with no successes having been achieved yet.

Since 1997, 43 people have gone through the Start Your Business training course and 15 have received training in Improve Your Business. This training has been conducted through the internal training by MADP staff. A number of training programmes have also been conducted through external agencies. The local development section of NUM (National union of Mineworkers) has conducted two training programmes for the MADP - a course in bread making for women and, in Mount Fletcher, 12 women received training in candle making, and training in basic sowing has been conducted in nearby villages.

Close relationships have been established with 2 financial institutions serving the SMME sector - ECDA and the Get Ahead Foundation. Application forms for ECDA are issued by MADP, and more than 20 people have thus far been assisted in terms of raising finance from ECDA. Get Ahead Foundation uses the office of the MADP to service SMMEs in the district. A group of 5 women have already been granted a loan.

During June/July 1997 centre went on an outreach program to publicise its presence to broader community of Mount Ayliff. A number of workshops have also been held for both the farming and business communities where problems and solutions were identified, and advice given on tendering and business taxes.

The MAPD have also facilitated business improve productivity with the help of a economic development consultant. For example, in clay brick making, quality improvements have resulted out of MADP intervention and new cost effective measures of production. Some 18 new jobs are expected to be created in 1998.

Similar impacts have been made in concrete block making. Quality improvements have been made in the product as a result of MADP intervention. A loan was facilitated with ECDA to buy an electric block making machine and mixer. Expected increases in production are expected to around 30 000 bricks up from 4000.

Work is also being done in steel production, particularly in the production of water and maize tanks. A loan is currently being facilitated with the ECDA to expand production.

Potential markets for the above production processes have been identified in terms of TLC housing construction and school building due to take place in the region.
The MAPD is also facilitating the opening of a bakery. Training has been conducted, and baking groups have been organised by women who are ready to start a business. Supply of equipment has been negotiated. ECDA loan negotiations are at an advanced stage, and a workplace is being negotiated. Between 10 and 18 jobs will be created.

Plans have also been made to revamp the local service station in terms of a lease agreement between landlord and Engen. Engen is to overhaul the premises which will be made available for local business people to lease. There are also activities in agro-farming, with a feasibility study having been undertaken to look at converting communal gardens into a commercial farm. Other long-term programmes include forming an industrial park in Mount Ayliff.

CLIENTS

MAPD operates in Mount Ayliff and services 28 villages surrounding Mount Ayliff. MAPD has a client database of approximately 50 businesses which are being serviced by MAPD. The typical clients are elderly women with low levels of education who are engaged mainly in subsistence farming (mainly vegetables and poultry). The majority of businesses are involved in sewing (estimated at about 60% of businesses being serviced), bread making (which is declining), carpentry, knitting and fibreglass.

While there are currently ad hoc follow up and after care services there is currently no structured or efficient monitoring system. As a result the impact of the LBSC in terms of its efficiency cannot be reliably assessed.

ORGANISATIONAL CAPACITY

MAPD has a management committee of 12 people who were elected from the following structures:
2 from the business sector
1 TLC
2 TRC
2 traditional leaders
1 farmers union
1 builders association
1 SANCO
1 regional department of Economic Affairs SMME desk
1 ECDA

The management board of the LBSC is influential in society but they have no experience in SMMEs and therefore in issues relating to SMME development. They provide policy guidelines for the LBSC. Need to look at training of the board itself to be able to play its role in a more informed way.
The MADP currently employs three people: a director, business co-ordinator and an administrator. The Director has undergone a one week course on Project Management; the business co-ordinator has training in business management training/business counselling and has attended a computer training course on Pastel Accounting, ILO trainers course on Start and Improve Your Business, and business counselling with Just Exchange. The administrator has attended training on Advanced Micro-Office computers. The members of the board have attended a management course conducted by Kwa-Zulu Training Trust.

MADP is equipped with basic office infrastructure of telephones, fax and computers. Office accommodation is however totally inadequate with three people working in an office which would be barely adequate for housing one business counsellor. MADP own one vehicle which is used for accessing surrounding areas.

**NETWORKING/LINKAGES**

The MAPD is a member of the Eastern Cape LBSC Association, as well as the Wild Coast Council. The MADP serves on a sub-committee on projects in district council and works with the Levy section.

Funding has been received from the Presidential Project Team. There is also currently an agreement for NTINGA (micro-support project) to assist in building capacity within the centre. This is based on a contractual arrangement with NTINGA for three months during which time they will help MADP prepare a business plan and a strategic plan. NTINGA has also sponsored a number of human resource projects for training MADP staff.

Local linkages with the private sector are constrained by the local chamber of business having collapsed. But there is a good relationship with the Local Hawker's Association. The MADP is currently working with the association in terms of leasing premises for hawkers and in facilitating training. The MADP is also playing a facilitatory role in terms of establishing a structured relationship between the Hawkers Association and the local TLC.

The local community is not structured and as a result there are very few points of organisational interface between the MADP and local community organisations. The only structured forum which does exist in Mount Ayliff is that organised by the local magistrate which organises quarterly meetings including councillors, chiefs and local stakeholders. This forum plays a mainly consultative role.

MAPD reports good relations with a number of government departments including the regional office of DEAET as well as the Department of Agriculture. The MAPD is also cooperating in developing a work plan with the Directorate of Youth Affairs in the Department of Education.

Relations with the local TLC is seen as problematic. It has not been easy to access the TLC which is experiencing internal problems. Relations with TLC have thus far been informal and unstructured.
This is unfortunate since it has limited the scope of MAPD's participation in the formulation of an Integrated Development Plan. Relations with the TRC are reported to be better.

The director of the MADP had not heard of anyone accessing finance through Khula in their region. Khula was perceived as failure in that credit access is still controlled by the banks and not Khula. Bank criteria are still the basis for access. Saw a need for government to review policy and gain more influence over the accessing of finances.

However, plans are underway to extend existing relations to the Department of Public Works, Health, Correctional Services and Education before the end of 1998 with the intention of securing tenders for local entrepreneurs.

**SOLVENCY**

Core funding has been received from the Presidential Project team for R 818 000.

While information services are seen as a free service of the LBSC, clients are expected to pay for other services. MADP charges a commitment fee of R120 per person for the S/IYB program. While counselling is for the moment free, the board has agreed to MADP charging an annual fee for clients and for counselling services. A fee structure is currently being investigated. Presently, income from services is currently nowhere near the amount required to operate the centre on a self-sustaining basis.

**ASSESSMENT**

The MAPD still need to acquire land to construct offices, or find an alternative venue for offices. There is also a shortage of staff which means that the function of information dissemination is currently inefficient, especially since there is no one staff member who specialises in information dissemination. All staff are currently over-extended in terms of the range of functions they currently perform.

Staff complain that there is little information which they can access on micro businesses. Most of the information which they access is more appropriate for small and medium enterprises. Staff also argue that micro enterprises find it difficult establishing partnerships with the private sector. This is because they lack capital bases and are seen to be risky. Staff also complain about the lack of tender opportunities available to clients.
3.11 Uitenhage Self Employment Centre

BACKGROUND

The Uitenhage Self Employment Centre (USEC) was started in 1994 as Volkswagen Job Creation Centre by Volkswagen as part of a social responsibility program. The target was the unemployed and school leavers. In 1997 it became an independent entity, the Uitenhage Self Employment Centre (USEC). In 1998 USEC registered as a section 21 company. Was accredited by NTSIKA in April 1998.

OBJECTIVES AND ACTIVITIES

The stated mission of USEC is to "stimulate job Creation through the development of SMMEs especially from previously disadvantaged communities. To create opportunities for unemployed people and SMMEs by involving skills training and support to empower them"

The specific objectives which have been identified by USEC are as follows:

- Provide basic technical skills training to satisfy needs of people from Uitenhage community and surrounding areas
- Provision of entrepreneurial training
- Provision of trading space, equipment and support to new entrepreneurs
- Provision of administrative services that will allow entrepreneurs to concentrate on their businesses
- Link local business with entrepreneurs as future suppliers
- Liaison with government to encourage inclusion of entrepreneurs on their list of suppliers

USEC Currently offer the following five programmes:

1. Small business/Entrepreneurial Development

USEC offers a number of services which are directed at and support the growth of entrepreneurs in particular the Uitenhage and surrounding rural areas: Administration service; Business counselling; After care service; Trading space; Entrepreneurial training; Financial services and advice; Market development.

USEC is involved in administering businesses which are located on site. Approximately half of USEC support for on site businesses is in terms of administrative support of businesses. USEC is directly involved in the administration of these businesses. The other half of USEC support is geared to providing counselling/advisory and other services to on site businesses.
2. Business linkages

USEC promotes and supports business linkages between SMMEs, business and government departments. Business ventures are signposted through institutions such as UPE Small Business Unit, SBDC, East Cape Development Agency. A number of business linkages have been created with various departments at the Volkswagen plant. Linkages have also been created with upholstery businesses and a local furniture company in Uitenhage.

3. Technical training

Training is offered to unemployed people, school leavers and retrenched people. The following training programmes (and number of people trained) have been undertaken in 1998, welding (10 trainees), erection of timber Frame Housing (15 trainees), Upholstery (10 trainees), Plastering (12 trainees), Repair shop assistance (12 trainees), Painting and decorating (12 trainees), Bricklaying (12 trainees), Basic Business skills (5 trainees).

USEC estimates that about 50% of successful trainees have been placed in formal employment in existing industries and 5% have become entrepreneurs.

Most of USEC training is contracted out to organisations such as the University if Port Elizabeth Small Business Unit. USEC also offers training courses to the local community which is tailor made to meet their needs. This training is organised through community forums which USEC works through, such as women, youth and disabled groups.

4. Advisory services

Advisory services are organised on the basis of need and include assessments and aptitude testing.

CLIENTS

The targeted population of USEC is the unemployed, retrenched and school leavers who cannot find employment. The main client base are the following:
- The unemployed and school leavers who lack basic skills
- Potential entrepreneurs who intend opening businesses
- Existing and new SMMEs who lack business management skills
- Business who require specific technical training for their employees
Businesses who require aptitude tests for their prospective employees

USEC currently has 10 businesses which operate from their premises in Uitenhage. The businesses employ between three to six people per business with total employment created through these business standing at 51. The following business constitute the on site businesses:

Fibre glass
Carpenter
Welding shop (2)
Engineering
Upholstery
Vibrecrte walls
Day care centre
Take aways
Scrap merchant

ORGANISATIONAL CAPACITY

USEC is a registered section 21 business entity. USEC is managed as a business concern that is partially self funded. External funding is required for providing business advisors, capital investment for new entrepreneurs, training and establishing business linkages.

USEC has a board of directors representing various interests and organisations from the local community. The board makes strategic and operational policies and decisions which guide the centre; and assesses and evaluates the board and centre's performance. In addition, there is an executive committee which consists of five members who assist, advise and support the centre manager.

USEC has a fairly sophisticated operating infrastructure with all basic office equipment in place. The centre presently occupies premises leased from Volkswagen. This includes buildings where on site businesses are housed covering about 2300 square metre and an office block that houses the administration of the centre.

USEC has a staff complement of five people in the following positions: centre manager, training co-ordinator, secretary, bookkeeper, entry-exit controller. There are expected staff increases due to the expansion of USECs area of operation into the rural areas. In addition USEC employs 24 casual workers in the income generating project.

There is a staff development programme in place which has identified specific courses for specific organisational functions.
NETWORKING/LINKAGES

- USEC has established linkages with technical colleges like Uitenhage college, Iqhayiya, Russel road college and UPE Small Business Unit.

- Linkages have been established with COMSEC, Khanya centre, CSIR and SBDC to provide mentoring services for entrepreneurs.

- Funding business ventures are signposted through existing institutions such as UPE Small Business Unit, SBDC, East Cape Development Agency and other financial institutions.

- Technical training is conducted together with other training centres.

- USEC has established links with community forums in the Uitenhage area through which prospective trainees are identified.

- Relations with the local Uitenhage TLC have been established. USEC is currently discussing the training needs of the TLC with the intention of servicing the TLCs training needs.

- USEC has close links with NTSIKA which are to increase due to accreditation

SOLVENCY

Income is generated through rentals from on site businesses. USEC has an income-generating project to help pay for operational costs of the centre. The project is involved in the selling of scrap wood obtained from Volkswagen.

USEC receives funding and support from a number of organisations which include Volkswagen S.A. (supply scrap wood for income generating project); Department of Manpower (technical training); Ntsika (technical and entrepreneurial training; Blue project (Linkages and special training); UPE Small Business Unit (Entrepreneurial training support) and the Department of Economic Affairs.

ASSESSMENT

USEC emerged out of the social responsibility programme of the nearby Volkswagen SA. The relationship with Volkswagen is still an important one in terms of the contracts that are secured for entrepreneurs and in terms its contribution to the USEC income-generating programme. USEC has an established network of technical service providers and other small business support agencies located in Port Elizabeth. Its historical links with the department of Labour in terms of providing training has facilitated the building up of experience and capacity in terms of technical training. USEC is in the process of extending its activities into the rural areas to service small businesses there.
USEC has a fairly sophisticated infrastructure in place. There is an experienced and adequately qualified human resource infrastructure in place which includes office administration and internal training. USEC has established a comprehensive network with institutions and organisation.

The weaknesses identified by USEC generally relate to the expansion of existing capacity. Unlike other LBSCs who are experiencing teething problems in terms of getting off the ground USEC has already established a fairly successful and efficient operation. USECs problems generally relate to expanding this base and extending operations into rural areas.

Some of the significant organisational constraints which USEC faces have been identified as including tendering requirements which often exclude small businesses, conditions of financial loans are too strict and a lack of funding.

### 3.12 TOMBO ENTREPRENEURIAL CENTRE

**BACKGROUND**

The Tombo Entreprenurial Development Centre (TEDC) emerged out of a situational analysis conducted by LUDICO Agencies (rural consultants) which identified the need for an entrepreneurial development centre at Tombo. TEDC was established in 1997. The TEDC, which operates in the Umzimvubu district, has received support in the form of a R2 million allocation by the Presidential Project Team. This funding has been crucial to the ability of the centre to get off the ground and to hire staff.

TEDC applied for Ntsika accreditation in February 1998 but were turned down on the grounds that there was no business plan, TEDC projects were too small scale and that existing businesses were not being serviced. The majority of TEDC projects are community income-generating projects. TEDC plays the role of not only a business service centre but has also evolved into the role of community advice/support centre. According to the centre director "When we first started we thought that we were only going to help small businesses, but then the community approached us for help and advice and they have nowhere else to go."
OBJECTIVES AND ACTIVITIES

The stated objectives of TEDC are "to be a support centre through which integrated development, job creation, capacity building and income redistribution programmes are guided and facilitated to ensure the timeous achievement of viable and sustainable economic growth, prosperity in the area and the upliftment of the quality of life of the communities as envisaged by the Reconstruction and Development Program and the new growth strategy (GEAR) adopted by the government." (TEDC Business Plan, 1998).

The intended services to be provided by the centre have been identified in the Business Plan as information and guidance; the provision of information on business related issues and the facilitation of business partnerships; professional counselling including business plan preparation, money management and marketing; referrals to sources of funding; training and experience exchange.

The TEDC is not only servicing entrepreneurs but also the whole community. Examples of the services which are being performed by TEDC are helping pensioners receive and apply for pensions; advise chiefs; assist people in finding employment; advise teachers who are dissatisfied with the state of local school buildings; assisting the TRC in mediating local community violence; and helped brick makers tender for supply of bricks;

CLIENTS

The majority of people involved in TEDC projects are women. There is a client data-base which has 48 projects on record. These include baking projects (13), sewing projects (14), agricultural projects (8), netwire making projects (2), art/craft projects (8) and paper recycling (3). The TEDC is also involved in two non-income generating projects, the Hlamvama community clinic and a project which is trying to establish life savers on the rural coastline.

ORGANISATIONAL CAPACITY

A board elected by the local community governs the TEDC. Most of the board members have no business experience or skills and are therefore often not in a position to make strategic decisions concerning business related issues. The board members have already gone through a brief training program. Training for board members has been identified as an important area of capacity building within the TEDC.

The TEDC operates out of a container which has no telephone lines. While the director has a cellular phone this only receives calls some distance away from the LBSC. The communication infrastructure is therefore severely lacking. While there is electricity access this is through the benevolence of a local clinic which has strung a cable across from its premises. The TEDC has Computer and photocopy facilities. Money from the Presidential Project Team has been invested in the building of
more permanent office accommodation. These premises are currently under construction.

There are currently four staff members employed by TEDC, a director, business development officer, project co-ordinator and a cleaner. While the staff all have some basic business training in business related areas they admit that they are in-experienced and require further training.

**NETWORKING/LINKAGES**

Links have been established with the TRC and the TLC who also have representatives serving on the board. There is currently a conflict between the TRC and the local chiefs in the district. The TEDC is involved in facilitating reconciliation between the TRCs and the chiefs. The TEDC is playing an active role in the affairs of the local TLC in terms of participating in the formulation of the Port St Johns Integrated Development Plan. In terms of provincial government, the TEDC links with the departments of Economic Affairs and Agriculture which currently seem to be mainly on a consultative level.

Networking relations with Ntsika have been established. However, apart from information exchange, there seems to be little additional content to their interaction. Despite this limited interaction with Ntsika accreditation by Ntsika was identified as crucial to accessing more funding and therefore the future existence of the TEDC.

The TEDC has established links with local initiatives promoting economic development such as the Amampondo Arts and Culture Organisation, sewing clubs, pottery clubs, bread baking clubs and the District Development Forum. It sees itself in the role of mobilising, co-ordinating and facilitating networking between these organisations to promote local economic development.

In terms of other links, TEDC networks with Just Exchange and is a member of the Eastern Cape LBSC Association.

**SOLVENCY**

TEDC has received a grant from the Presidential Project Team for R2 million of which R660 000 has been disbursed. The money is channelled through the ECDA. One of the objectives of the TEDC is to become self-sustaining. To this end the centre charges R250 for drawing up business plans. While a nominal fee is charged for training programmes all other services are offered free of charge. The TEDC supplements its income through providing a photocopying service to the local community.
ASSESSMENT

A major weakness of the TEDC is the lack of training currently available to staff and board members. Financial constraints not only restrict the extent to which training can be sourced for the latter but also implies that experienced and skilled staff are beyond the pocket of the TEDC. While the container currently serving as an office is inadequate and offers little privacy for consultations the construction of more permanent and suitable office accommodation is currently underway. The TEDC faces many additional constraints amongst which is the misunderstanding by the local community of what the centre is all about. Many people approach the centre expecting financial assistance. While this is a constraint on the one hand the facilitation role of the centre is seen as positive by the director, "because we do not offer financial assistance we avoid the problems many other organisations face - community antagonism because they have not received money and others have. This has been a problem with many organisations."

The TEDC has identified its strengths in terms of its plans to start business incubators and increasing income generating projects. It sees itself as favourably paced to play a positive precisely because it has established close community links.

While the TEDC is performing a commendable role as a community advice/support centre this is likely to have an impact on ability of the centre to promote the capacity of local business people. At this level the centre is caught up between being a LBSC in the narrow sense, or being a broader organisation that offers a wider range of services.
MAIN TRENDS

- **LACK OF ORGANISATIONAL CAPACITY**

Perhaps the most glaring finding of the survey is the lack of organisational capacity characteristic of most of the LBSCs/ SMME service providers included in the survey. All the LBSCs which are as of yet unaccredited were found to be undercapacitated with regards resources, staff and training to the extent that they were simply not able to meet their aims and objectives. Some service providers eg Libode, Bambhisanani (Maclear) did not have telephones or even the most basic of office infrastructure (fax, computer). Many did not have motor vehicles with which do follow up work and site visits to clients.

In most of the LBSCs, the board of directors also lacked capacity and skills, particularly in the area of business skills. LBSC, elected on basis of community popularity (elected by community in rural communities). Board needs training program

Most service providers currently unaccredited appeared to be in the proverbial "catch-22" situation. They needed to be at a certain level of capacity before they become accredited. Once they are accredited, support (eg from Ntsika, donors) will be forthcoming. But they are unable to presently solicit support because they are undercapacitated.

- **AN OVEREMPHASIS ON ACCREDITATION**

Accreditation was viewed by both government and the LBSCs themselves as a panacea. From the perspective of government, accreditation is seen as a vehicle of legitimation - a means of passing a quality control test. From the perspective of the service providers, accreditation was seen as the end to all problems - as a means to acquire financial and other support. The case of Graaf Reinet LBSC only getting office space from the TLC after they have been accredited springs to mind.

Questions need to be asked as to how appropriate is accreditation. The criteria are extremely stringent and seem to suggest to service providers that their is only one model of LBSC. Such a logic does not account for the specific needs and resources of particular communities. In rural LBSCs, for example Tombo, the service provider operates as a broader community support centre rather than just providing support to entrepreneurs. In terms of Ntsika's narrow and rigid definition of accreditation, the very fact that Tombo EDC provides other services than business advice in the strict sense, disqualifies it from accreditation.

- **RURAL-URBAN DISPARITIES**

Three of the four accredited LBSCs (USEC, COMSEC and Umtata) in the Eastern cape are in urban centres, with two being in Port Elizabeth. This reflects fact that rural service providers are
less capacitiated and are finding it increasingly difficult to pass the Ntsika accreditation test. As has been mentioned, this often has to do with the fact that rural SMME service providers often work more closely with community projects rather than individual entrepreneurs, and offer a wider range of support services, in many instances operating as general community advice centres (e.g., Libode, Tombo). The reasons are obvious - where organisational and service infrastructure is scarce, SMME service providers will come under pressure from the community to play a broader developmental role. It is in this logic that the Tombo Entrepreneurial Centre also facilitates a community clinic. The Ntsika model does not account for these dynamics, and as such seems to favour urban service providers, who can offer business services in the comfort of knowing that basic services are provided by their respective TLC. This leaves them open to play their narrowly defined role of offering non-financial business support to individual entrepreneurs.

• THE UNCRITICAL ADOPTION OF ONE MODEL

Much of the bias being directed against rural LBSCs has to do with the logic that models can be unproblematically imposed in any context. Currently, the CSIR is developing COMSEC as a blueprint for LBSCs. Stutterheim is also often advanced as a rural model. What such logic does not account for is why both COMSEC and Stutterheim are "successes". Both their successes have as much to do with their experiences, their leadership, their relationship to the communities they service, to the private sector, to the TLC etc.

To simply think that duplicating the organisation in another context will get the same result is missing the point. This is not to say that lessons can't be learned from the "successes" of COMSEC and Stutterheim. But at the end of the day the organisational structure, objectives and activities of the LBSC must be appropriate to the needs of the communities they service, and built around their local resource endowment and opportunities which prevail in their local economies. Therefore, LBSCs which have developed around servicing projects (e.g., Idutyana and Libode) should not be discounted because they don't conform to the COMSEC/Stutterheim models of supporting individual entrepreneurs.

• A PARTIAL AND INCOHERENT GOVERNMENT STRATEGY

The survey revealed that currently there is no coherent LED strategy on the ground in the Eastern Cape, nor any uniform understanding and approach to LBSCs. In particular, the various government departments appear unclear about how LBSCs fit into LED, and who should be the driving force of LED: LBSCs or the newly established TLCs. The research revealed that where LBSCs and TLCs are cooperating (e.g., Stutterheim, Umtata, COMSEC), LED is being facilitated. It is important, therefore, that the newly established LED committees/units within TLCs include LBSCs in their planning and implementation of projects. Likewise, LBSCs should not see themselves as a separate loci of activity within a community, and should endeavour to establish a good working relationship with the relevant TLC.

Many of the interviewees from various LBSCs complained about contradictory government approaches. Joseph Bukani of the Amatola LBSC for example accused the government of incoherence with regards its LBSC strategy. Bukani argues that "government has not put its support behind LBSCs. They do not give us information about tender opportunities nor help
sustain us. It seems that the Department of Economic Affairs does not appear to appreciate the importance of institutions like ours* (interview, and Financial Statement for the Amatola LBSC for the Year ended June 1997). According to Bukani, Ntsika suggests that the provincial government (DEAET) should bear the operational costs, while they (Ntsika) subsidise the costs of training and business advice. DEAET have given a half commitment to supporting LBSCs (eg through the granting of R160 000) but have since shifted their policy position. The general view emanating from LBSCs and service providers is that they thought that they were going to be supported by government. Many are embittered that the necessary support has not been forthcoming. Government (DEAET) in turn accuses many of the service providers of mismanagement not being able to account for the money. Indeed for many of the service providers this is true. Many of the service providers which were given money no longer exist. At the root of the problem is organisational capacity. If government are serious about LBSCs, they need to embark on a rigorous capacity-building and organisational development campaign. Which department (MTI or DEAET) should undertake this responsibility is also unclear. And the question remains as to whether this can be afforded (or is desirable) within the context of fiscal conservatism and shrinking operating budgets.

The problem of co-ordination seems to be a particularly acute problem facing government. The main problem appears to be with the national Department of Trade and Industry and its support agencies, Khula and Ntsika. These organisations are inadequately represented at the provincial levels, and at the moment are not co-ordinating their functions with the provincial DEAET. The DTI (Ntsika) are also unclear on the role that DEAET should play in supporting LBSCs. Roles and responsibilities of participating agencies and departments need to be more clearly defined. Whatever the outcome of discussions between the different departments involved in supporting LBSCs, a uniform strategy needs to be adopted and disseminated to LBSCs and service providers (via the LBSC Association) to clarify perceptions and misgivings they may have of government support. Clearly Ntsika needs to formalise a closer working relationship with the DEAET. This trend has started, with Ntsika now sitting on provincial funding committees attached to the provincial SMME Desk. Also provincial small business councils are being set up with the expressed intention of co-ordinating policy. As of yet, these structures are relatively ineffective. Ntsika needs to forge closer links with regional DEAET offices which are in touch with LBSCs on the ground.

In keeping with the RDP's commitment to assist rural women, it would indeed be a travesty should the government not provide assistance to rural service providers which are performing some useful service with regards training and employment creation. Card Trust (in Idutywa) is a case in point where assistance is being provided to particular projects (by the Department of Agriculture) but no support is being given to the service provider. This in turn limits the quality of service which the LBSC provides to the projects. Assistance to the service provider should not take the form of lump sum payments, but should rather be targeted support aimed at improving organisational and institutional capacity. Financial assistance should not just be tied to output, but should also be directed towards building capacity within service providers so as to (ultimately) increase output.

But there are obviously a limited number of service providers government (both Ntsika and DEAET) can support. Both Ntsika and DEAET need to work together with other stakeholders (such as Khula, the LBSC Association, SALGA etc) to work out a strategy for LBSCs in the
province. What is the optimal number of LBSCs/service providers which should be supported? Where should these LBSCs be located? What kinds of support can be given? How can these LBSCs be linked in with broader LED initiatives? What are the merits and demerits of building core LBSCs which in turn can then develop their own satellite service providers? How can a balance be arrived at between a (top-down) strategically planned approach, and a more needs-driven approach? What structures need to be set up to coordinate a provincial LBSC strategy?

**SUSTAINABILITY**

Financial self sustainability is an area of concern. Almost all the LBSCs and service providers included in the survey were found to be heavily reliant on donor and government funding. Those that were presently well positioned with regards their financial condition were the projects which were receiving Presidential Project support, both in the former Transkei (Tombo, Umtata, Cala/Xalanga, and Mount Ayliff), and in Duncan Village. All the LBSCs receiving Presidential Project have on average been allocated between R500 000 and R2 million. This has allowed them to invest in infrastructure (computers, cars etc), and has enabled the training of staff. But even these LBSCs are guaranteed to remain solvent for only a few years (2-3 years). After that they will have to source their own funding.

The other LBSCs which were well financed were Stutterheim (BAC), COMSEC, and Uitenhage (Usec), all by donor agencies and the private sector. This had much to do, particularly in the case of Stutterheim and COMSEC, with their credibility as LBSC "successes". None of these organisations were very reliant on government support, with Ntsika and DEAET funding contributing a very small proportion of their total budgets. While these LBSCs remain the "successes" they are perceived to be, there is every reason to believe that they will continue to receive sufficient donor and private sector support.

The remaining LBSCs and service providers were found to be experiencing serious financial difficulties. -Graaf Reinet, Aliwal North (NECBRIAC), Amatola, Idutya (Card Trust), Libode (LIBEC), and Maclear (Bambhisinani Business Centre). In a very real sense these LBSCs, none of which are accredited, are just surviving and do not have sufficient funds to sustain operations even for this year. As a result they are under-resourced with regards office infrastructure, and do not have funds to employ the necessary staff complement and training existing staff. In some cases, staff are working on a voluntary basis in the hope that funding will be made available.

While there is a trend towards cost recovery, this forms a very small part of the sustainability strategies (should there be one) of the various LBSCs. In all cases, the LBSCs/service providers are working with poor communities, and can only recover a small proportion of operating costs through client fees. In most cases this was between 2%-8%. The notable exception was Card Trust in Idutya, which has embarked on an aggressive cost recovery programme, although there is still a major shortfall and little money for "luxuries" such as office equipment and staff training. Given that provincial government (DEAET) and Ntsika are not going to fund the operating costs of these financially-stricken LBSCs (especially since they are not accredited), prospects for sustainability appear very bleak. Also, because they do not have the credibility of the established LBSCs (Stutterheim, COMSEC), it is that much more difficult to attract donor support. The LBSCs which have Presidential Project support have better prospects. At least they have been afforded some time to establish an infrastructure, develop organisationally, and establish the kind
of credibility that one requires to receive ongoing donor support.

Trends towards cost recovery will need to be consolidated by all LBSCs, especially those receiving Presidential Project support, and thought put into innovative ways of generating income. Consulting (OD and training support), and building up a portfolio of business and property interests, are just some of the ways this can be done. But at the end of the day, LBSCs must never function as businesses. They will always need some degree of dependence on government/donor support in order to allow them to service their target constituencies: the poor and unemployed.

* NARROW SECTORAL FOCUS AND LIMITED MARKETING SUPPORT

Perhaps largely a result of most of the LBSCs being rurally-based, they tend to have a narrow sectoral focus. Most of the rural LBSCs provide business support services to agricultural, sewing, baking, crafts, and retail (spazas) businesses. Of the rural LBSCs, Stutterheim is making a concerted effort to develop business skills in the service sector, notably in electrical works, plumbing and building, and in manufacturing (furniture). The Aliwal North LBSC is also training clients in the manufacturing sector (burglar proofing, furniture) but the number of clients being serviced remains low.

Of the urban LBSCs, COMSEC is the one LBSC which has really broken into the manufacturing sector, particularly in the engineering and textiles industries. One of the main factors in the success of COMSEC is its relationship to the established private sector, which has facilitated the development of secure markets for manufacturers. An example is the R35 million contract which Delta Motor Corporation has outsourced to COMSEC clients. Also its establishment of an industrial cluster (hive) has worked well, establishing linkages between different manufacturers. With the current trend in South Africa being towards increased sub-contracting and outsourcing (as large enterprises restructure towards more flexible production techniques), SMMEs are well positioned to benefit provided they have the capacity to produce quality products within required deadlines. While not as successful as Comsec, USEC has also positioned itself to break into the manufacturing sub-contracting market, having trained a number of clients in welding and engineering industries.

Another important sector into which some LBSCs were channelling clients is the state sector. The Duncan Village Entrepreneurial Centre, for example, has set up a number of businesses which will produce component parts for houses which are to be built as part of the Duncan Village Presidential Project. Brickmaking, window frame and roof trusses factories are examples of such industries. While these industries have not been as successful as hoped (because of internal problems in the EDC), the idea to link SMMEs into state sector markets is a good one. But not enough LBSCs are taking advantage of "soft" state sector markets, such as the National Public Works Programme, the Consolidated Municipal Infrastructure Programme, the National Housing Programme, the Bulk and Connector Infrastructure Grant Programme etc. Failure to link clients with state sector markets is both a reflection of the narrow focus of LBSCs, as well as an indictment on the government for not providing to the LBSCs relevant information on tendering opportunities. Furthermore, the survey findings reveal that while linkages have been made with TLC structures (often represented in boards of LBSCs), real benefits (in terms of markets) have not been forthcoming for clients of the LBSCs.
While sewing, baking, market gardens and spazas are important in that they at least provide opportunities for self-employment, their potential to grow and generate more jobs is extremely limited. The challenge for LBSCs is to direct clients towards more sustainable and profitable businesses. This will require more innovation and diversification on the part of LBSCs, and will entail some level of investigation into the "value-addedness" of different industries. As suggested in the Provincial Growth and Development Strategy, industries such as wool, mohair and timber, where currently very little value is added locally (in terms of processing and semi-processing), could provide opportunities for SMMEs. The provincial government is also currently investigating markets in sugarbeet and hemp, both of which could provide lucrative opportunities for SMMEs. LBSCs have an important role to play in directing clients towards business opportunities and markets. However, at current levels of capacity, the LBSCs in the Eastern Cape are nowhere near as effective as they should be in this regards.

• MEDIUM-TO-LONG TERM VISION

Very few of the LBSCs had medium-to-long-term vision and clearly defined goals towards which they were working. Those LBSCs which were found to be thinking strategically about the future were COMSEC, Stutterheim, USEC, Umtata, and Aliwal North. Of these, largely as a result of them being rural LBSCs (or at least servicing a mostly rural constituency), Umtata, Stutterheim and Aliwal North saw themselves as being part of a broader LED initiative to develop their sub-region.

The other LBSCs lack vision mostly as a result of weak organisational capacity, particularly at the management and board level. In some of the rural LBSCs (eg Tombo), board members were elected by the community, being chosen on the basis of popularity rather than skills and ability. But in most cases board members have been strategically selected from relevant structures (DEAET, TLC, local business associations etc), but have not always provided the necessary strategic input. This may have to do with the fact that both LBSCs and LED are new concepts. Their formulation and development are still in the formative stages, with not even government having a clear strategic position. Also, many of the board members (eg someone from the TLC) lack specific know-how about SMMEs and their needs. Other representatives on boards, such as regional representatives of DEAET, are overcommitted and cannot make the desired strategic input.

Many of the LBSCs have been looking to Ntsika for strategic guidance, but this hasn't always been forthcoming as Ntsika themselves struggle to develop their own vision. Ntsika and DEAET still need to develop a common understanding of the role of LBSCs in LED. It is perhaps expecting a bit much from LBSCs to know their role in LED when policymakers are not sure themselves, and are even less certain of how to implement the LBSC concept.

Lack of organisational capacity, lack of financial sustainability and the absence of vision are interwoven in a relationship of self-perpetuation. LBSCs which lacked organisational capacity (largely as a result of a lack of funds) are less disposed towards securing funds (from both donors and Ntsika) for the reason that they are (rightly or wrongly) perceived not to have the capacity to manage the funds. Not being financially sustainable in turn works against the development of strategic vision. LBSCs will be reluctant to invest too much time and resources into planning for the medium-to-long term future when, in the short term, the organisation may have to close down
through lack of funds. Also, logistically, not having secured funding for the medium-to-long term means that organisations will not be able to plan and budget accurately. Staff development and capacity-building programmes will not be planned, and organisations will remain locked into the downward spiral. Amatola and Libode are examples of LBSCs in the low spiral.

The upward spiral on the other hand, involves LBSCs developing organisationally and building institutional and management capacity, gaining credibility with government and donors, and as a result securing sustainable funding which then allows for strategic planning and developing vision. This in turn allows the organisation to develop and gain more credibility with funders. The older, more established LBSCs such as COMSEC or Stutterheim are examples of organisations in the high spiral.

• NETWORKING

On the whole, the LBSCs included in the survey had set up contact and established relationships with a wide number of NGOs, CBOs, private sector and government structures. One strategy to achieve this was through the board of directors which often included representatives from TLCs, TRCs, business chambers, business associations (eg. African Hawker's Association), DEAET's regional office, educational institutions and training centres, the ECDA etc. The LBSC's, however, with a few exceptions, were not really "bearing the fruit" of such networks. For example, it was only really in the case of COMSEC and Duncan Village, and to a lesser extent Stutterheim, that the relationship with the TLC had brought market opportunities for clients. Many LBSCs (eg Aliwal North and Mount Ayliff) complain that the TLCs are not bringing the LBSCs and their clients aboard development projects in the area. This is because of a combination of incompetence, lack of understanding, and lack of political will among members of the TLCs.

Most LBSCs reported some contact with Ntsika, mostly through either being accredited or applying to be accredited. Only the accredited LBSCs reported to have been assisted in any real way by Ntsika, and then only minimally. Ntsika was found to be playing some kind of information sharing role through its facilitating (inviting and paying) LBSC coordinators to attend workshops.

Funding networks established by the LBSCs include the Eastern Cape Development Agency, Development Bank of Southern Africa, Independent Development Trust, the Transitional National Development Trust, Triple Trust, GTZ, as well as private sector organisations such as Delta, Nedcor etc. Many of the more successful LBSCs (COMSEC, USEC, Stutterheim) have established prosperous linkages with the private sector, which has given rise to funding as well as important marketing and employment opportunities for clients. Ntinga Micro-Support Project appears to have been quite active in some LBSCs (Mount Ayliff) in the area of staff development and training.

Most of the less capacitated LBSCs, particularly those in the former Transkei, have not yet established linkages with private sector and donor funders. Some of these LBSCs (Umtata, Mount Ayliff, Cala/Xalanga, Tombo) are currently receiving Presidential Project support (as is Duncan Village), which has not necessitated the establishment of such networks.

Some of the LBSCs which are least linked to established broader networks have the strongest
community roots and ties. Examples are Card Trust (Idutya), Graaf Reinet, and Libode. Staff in these "community-based" LBSCs tend to make up for their lack of skills through commitment and dedication to their communities. It is not uncommon in these "community-based" LBSCs to find staff working on a voluntary basis, or for very little pay indeed.

All the LBSCs/service providers included in the survey are members of the LBSC Association. They reported receiving a variety of information from the Association. The less capacitated LBSCs in particular, saw the Association as playing a critical role in facilitating networking among service providers and other stakeholders. The Association, which has representatives from each of the five regions in the Eastern Cape, and is affiliated to a national association, has thus far played a relatively minor advocacy role. This could (and should) change if LBSCs want to exert their influence in the decision-making process. Given that the DEAET is currently revising its SMME policy, this should happen sooner rather than later.

* INSUFFICIENT MONITORING, EVALUATION AND FOLLOW UP

Follow-up work is crucial with business training and advice, especially in start-up businesses. Largely because they are under-capacitated, most of the LBSCs are not doing effective monitoring and follow-up work with clients. The financially stricken LBSCs (Idutya, Maclear, Graaf Reinet, Libode) do not have a motor vehicle with extension workers/fieldworkers having to make use of public transport (if available). More capacitated LBSCs such as Stutterheim undertake regular site visits, but other accredited LBSCs admit to not really knowing their impact. Almost all the LBSCs have not yet developed monitoring and evaluation mechanisms. Criteria also need to be developed to assess just how effective LBSCs are. These should not just include numbers of trainees, number of jobs etc, but should also examine more qualitative aspects of development, such as the impact that LBSCs are having on poverty, empowerment, standard of living etc, and the extent to which they are perceived as meeting a need. Since monitoring and evaluation mechanisms assume the existence of clearly defined targets, these would first have to be developed.

* LOCAL ECONOMIC DEVELOPMENT

Related to the point above, LBSCs do not have a clear idea of their role and intended impact on LED. Government too has not clearly defined the role of LBSCs in LED. Views differ considerably among Ntsika, DEAET and the LBSCs themselves as to the level of involvement of LBSCs in LED. One view, currently being articulated for example by Mr Khulile Radu of the SMME desk of DEAET, is that LBSCs are not the vehicles of LED. For a start, he argues, they don't have the capacity, and secondly, their interests are too narrow (confined to SMMEs). LED should rather be facilitated by TLCs, who in terms of their integrated development plans, would establish LED units, or committees to drive the process. On this model, LBSCs would be one of a number of stakeholders that may comprise a LED forum to influence the TLC to create an enabling environment for SMMEs.

Members of LBSCs themselves, and for instance Patrick Silo from Ntsika, argue that in many parts of the country, and indeed the Eastern Cape, TLCs don't have the capacity or will to drive
the LED process. In such circumstances, LBSCs must be the vehicles of LED. They are the organisations in touch with the business community, and they have already been integrated into broader networks. LBSCs and SMME service providers have an especially important role to play in towns where TLCs are still in their embryonic stage and have no conception of LED. The TLCs in many (especially rural) towns in the Eastern Cape are struggling just to provide the most basic of services, and have not yet begun to play much of a developmental role. Besides in the larger centres (East London and Port Elizabeth), it would be premature to expect TLCs to lead the process of LED.

A third view, being put forward by for instance Chris Motsilili of the Umtata Business Service Centre, marries the two. In accepting that LBSCs provide too narrow a focus and are biased towards SMMEs, this approach advocates that LBSCs should be reconstituted as broader LED initiatives. Plans are underway to explore the possibilities of the Umtata Business Service Centre (UBSC) being integrated into the Umtata Economic Development Initiative (UEDI), which is soon to be established as a Section 21 Company. In a recent meeting held between representatives of the Umtata TLC, the Presidential Project Team and the Umtata Business Service Centre, it was agreed that "the mission of the UBSC will be redefined by adopting the broader concept of Local Economic Development, rather than dealing exclusively with SMME development" (Business Plan of the Umtata Economic Development Initiative, March 1998).

Unlike the UBSC, the UEDI will "deal with the combined economic interests of the public and private sector organisations". The mission statement of the UEDI is "to promote and advance the development of the local economy of Umtata and surrounding areas through the establishment of a self-sustaining inclusive and representative organisation which addresses employment creation, wealth and income generation, training, facilitation, and the co-ordination of private and public sector organisations at local, provincial and national levels. The UEDI will seek to coordinate and direct the development actions of the existing organisations in the town and province. The long term sustainability of the proposed organisation will be achieved by its involvement in income generating projects" (Business Plan, March 1998). In order to achieve this mission, the EUDI has identified four strategies: institutional development and coordination; project development and funding coordination; the provision of services; and marketing. In terms of this approach, it is intended that the business advice and services offered by the Umtata Business Service Centre will still be offered under strategies three and four. It therefore follows, say consultants Urban-Econ, that the organisation should stay accredited by Ntsika. This remains to be seen.
CONCLUSION AND RECOMMENDATIONS

The survey revealed marked differences in the functioning of LBSCs. They could more or less be categorised into three broad categories:

1. These LBSCs have organisational capacity, are sustainable and have committed donor funding, and are effective in the services they deliver (COMSEC, Stutterheim, USEC). To some extent these are being heralded as the models for LBSCs. COMSEC is often put forward as an urban model, and Stutterheim as a rural model. While there are definitely lessons to be learned from these successful LBSCs, the logic which suggests that they can be unproblematically copied is both misinformed and dangerous. There are very particular reasons for their success, not least of which is their leadership capacity, their position in the broader community (including very good relationships with their TLCs), and the fact that they have been around for many years and have overcome many of their teething problems. All of these LBSCs are accredited with Ntsika, and because they are seen to have credibility and are effective in what they do, are able to attract donor funding.

2. The second group of LBSCs are those which are receiving Presidential Project support, and as a result are, in the short-to-medium term, more sustainable (Umtata, Mount Ayliff, Tombo, Duncan Village). Having Presidential Project support also means access to a whole network of support. It also means being that much more connected to the policy environment and the imminent possibilities that brings. The current initiative of the Umtata Business Service Centre to transform itself into a broader LED organisation is an example of such possibilities. These LBSCs have at least some short-term breathing space to develop capacity and build up a client base before they have to really think about sustainability. Only one of these LBSCs (Umtata) is accredited.

3. The third group refers to those service providers which have mostly grown out of community initiatives, but are currently hopelessly undercapacitated and are not sustainable, even in the short term. Examples of such LBSCs are Libode, Card Trust (Iduty'a), Graaf Reinet, Maclear etc. These organisations are characterised by high levels of community support and a dedicated team of staff (all who come from the local communities) who often work voluntarily or for very little remuneration. Without intervention (eg by Ntsika), these organisations are doomed to fail despite their gallant efforts. None of these service providers are accredited.

One of the disturbing findings of this study is the level of misconception among LBSCs/service providers. Besides those in Category 1 above, which have got established linkages with donors and the private sector, all the others expect the government to provide them with core funding. Clearly they are not aware of the policy shifts towards output based funding. LBSCs and service providers are also moulding themselves on the Ntsika model of an LBSC, rather than as broader LED organisations which may be better placed in the new policy environment. Such organisations, registered as Section 21 Companies, could offer the same business services as an LBSC, but at the same time do much more (eg facilitate development projects).
No research is complete without some final recommendations:

- The research revealed a serious lack of coordination and communication between government departments. The DEAET and MTI (Ntsika, Khula, PSBC) need to adopt a common strategy towards both small business development and LED.

- Stemming from this, agreement will have to be reached over the viability of the LBSC concept. What is its role in LED? How does it fit in with LED structures (LED forums)? Should LBSCs be transformed into broader LED organisations?

- If the LBSC concept is seen to be viable for the medium-to-long term future, a strategic plan for the establishment and maintenance of LBSCs in the Eastern Cape needs to be developed. To what extent should the establishment of LBSCs be needs-driven, and to what extent should their development be strategically planned?

- Existing LBSCs are in need of organisational evaluations to determine their strengths and weaknesses, and provide a clear plan on how to build institutional capacity. They need to develop long term goals and means to achieve them. Importantly, they need to establish ways of measuring their impact on the target groups they service.

- The trend of established (accredited) LBSCs working with fledgling service providers in order to train, develop and build capacity is something which should be consolidated (e.g. Stutterheim’s BAC working with Card Trust, the Xalanga Entrepreneurial Centre and the Bambhisanani Business Centre in Maclear). The viability of satellite LBSCs attached to established organisations needs to be explored and developed.

- LBSCs were found to be most successful where they had a close relationship to the TLC or TRC. Ways need to be found to make TLCs more in tune with the economic development needs of their constituencies. This could be something taken up by SALGA.

- LBSCs were found to have a narrow sectoral focus and were not establishing forward and backward linkages with larger private sector companies. Given the rise of sub-contracting in the country, LBSCs should be putting more thought into this function. The point is taken though, that there are very few such opportunities in the rural areas.

- LBSCs should also be giving more thought towards cost recovery. Given that most LBSCs are legal entities (as Trusts or Section 21 Companies), this may involve innovative means such as establishing a portfolio of property and business interests, facilitating development projects etc. Cost recovery should not be at the expense of the poor - clients who cannot afford services should nonetheless receive services (as is currently the case).

- Still on the question of sustainability, LBSCs need medium-to-long term (3-5 year) funding commitment from donors if they are to plan and operate effectively. The problem is that donors are less likely to commit funding to undercapacitated organisations. The focus therefore should be on organisational development and building institutional capacity. The Service Provider Development Programme which is currently being developed by Ntsika seems to be a step in the right direction.
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