

**A REVIEW OF THE SOUTH AFRICAN LOCAL
BUSINESS SERVICE CENTRE PROGRAMME:
CURRENT STATUS, FUTURE PROSPECTS**

**FINAL REPORT FOR INTERNATIONAL
DEVELOPMENT RESEARCH CENTRE – REGIONAL
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Acknowledgement

The ability of the review team to conduct its work was based on the participation of management and staff from 11 Local Business Service Centres (LBSCs) in South Africa. These participants are listed in Annex A. On the data gathering mission from 10 to 19 April, and at short notice, the team was met by these LBSC review participants with courtesy, a willingness to spend valuable time, and very often, by an enthusiasm to discuss and explore openly the challenges of delivering business development services in South Africa through the LBSC system. This cooperation was highly appreciated, and was invaluable in enabling the team to perform a cross cutting, strategically focused review which could draw strongly on the individual experiences of LBSCs over the last five years.

This participation of these LBSC actors was backed up by logistical assistance, by the provision of information, and by frank discussion on the programme's current status and future prospects from staff of Ntsika Enterprise Promotion Agency's Business Development Services Division in Pretoria. Nigel Motts of the IDRC-ROSA provided valuable comments on a comprehensive draft report.

The review team would like to thank all the above mentioned for their commitment to making this a successful review process.

I. INTRODUCTION

The Local Business Service Centre (henceforth LBSC) programme is – or certainly is intended to be – South Africa's flagship small business support programme. The motivating document for the post-1994 era of such support, *The National Strategy for the Development and Promotion of Small Business in South Africa*, clearly stated this intention:

Compared to all the other policy areas forming part of the national strategy, *the establishment, maintenance and gradual expansion of a national grid of LSCs [Local Service Centres] will constitute the most important vehicle for small business support in the near future* and it is likely to demand a substantial share of public sector funding for the small business field. It should, in fact, be the one programme that can best help to integrate services available for small enterprises at the local level.¹

In the mid-1990s, there was simply no existing public small, medium and micro enterprise (SMME) support infrastructure for the country. The Business Development Services (BDS) Division of Ntsika Enterprise Promotion Agency (henceforth Ntsika) – first established in Cape Town in late 1995, relocated to Ntsika head office in Pretoria in early 1997, and merged three years later in 2000 with another of Ntsika's six divisions, the Management and Entrepreneurial Development Division (MED) – was tasked with the management of the LBSC programme as a key intervention in the promotion and support of small business in the country.

At this point in mid-2000, the BDS LBSC programme has helped to establish a national network. This is comprised of some 106 accredited local-level service providers that deliver business development services to a very broad target market. This market represents, at minimum, the categories of aspirant entrepreneurs, new start-ups, and existing small businesses. The market can also be broadly split between micro and survivalist enterprises, and small and medium enterprises. The categories and segments of the LBSC target market are located in a wide variety of environments – metropolitan, large and medium city, small town, township, rural – across a big country.

In these different environments, individual LBSCs now typically represent partnerships between community, private and public sector interests. Unsurprisingly, these LBSCs have significantly varying human and financial capacities, and service provision experiences. The LBSCs represent, in Ntsika's current typology for them, four different institutional types:

- Community-based non-government organisations (Type A)
- Small business membership organisations (B)
- Parastatal organisations or education and training institutions (C)
- Private sector service providers (D).

¹ *White Paper on National Strategy for the Development and Promotion of Small Business in South Africa*, Department of Trade and Industry, 1995, 5.8.9, p.47.

In its five years of operation, this complex, multi-faceted LBSC programme has moved through a number of different phases. The major operating procedure in which Ntsika plays the core role – the accreditation process – has been revised. The changes made have then implemented in the field. In the face of what is widely perceived as a disappointingly flawed process of implementation of the national strategy for small business, the LBSC programme, given its prominence, has acted as something of a lightning rod for criticism. The programme's perceived debilities in terms of overall strategy, accreditation process, funding procedure, income generation performance, service fit (or lack thereof) with the needs of clients, and impact assessment have all been reported and commented upon in the media, but seldom, it must be said, adequately analysed.

The International Development Research Centre-Regional Office Southern Africa (IDRC-ROSA) of Canada funded the initial establishment of the LBSC programme. It has remained keenly interested in its performance since that time, as part of the IDRC's strong commitment to small business support in South Africa. Accordingly, the IDRC, with Ntsika's full support and assistance, commissioned this review of the LBSC programme's current status and future prospects.

The review is conceived as an **independent and relatively informal strategic overview** of the status and prospects of the programme, rather than as an in-depth evaluation of its impact to date – or, for that matter, of the impact of individual centres. The overall intention of the review is to provide both Ntsika and the IDRC with an informed opinion on the options to tackle both the strategic and operational challenges now confronting the LBSC programme in the light of performance to date and the resources available to it.

The team was therefore tasked with four major review objectives:

- A review and synthesis of evaluative work done to date.
- A review of LBSC programme delivery performance in terms of the following key performance aspects:
 1. Knowledge of the target market/s need/s for services
 2. Effectiveness of services and products and the development of innovative practices in response to experience and demand
 3. Funding models and processes
 4. Accreditation procedures
 5. Linkages to other SMME service providers and instruments, both public and private
 6. "Value added" provided by the network for the operations of individual centres
 7. Programme impacts, and their measurement (i.e., monitoring and evaluation)
 8. Strategic responses to assessment and sustainability implications.
- The contribution of the LBSC programme to addressing unemployment in South Africa
- An overall assessment of the performance of the LBSC programme and recommendations as to its future development.

To address these objectives, the report is structured in six sections. The methodology section, which follows, outlines how the review was carried out. The next section then

deals with assessments of the LBSC programme to date, located within the context of Ntsika's broader mission and structure, and sets forth what we consider from this to be the major issues facing the programme. Section IV, Delivery Performance, summarises in six sub-sections our findings on how the programme is performing in terms of the key aspects listed above. This allows, in the following section, an identification and analysis of what we believe are the key success factors for the LBSC network in 2000 and beyond. Section VI then concludes the report with the recommendations of the review team for Ntsika's LBSC programme. These are situated in relation to the BDS Division's current elaboration of strategy and procedures for the programme.

II. METHODOLOGY

To perform an informal strategic review of the LBSC programme which could draw on the information aggregated from what had to be, for reasons of time and cost, only a selected sample of LBSC experiences, the review team decided to rely on two data sources. To begin, Ntsika's BDS Division provided us with LBSC programme general information, evaluation reports (most of which covered more than the programme alone), and procedural manuals, some completed, others in process.

The data gathering mission was conducted at the same time as the review of this documentation. A cross-section of 11 LBSCs (approximately 12% of the 106 accredited) was selected with Ntsika's guidance. This selection covered a variety of environments (metropolitan, urban, township, rural) in locations in four different provinces (Gauteng, Free State, KwaZulu-Natal and Eastern Cape), as well as the four LBSC types listed above. The institutions are listed in Annex A.

Our field visits to these LBSCs allowed a series of individual and group interviews with management and staff. These "key informant" interviews involved actors with in-depth experience of the LBSC project cycle to date: service design (planning), delivery (implementation), assessment (evaluation) – and even redesign after assessment. A detailed questionnaire was developed by the review team to expedite systematic data collection in these interviews. The questionnaire broadly followed the delivery performance areas specified in the Terms of Reference for the review, as oriented by the stages of the project cycle. Matrices were designed for information capture, and for the identification of key strategic delivery issues.

A collaborative process of data analysis by the review team, focused at the overall LBSC system performance level rather than that of individual LBSCs, followed data collection. This analysis is now presented in this review report in the form of an evaluation of current performance, the identification of issues relating to key performance areas, and recommendations on how to resolve these issues.

The team's analysis was shaped by each member's experience with designing, delivering and evaluating business development services, and by our knowledge of

international good practice in the area.² Stephen Daze's experience as the manager of an LBSC-type institution in Canada, the Entrepreneurship Centre (EC) in Ottawa, and his knowledge of the operations of the network to which the EC is affiliated in the province of Ontario, the Ontario Self Help and Enterprise Network, proved particularly useful in acting as an informal benchmark for South African LBSC procedures and performance.

III. THE LBSC PROGRAMME: FIVE YEAR EXPERIENCE, EVALUATION REPORTS, AND STRATEGIC ISSUES

Ntsika's mission, according to its brochure, *Programmes for 1998/99*, is "To render an effective promotion and support service to the SMME sector through a broad range of intermediaries, to contribute towards equitable growth in South Africa." To fulfill this mission, as mandated in government policy and enshrined in legislation, Ntsika has also taken a **broad** approach to service delivery: 22 separate programmes (some with sub-programmes) are described in the brochure. These fall under the institution's six divisions.³ The LBSC programme, although listed as number 18 without any comment, is presumably seen as crucial to the Ntsika service mission of "wholesaling" through intermediary service providers and thereby increasing access to business development services for the broad and diverse South African SMME target market described above.

The Ntsika LBSC programme objective, in the words of the brochure, is therefore:

To facilitate the access to quality business development services by identifying and accrediting service providers as Local Business Service Centres in partnership with provincial and local stakeholders.

The BDS Division's central responsibility is to design and implement the LBSC programme: the words "create," "co-ordinate," and "develop" – all of which, as will be discussed below, have different connotations for "delivery" – are all variously used in Ntsika's and the division's promotional materials and operating manuals on the programme. These sources are important, as neither a project document (i.e., design document) dating from the mid-1990s, nor an easily accessible record of the programme's development since that time appear to exist.

² See, in particular, Committee of Donor Agencies for Small Enterprise Development, *Business Development Services for SMEs: Preliminary Guidelines for Donor-Funded Interventions: Summary of the Report to the Donor Committee for Small Enterprise Development*, Private Sector Division, World Bank, 1998.

³ A recent audit of Ntsika service providers states that there are actually 31 separate programmes – a remarkable number for an institution with between 60 and 70 staff. Mark Isserow and Zaid Kimmie, Community Agency for Social Enquiry, *A Service Provider performance audit and financial record review*, 2000.

On a reading of the extant material and from interviews with BDS Division staff, two consistent key design and implementation elements nonetheless clearly emerge for the programme:

1. **Accreditation:** The LBSC programme has always sought to identify (or recognise) and then accredit intermediary service providers. The accreditation process serves as an induction mechanism: accredited institutions become formal members of a national network. From Ntsika's side, this formal process allows:

- The strengthening of the organisational and technical capacity of individual service providers
- Assuring the quality of service provision ("a defined standard of operation," or "a good and universal standard")
- A window into how (and whether) service delivery across the country is occurring in line with the imperatives of the national strategy for small business.

For service providers, the benefits of accreditation are seen as:

- Recognition as part of a national network and the credibility this confers
- A resource toolkit focused on marketing material
- Information support and services
- Access to training courses
- Access to funding from both Ntsika and other sources
- Incorporation within an Ntsika supported marketing campaign.

The accreditation procedure has seen quite considerable change since the start of the programme. Accreditation originally occurred in two competitive rounds, in 1995-96 and 1997-98 respectively, and was associated with a guaranteed but relatively small level of funding support. The second round started to involve provincial government to a greater degree. After much turbulence – involving de-accreditation for some of the original LBSCs – the result was 32 accredited institutions, clearly not a large number.

A new accreditation procedure, developed in the 1998-99 period, is now, in the words of the LBSC Programme Description, "a continual process...[which] will accommodate a broader range of SMME service providers." Very importantly, accreditation no longer brings guaranteed funding from Ntsika: accredited LBSCs – split into the four categories listed earlier – are now eligible to apply for funding either under the LBSC banner, or from Ntsika's other funding programmes.⁴

In addition to this continual process and the more variegated conception of service provider institutional format, there also appears to be a greater emphasis on involving local government and other local community actors in the process of accrediting LBSCs. As per the original intention, LBSCs are increasingly seen as **local assets** that must be designed and implemented to integrate SMME support services in any locality. This perforce puts such local

⁴ Parastatal and private sector organisations – which fit within Types C and D – are apparently only eligible for ad hoc project funding.

stakeholders into a situation where they have to take responsibility for implementation and thus consider sustainability issues. The provincial role also continues to be highlighted.

At this point, some 106 LBSCs are accredited under the BDS programme, approximately 75% of them NGOs or community-based organisations, about one eighth small business membership organisations, roughly the same proportion private sector, and a remaining 2% or so higher education institutions. These accredited bodies are dispersed through the country: of the four provinces best-represented in the metropolitan-based core of the South African spatial economy, the Western Cape (20% of LBSCs) and Eastern Cape (18%) are relatively over-represented in comparison to KwaZulu-Natal (19%) and, particularly, Gauteng (16%); of the more peripheralised provinces, the Northern Province fares best with 11% of all LBSCs.

2. Core Services: Accredited LBSCs have always had the responsibility to deliver a set of core services. Currently, LBSCs are tasked with delivering – increasingly, in a fashion which both responds to specific and demonstrated local demand for services, and strives to coordinate any local supply of services, as well as link them to financial service delivery to SMMEs – a set of "non-financial" business development services. This minimum set is characterised in the LBSC Programme Description as comprising:

- The provision of information
- Training, either in-house or outsourced
- Business counseling and advice
- Referrals.

Given presumably the imperative to adapt to diverse local circumstances, these services do not appear to be further delineated or standardised. In contrast to some of the more ambitious statements of intent emerging out of the discussion around the national strategy in the mid-1990s, it appears as though the Ntsika LBSC programme is learning from experience: it is highly difficult, and probably unwise, to deliver a mandatory, standardised set of services to the diverse client groups in very different locational and environmental conditions in South Africa.

Given these key elements, what have reviews or evaluations of the programme had to say about the LBSC programme design and implementation experience to date? Are areas for redesign appearing at the level of the overall programme? Here, we can only provide a few indications, as it does not appear as though the LBSC programme has been evaluated as such. A recent, somewhat overwrought report for GTZ and Ntsika on a potential monitoring and evaluation system, criticises the LBSC programme – as Ntsika's "central programme" – for being based on the enterprise agency model from the United Kingdom. Whatever its merits, this criticism is seemingly not founded on much direct and sustained experience of the LBSC implementation performance.⁵ The final report on a midterm evaluation of the national strategy for small business contains a thoughtful chapter on Ntsika's progress to date, but little on the LBSC programme itself beyond commenting that:

⁵ Alan Gibson, "Key considerations in developing an M & E system in Ntsika," The Springfield Centre for Business in Development, 2000.

- The programme does not have a clear strategy
- BDS makes "costly decisions" in its selecting and developing the capacity of LBSCs which have over-consumed resources
- Aftercare is overlooked after initial service provision
- Khula Enterprise Finance's financial service retailers, the Retail Financial Intermediaries (RFIs), and LBSCs rarely cooperate in the field, "even in the same geographical area and with the same category of SMMEs."⁶

Another recent review provides some feedback from a survey conducted with Ntsika's service providers. According to this, 82% of LBSC respondents regarded accreditation as beneficial in order of utility, in securing funding, in improving credibility, in assisting networking, and in capacity building. Some indication is also provided on LBSC impacts in terms of assisting entrepreneurs, creating new businesses, assisting existing businesses, and creating employment.⁷

Despite the paucity of evaluation material, some conclusions for the Ntsika LBSC programme's strategy can be tentatively drawn from our analysis in this section. The LBSC programme appears to be learning from often hard experience. The BDS Division appears to be moving away from a perspective in which it sees itself as somehow the **creator** or even **coordinator** of the LBSC network (or system or movement) in the country. Rather, it is attempting, often inchoately, to take a more strategic view: to see itself as the **facilitator** and **developer** of a network. Attempts have clearly been made to:

- Regionalise the programme's activities (i.e., to strongly involve provincial-level actors)
- Localise them (i.e. to involve local actors – so called "champions" – as **leaders** of the programme in their areas)
- Partner them, with local-level actors encouraged to work together, supported by regional actors, and backed up by the BDS programme
- Integrate them into local economic development (LED) activities, often in a specific role, sometimes even in a central position.

Private sector actors, capabilities and attitudes ("business-like") attitudes are also increasingly being emphasised as necessary for successful LBSC operation. Funding has been partially – and, it must be said, unclearly – delinked from accreditation.

All of this is realistic. The idea that the BDS Division could somehow **create** its "own" LBSC system was profoundly optimistic in the South African situation where, with all the best intentions, very few people or institutions had capability in the design or implementation of business development services. Moreover, this sort of goal simply cannot be realised on a small budget (about R8 million per year currently) – and with only two or three staff members dedicated to the programme. Equally, as Gibson correctly points out, a **coordinating** role was probably also an over-ambitious one:

⁶ *Mid-Term Evaluation of the National Strategy for the Development and Promotion of Small Business in South Africa*, Carana Corporation, with the assistance of Upstart Business Strategies and MSSC Consulting, 1999.

⁷ Mark Isserow and Zaid Kimmie, Community Agency for Social Enquiry, op cit.

very few governments, and only those with unusually strong capacities, can co-ordinate SMME support...Providers, like SMMEs, need services and market-based incentives – not ineffective attempts at 'co-ordination'.⁸

In fact, a successful LBSC network in the South Africa situation, we would argue, has to be decentralised (i.e., localised), and based on local partnerships in which actors from different sectors (private, community, public) have well-defined roles and responsibilities. Within this frame, at this point the BDS Division, as the key national (central government) level player in the network, needs, whilst drawing on its learning from the implementation experience to date, to better define what its **LBSC programme** – which it does own, as opposed to the **LBSC network**, which it does not, cannot, and should not even want to own – can and should do to **facilitate and develop** the network. This system remains, as our review of performance below demonstrates, a highly promising and necessary business development service intervention for entrepreneurs and SMMEs in South Africa.

Our position, of course, implies that Ntsika's overall "wholesaler" role be carefully interrogated. In the case of the BDS LBSC programme, it is disquieting that this supposedly key intervention is regarded as only one of many Ntsika "wholesaled" programmes. Ntsika has been widely criticised for its lack of focus in the delivery of support services to service providers, and its move towards being a "retailer" of programmes itself – with all the potential and actual duplication this implies. With regard to the LBSC programme – obviously our concern here rather than Ntsika's overall structure and functioning – the strategic challenge is for the BDS Division, as merged now with the MED Division, to define a realistic facilitating and developing role – and move forward rapidly and decisively with this, together with the requisite partners at local and provincial levels, taking into account, all the while, its own scarce resources and capabilities. **The BDS Division LBSC programme needs to support an LBSC network or system – not somehow become it.**

IV. A REVIEW OF LBSC DELIVERY PERFORMANCE

1. Markets

The LBSCs the team visited vary in their market focus in terms of the **geographic area** of concentration, operating in metropolitan, urban and rural environments. In most instances, job creation and generalised local economic development are fundamental goals for LBSCs in their respective geographic areas served. Most of them, therefore, have a practice, if not an explicit mandate, to serve wider rather than narrower geographic areas. These often encompass both urban and rural client markets and thus include a wide range of economic activities ranging from agriculture through manufacturing to personal and business services. Rural areas served are particularly extensive in spatial terms. For most LBSCs, then, the variations in clients that are served demand much versatility in competence, and often a high degree of travel.

A number of LBSCs also have broader national or provincial mandates and

⁸ Gibson, op cit, p. 6.

responsibilities. Examples include:

- MODE, which provides economic empowerment services (training, workshop commercialisation, employment placement) for people with disabilities in South Africa and medico-legal consulting to government departments and other service providers for the disabled.
- The Education with Enterprise Trust (EWET), Harrismith, which designs and delivers entrepreneurial development programmes for youth on a national basis (its own Youth Enterprise Society initiative, and through the Joint Education Trust, the Business Now Learnership project), as well as a LED programme entitled Partnership for Development for use in any locality.

Without exception, all the LBSCs interviewed have a practice of serving a range of **client groups** that vary either by location or by economic activity, or in many cases by both. Little market specialisation or industry/sectoral concentration exist. Rather, LBSC service provision targets a diverse and, in many instances, dispersed set of client groups. Indeed, although most centres had facilities conducive to client meetings and training, the majority of work seemed to be conducted off site, at actual client locations. One – metropolitan – center was aiming to deal with spatial dispersion by establishing eight satellites.

With few exceptions, all LBSCs also serve a wide cross section of **age groups**. The modal age tended to be between 30 and 45. Unless targeted to a specific demographic group (e.g., youth), LBSC service provision is not limited to any age group.

Most centres have a relatively even gender split between male and female clients. In some notable exceptions, there was a tendency to serve a higher percentage of either men (this has some association with urban locations and a focus on existing businesses) or of women (rural locations and a focus on aspiring or start-up businesses). Where such skews existed, they appeared to be determined by circumstances in a locale rather than by conscious design.

Most LBSCs have, as mandated, a primary focus towards **previously disadvantaged clients**, but will provide service to all clients. Black (African, Coloured, Asian) South Africans typically represent between 65% and 99% of the typical LBSC client population. Only one LBSC indicated an exclusive and proactive targeting of African clients, but also indicated that other SMME clients would not be turned away. The **unemployed and retrenched** were prominent in the clientele that the majority of LBSCs aimed to serve, indicating a clear intention to alleviate unemployment.

The majority of LBSCs interviewed had a client make up slightly skewed towards those currently **operating businesses** (perhaps 60% of clients on average). A few centres noted an even higher concentration of clients in this market (i.e., up to 80% existing businesses). This latter focus seemed to be a result of a better ability to generate service fees from this client group, not necessarily because of relative demand or institutional mandate. A conscious segmentation in terms of **size or nature of the enterprise** served was also uncommon: only one LBSC we visited had developed a strategy to differentiate between what were termed "high risk" micro clients, "mid-level" risk small clients and "low risk" small and medium clients. Almost all LBSCs emphasised the difficulties of generating fee income from

survivalist and micro clients.

In summarising, then, our data indicates that the client market served by LBSCs represents an extremely wide cross section of demographic, socio-economic, spatial, and business size client groupings. Indeed, in most cases, LBSCs have a compassionate desire to impact positively on any or all clients possible, regardless of their own capacity.

But in the majority of instances, the applicable resources and funding for LBSCs do not provide for the capacity needed to adequately service this very broad client market. This has led to an informal specialisation based on existing competency as well as – and also on the positive side – the development of a highly resourceful group of service providers.

The make up of new versus existing businesses is fairly evenly distributed. This may or may not be the result of assessed demand or need in the respective markets. For many, servicing existing business clients provides a critical opportunity to generate income. Client make up is, then, at least in part, driven by a need to generate funds for LBSC sustainability.

The need for business support services is greater in the previously disadvantaged community. As a result, service provision is heavily oriented in this direction. The range of business services required by this market is very diverse, encompassing fundamental life skills development, market development, business skills, and access to finance. This puts tremendous pressure on the LBSCs to provide a wide range of services and products.

2. Products and Services

As would be expected then, a wide range of services and products is thus currently offered by the LBSCs. As mandated by the BDS accreditation process, consistency between the LBSCs does exist within this range: the categories training, counseling and advice, referrals and information provision are all covered, although in different ways, by the LBSCs.

2.1 Training

Without exception, all centres provided enterprise or business support training. This includes general training activities, often developed in-house and delivered by staff on such topics as entrepreneurial skills, business planning, pricing and costing, financial management, and marketing and sales. Modules developed or franchised by the Service for Enterprise Improvement Business Start-Up Africa - SEIBSA (the ILO's Start Your Business and Improve Your Business), and others (e.g., One Up for micro business and Youth Enterprise Society courses) are also prominent. In some instances, technical skills training is offered to clients in the pursuit of self-employment or employment in existing firms, this often subsidised under existing Department of Labour schemes (which will now change under the new skills development dispensation). Examples include: building trades, metalworking, clerical skills, garden maintenance, and cooperative formation. Ntsika training initiatives highlighted as

contributing to LBSC service provision capacity include tendering procedures and completion of tender documents (via Tender Advice Centres), technical skills (via the Technopreneur programme), and various training of trainers activities.

2.2 Counseling

Business counseling is offered by all the centers visited, with a focus on tender advice, business plan development, accounting/finance, and general business development. Counseling is often offered on a fee for service basis with the client's ability to pay acting as the determining factor in the charge rendered. For many, counseling revenues are relied upon to contribute to operating budgets. Some counseling is done in the centres themselves but it appears to be done mostly in the field. **LBSCs tend to operate, then, as a generalised field extension service.** In fact, apart from businesses in incubation facilities, we saw virtually no clients in our visits to centre offices. Ntsika-led training for small business counselors was noted as a valuable learning opportunity for LBSC staffers.

2.3 Referrals

Countering the evaluation finding detailed in the previous section, referrals to sources of funding such as Khula RFIs and commercial banks appear to be quite common for all the centres we interviewed. RFIs are often in close adjacency to centre offices, and in two cases, are even co-located in the same complex. In some instances, fees are charged to the client based on their success in accessing funds, or to the funder in the form of a referral fee. LBSCs, as they gain experience and local prominence, are also increasingly serving as reference points or even gateways or portals to other business development services or, more widely, to LED activities in their areas.

2.4 Information

All centres noted their provision of free business publications and general information on SMME activities or opportunities. But there was relatively little displayed for client use in most centres we saw. This could be due to what appears to be a high number of site visits relative to walk-in traffic. Most centres produce marketing brochures on their activities for distribution to clients, but many of these documents were quite limited in scope and detail. Few centers provided Internet access on site: those that did remarked on the potential utility of the DTI's BRAIN service.

2.5 Other

In a number of cases, incubation facilities were offered to SMMEs, notably in small manufacturing (clothing, metalworking, woodworking are leaders) and personal (e.g., fast food, motor repair) and business (e.g., stationery) services. Many LBSCs clearly have access to a good amount of physical space – often subsidised by local authorities or parastatals – and have taken advantage of the opportunity to extend rental services to incubation clients. This has provided a valuable space solution for many SMMEs, as well as providing a steady stream of revenue for the LBSC. However, apart from one notable exception, a well-developed model for incubation, involving facilitating access to finance, and consultancy services on technology and markets, does not appear to have been designed and implemented.

Other products and services were also witnessed. One LBSC also currently operates a retail location for clients' products. Another has plans to open a similar shop focusing

on art and craft works. Employment placement services are also available at a small number of LBSCs. As noted above, forms of tender advice are also prominent. Such tender offerings include training, counseling and notification services. There is some evidence of export market training, with the Ntsika-delivered European Union-funded Trade & Investment Development Programme (TIDP) programme used in some centres.

In deciding on service and product mix, it is apparent that various needs assessment methods are in place within LBSCs. Most of these are informal. In most LBSCs, focus groups and observation through community meetings are used upfront to assess current skills and service levels and to ascertain the gaps for LBSCs to orient their services towards. Ongoing needs are then assessed by way of feedback from existing clients. One LBSC has implemented an extensive process of survey research in the locality, drawing on a university-based academic to conduct the work, and a business foundation to fund it. With this exception, no clear, proactive, structured or systematised approach to needs assessment was identified.

To conclude, a broad and seemingly effective service mix – as a kind of national, and still experimental patchwork – exists across the LBSC network. Good practice "modules" – some developed by individual LBSCs – are emerging. In most cases, LBSCs have adapted their service offerings to meet the unique challenges of their own markets, which they know well, albeit only in a few cases in a formalised fashion. In most instances, it is not clear what, if any, formal methodologies are utilised to assess needs and determine and design apposite products and services. Service design and delivery seems to be based on the needs that are most socially and economically immediate and evident, not those which might be most macro-economically impactful. Another way of putting this, is that for most of the LBSCs we visited, mandates are focused towards employment creation as a result of their perceived social responsibility to aid the previously disadvantaged and particularly the unemployed (business start-up as a by-product of employment creation emphasis), rather than a focus on business creation to aid local economic development (economic impact through strategic business creation).

All the LBSCs observed appear equipped to deal with issues related to business start-up and growth targeted at the survivalist and micro entrepreneur, as well as business and non-business related skills aimed at that segment. The small and medium segment appears to pose larger challenges.

Examples of innovation in the provision of services targeted toward entrepreneurs include:

- A storefront retail location for clients' products
- A proposed resource centre on wheels to service local townships
- Entrepreneurial assessment tools to determine entrepreneurial readiness or aptitude
- Disabled workshop transformation and commercialisation training

A degree course in SMME business development services aimed at potential service provider personnel was another interesting innovation.

Many LBSCs noted that they could have greater reach were it not for capacity issues and funding constraints. Service provision is directly circumscribed by funding

limitations and, for some, by the vast geographic areas they service. LBSCs with secure funding and more spatially concentrated markets appear able to offer more effectively the array of products and services needed by what remain widely diversified overall client markets.

3. Funding

LBSC funding models provided considerable insight into the challenges encountered by centre managers and staff. There is no common funding formula among the centres interviewed. The only consistencies include a Ntsika contribution (past or present) and LBSC revenue generation through fee for service. The network appears to be characterised by a wide range of donors – public, foreign and private – that delivers support on an astonishingly ad hoc basis, coupled with ingenious revenue-generation strategies. With virtually no exception, interviewees – many of whom looked exhausted just at the thought of discussing the topic yet again! – emphasised that access to predictable funding streams is a major and burdensome organisational challenge. As a result, on the up side, a remarkably high, probably world-class degree of creativity and resilience has emerged – and indeed is evident in the ongoing capacity of LBSCs to provide business development service delivery across the country.

In many cases, then, funding sources include foreign government donors, which have become integral for many LBSCs in their capacity to finance service delivery. No coordination of donor sources was apparent – and nor, as might be more realistically expected and delivered given the difficulty of such donor coordination, was there coordinated provision of information on where and how donors are funding. Neither was there any coordination of or generalised information on business donors. In any event, such ‘donor’ funding from business – e.g., from corporate social responsibility funds – is noticeably absent from most LBSCs. Where it occurs, there were demurrals about its “fickleness” and lack of scale. Relatively few LBSCs have secured funding commitments from local area businesses. There is also a strange lack of corporate sponsorship or of assistance in kind, through business people, for example, volunteering to assist with the delivery of particular services. Beyond altruism, the recognition, common elsewhere, that the return on such ‘investment’ could be potential future clients for sponsors is clearly missing.

Relatively few local councils directly support their LBSCs financially, although some in-kind contributions were apparent, notably in the form of subsidised or even free premises. Metropolitan governments were seemingly more aware of the potential benefits to their constituents and economies: in the examples where metropolitan authorities are providing funding to the LBSC, this ranges from 8% to 60% of the centre’s total operating budget. Provincial support was virtually non-existent in direct funding.

Almost all centres therefore rely on revenue generation for often quite a high proportion of their operating budgets (on a rough average 10% to 25%). In many cases, training seminars and consultations are offered on a fee for service basis. Other revenue generation services include assistance with VAT returns, record keeping and business plan/loan application fees, as well as rental income from incubated

businesses. One LBSC has a project management service, another its own consultancy service. In other cases, revenue is also generated through training contracts from NGOs, government departments, including the Department of Labour, the Department of Agriculture, and the Department of Welfare, and from parastatals such as Eskom or Telkom.

The funding model of only one or two LBSCs displayed a good mix of private, public, donor and self-generated funds. These mixes appeared to be more sustainable than the other models reviewed. One example is comprised of:

- Donor: 40%
- Metropolitan government: 8%
- Ntsika: 8%
- Rental Income : 35%
- Service Fees: 9%

The other saw the metropolitan government take the core role (60%), with corporate sources providing 15%, own revenue 20%, and Ntsika 5%.

Most LBSCs receive less than 10% of their funding from Ntsika funding streams (i.e., including the LBSC and other Ntsika programmes), with many actually receiving less than 5%. Few receive the majority of their funds from Ntsika. Many noted fluctuations in the amount of funding received throughout their association with Ntsika. A common theme with most LBSCs we interviewed was a frustration with Ntsika resulting from the lack of a known and consistent methodology for determining funding allocations. Many also expressed concern about the inefficiency – delays are commonplace – with which funding is actually received from Ntsika. Some even noted inconsistencies between the amounts promised – and contracted for – and the amounts actually received. All expressed a strong desire for Ntsika's LBSC Programme to facilitate a transparent, efficient and predictable funding stream (facilitate rather than necessarily provide: Ntsika's funding constraints are well understood).

In conclusion, there appears to be a direct correlation between any LBSC's degree of funding certainty and their strategic focus and operational impact. Many centres are forced to concentrate much of their strategic and operational focus on identifying and pursuing funding alternatives, leaving a reduced amount of time and energy for the delivery of support services to their clientele. Those centres with a relatively higher degree of funding certainty are better able to focus strategically on the assessment of needs, on the design of products and services, on their delivery, and on assessing impact. Consistent, reliable funding, including a realistic rather than an over-ambitious revenue generation component (which should be staged over a number of years), has the effect of enabling these centres to better impact their SMME client markets.

To date, the LBSC programme has failed to deliver a transparent and efficient funding model. As a result, LBSCs are somewhat skeptical and hesitant with regards to future Ntsika funding. Although relied upon to a degree, Ntsika funds

are perceived to be inconsistent, inefficient and unreliable. Perhaps as a result, most LBSCs have developed a resourcefulness and resilience in their capacity to operate their organisations by generating funds through other agencies and funders, with some working towards unproven models of self-sufficiency in very short time frames.

4. Accreditation and LBSC Programme Value Added

All LBSCs interviewed noted funding as a primary driver in the decision to apply for LBSC accreditation. LBSCs perceived Ntsika as a necessary (even if small) source of funding. As seen above, few centres have a consistent and predictable source of funding. As such, it was believed by many that Ntsika would provide a valuable source of secure funds. However, most noted that their experiences in this regard did not meet their original expectations. In many cases, again as discussed above, funding has been inconsistent and/or cut without notification. LBSC programme funding decisions since accreditation, to reiterate, are described as inconsistent, arbitrary and inefficient. A noticeable disappointment and frustration with Ntsika's mode of operation in this regard was evident in virtually all the LBSCs we visited.

For most, the decision to apply for accreditation was also based on a perception that the LBSC programme brand would confer subsequent credibility with other agencies and organisations. Many therefore believed that accreditation would not only provide direct funding from Ntsika, but would also facilitate valuable linkages to other sources of funding. In only a few instances, however, was it reported that good, consistent linkages were opened to other sources of funding. For one LBSC for example, Ntsika accreditation was deemed a requirement of the Metropolitan Council's funding decision.

It was also anticipated that accreditation would enhance LBSCs' service delivery credibility through an association with the overall Ntsika brand. It was initially hoped that the Ntsika brand would communicate a message of credible and quality service provision. Most of those interviewed, however, noted that at best the Ntsika brand is recognised in the market to only a limited degree, and that it still remains unclear to clients what Ntsika is actually doing in that market. From a client perspective, then, there appears to be little associated brand recognition or value. Most LBSCs expressed a desire for more effective national and local-level branding and marketing – as one of the stated benefits of accreditation – and for better communication of Ntsika's role in the national support programme for SMMEs.

The accreditation process seemed relatively non-burdensome for most, with only a few noting difficulties. For these LBSCs, the process was cumbersome. Described as needlessly drawn out, they argued that the selection process was inefficient and somewhat arbitrary in nature, and indicated that the selection criteria were unclear.

Many noted capacity building as a distinct benefit of LBSC programme accreditation. For these, entrepreneurial and management training programmes have provided valuable opportunities to enhance the skills of their staff. Train the trainer forums have also resulted in an increased capacity for service provision. Many identified

Ntsika led training initiatives as also providing valuable learning and networking opportunities. Value was also found in the informal learning opportunities provided as a result of attending seminars and meetings.

It was in fact noted on many occasions that more learning and networking opportunities were needed. In a few instances, it was indicated that the provincial governments' Service Provider Forums have satisfied this need. But in fact only two provinces appear to have well functioning such forums. For most, attendance of training programmes, seminars and workshops plays this role by providing an opportunity to share good practices and learn from others. It was noted, however, that Ntsika-led activities of this type could be better planned and communicated. Relatively short notice in some instances has resulted in learning opportunities being lost. It was suggested that involving LBSCs in the design of such activities could enhance overall effectiveness. Some LBSCs would be more than willing to provide support and assistance to Ntsika in this regard.

We received a sense from most of the LBSCs, finally then, that accreditation has not yet met original expectations. It was pointed out on many occasions that Ntsika has not been able to successfully achieve its intended mandate in this regard. Most indicated that the fulfillment of the mandate would greatly benefit the service provision capacity of their LBSC. Great potential value is perceived. However, there was – often acute – questioning as to whether Ntsika can actually achieve this potential given its widely perceived and discussed operational limitations, particularly in terms of staff complement and skills. The BDS LBSC programme needs to support the LBSCs, many argued. But to do so, it needs its own predictable and consistent capacity, and a better understanding of the issues on the ground. It was recommended that more LBSC programme field visits occur. These could provide a source of needed direction and support for the LBSCs while assisting BDS staff to learn about the challenges faced and services provided. It was emphasised that Ntsika service delivery to LBSCs could only be enhanced if a fuller understanding of the nature of LBSC operations was in place.

Nonetheless, there is appreciation of the BDS Division and Ntsika's general efforts at providing capacity building opportunities in the form of LBSC staff training and development. Most felt confident that enhancement and continuation of these activities would continue to add value for LBSCs, notably smaller, less capacitated and often rurally located institutions.

5. Local and National Collaboration

The diversity of LBSCs is evident in the range of their local, regional and national affiliations and associations with other organisations and NGOs.

On occasion, some LBSCs collaborate with each other to share best practices, but overall there is no real sense of a proper, formal association or network. As discussed above, such collaboration has sometimes been facilitated by affiliation with Ntsika or through the Provincial Service Providers Forums.

A degree of collaboration also exists with some provincial and central government departments. In many cases, such collaboration has evolved as a result of sharing the same client group or by way of the LBSC providing services on contract for a national or provincial department or agency. In a general sense though, there was surprisingly little interaction with provincial government departments (e.g., education, health).

Local and metropolitan councils are not unanimous in their support for LBSCs. Few as yet are truly proactive in this regard, with metropolitan authorities doing better. As seen above, only some local governments provide financial support. Where support is present, the LBSC usually enjoys a significant degree of such assistance, both financially and politically. In a general sense, such local-level collaboration appears to be growing, but there is much work to be done.

Collaboration with local business is not prevalent. Where present, it is typically as a result of financial support to the LBSC. This funding often exists to fulfill a – typically small-scale – social responsibility obligation rather than for reasons truly associated with local economic development. There is also only a marginal spirit of voluntarism among the business community, including professionals. It must be re-emphasised that it appears as though many in the business community only look for immediate financial gain rather than regarding support for new or even existing small businesses as providing a valuable economic stimulant to their own business prospects – or to those of their localities at large.

As discussed above, most centres have multiple funders who provide financial and in-kind support. Governance structures reflect this and vary from centre to centre. In most cases, boards consist of a cross section of funders, local community members, and local government representatives. Many we interviewed stated that their Board of Directors was not adding value as it should. Boards appear to have evolved as a result of funding obligations and circumstances, rather than as the strategic design of a well rounded, efficient and effective cross section of contributors, some of whom could draw on their own business experience. In practice, many LBSCs do not have boards that act as guiding structures designed to provide strategic direction and strategic linkages into the community.

Each LBSC, then, has forged its own local and extra-local relationships over time. Most have been able to secure multiple partners and streams of revenue resulting in associated partnership governance structures. From our discussions, it would appear that many would welcome an opportunity to increase their level of collaboration within the overall network. Although diverse in their mode of operation, many examples of good practice exist which could be easily adapted by others. LBSCs could thus benefit from a better associational system of formal collaboration.

At the local level, support from local or metropolitan government is necessary for the effective provision of LBSC services. Where this support is evident, there tends to be a higher profile for the LBSC and hence a higher level of awareness in the overall community. This has further tended to translate into greater recognition and support from the business sector. Local government support, then, facilitates greater intra-locality collaboration.

6. Monitoring, Evaluation and Impact Measurement Practices

Our interviews clearly demonstrated that while monitoring and evaluation practices are not consistent through the LBSC network, surprisingly good progress is often being made. Monitoring mostly takes place through the general tracking of the services that are being delivered. In most instances, LBSCs are recording the volume of services (e.g., training, counseling) using such measures as the number of clients trained, or the number of counseling sessions conducted. Most therefore have current data, forming part of management information systems, which relate to such measures. As Ntsika LBSC programme funding depends on reporting on the outputs delivered, these measures go into the quarterly reports demanded by the BDS Division.

Evaluation of service delivery typically occurs via evaluation of learning transfer through customer surveys. In many instances, LBSCs evaluate participants' immediate reactions to training programmes by asking them to fill out evaluation forms immediately on completion of a workshop or course or seminar. This information appears to provide these LBSCs with indications as to how they should design/redesign and deliver services.

Few LBSCs, however, evaluate learning transfer through the use of pre and post training tests. In addition, only a few LBSCs monitor such transfer by follow-up with participants to ensure that training efforts have translated to apposite behaviours related to the original learning objectives. Where this sort of evaluation occurs, LBSCs are using such indicators as the number of tenders granted, the value of loans received, and relative changes in client financial position.

A small number of LBSCs also attempt to evaluate the economic impact of their efforts. Sometimes using quarterly reports to Ntsika as a base, indicators such as the number of businesses started, the number of jobs created, and revenues realised by businesses are being tracked. There is an understanding that large claims in this regard are difficult to make, but, simultaneously, a strong desire to demonstrate – and publicise – effective service delivery in order to enhance sustainability prospects.⁹

Despite their good attempts, many of the LBSCs interviewed identify monitoring and evaluation practices as a weakness and cite lack of resources as impediments to implementing more effective systems. It is clear that most LBSCs are trying to maximise their service provision capacity. But for many, robust monitoring and evaluation is beyond current capabilities due to service demand pressures derived from this intention, and to lack of sufficient infrastructure to support such systems. All appear to monitor and evaluate to the extent their capacity allowed them, and were enthusiastic about improving their capabilities in this regard.

V. KEY SUCCESS FACTOR IDENTIFICATION

⁹ See Gibson, op cit, for discussion on the problems with ascribing employment and output impacts to Ntsika's interventions.

Rather than the orderly grid envisaged by the 1995 White Paper, the LBSC network is spreading across the country in the form of a uneven, colourful, sometimes even rather messy patchwork of loosely affiliated rather than tightly linked service providers of several types, who demonstrate varying capacities and capabilities. This is by no means a bad outcome: in South Africa at this point, the delivery of business development services is bound to be experimental in nature, and their expansion highly dependent on the policy and practical learning garnered from pilot-type experiences. Impacts, moreover, are most likely to be incremental rather than immediate. Considerable patience is required for all those involved.¹⁰

Our analysis of LBSC performance to date indicates that a number of key success factors are emerging. These crucially impinge upon the ability of both individual LBSCs and the LBSC system as a whole to perform the requisite service provision role. Four of these success factors are briefly identified below. In the next – and final – section of this report, recommendations are proposed for Ntsika's LBSC programme to address the challenges so identified.

1. Funding Model

Enough has been written in the section above to make the case that the funding situation both for individual LBSCs and for the system as a whole is in something of a crisis. At the moment, there is little evidence of coherent, practicable funding models. There is, as discussed, tremendous creativity, resilience and resourcefulness with regard to funding. But this comes at a cost: that of more efficient, targeted, non-erratic, and ultimately effective service delivery. LBSCs are also often presented with half-baked formulae for financial sustainability that are both facile and literally unachievable – particularly if the acknowledged and mandated public responsibility to service a survivalist and micro clientele that often cannot afford the full cost of municipal services let alone business development services is adhered to. It is puzzling that such punitive notions, which are typically completely ignorant of international funding **and** income generation good practice, emanate at this point from what is a purportedly social democratic political system.

Transparent and well-understood funding models are thus required for successful LBSC operation. Such models – one alone is unlikely to suffice in a situation of such diversity – must realistically 'programme' consistent, predictable, reliable and efficient funding streams for LBSCs. These should draw on available sources like income generation (e.g., fee for service, rentals), the public sector, foreign donors, corporate social responsibility funders, and local business sponsors.

2. Service Delivery Strategy

Our research makes evident that most LBSCs do not have a practicable service

¹⁰ See Robin Bloch, *Subnational Economic Development in Present-Day South Africa: Retrospect and Prospect*, Urban Forum, forthcoming, for more on this set of issues.

delivery strategy. The LBSC system as a whole also reflects this condition. LBSCs do not typically have their own unique, valuable positions on the delivery of services, with these involving particular, carefully selected, well-integrated and implementable sets of activities, to use Michael Porter's conception of strategy as a guide.¹¹

Such delivery strategies can be seen as involving two vital components. Client demand must be matched by the 'right' supply of services. This means building on the often partly effective ad hoc and informal methods used now in the direction of greater rigour and formality. Better and re-usable tools need to be developed out of existing methods for assessing client group needs so that greater reliability in their findings can be assured. This should lead to better-designed products and services – and more effective and targeted (rather than scattershot) product and service delivery. There is a good deal of experience and learning in this area already by LBSCs, with most of it either tacit or unrecorded. This needs to be 'codified.'

The second element to facilitate more effective delivery strategies is to create, again on the basis of current experience and learning, durable, tractable methods for **monitoring the delivery of products and services, evaluating client satisfaction and utility, and measuring actual impacts.** This must be done in such a fashion that allows the development of a reflective and redesign capability within LBSCs and within the system as a whole. Tools and systems for the effective monitoring and evaluation of services certainly need to be developed to facilitate more effective operational strategies in LBSCs.

3. Local Support

Our review of LBSC performance made it abundantly clear that local support – actually active partnering – is a pre-requisite for successful LBSC operation in any locale and across the network as a whole. Eliciting active support – including funding support – from local government is essential. A key role – and profile – in local economic development activities is also needed. This in fact often follows from local government funding support, but needs to be properly defined and communicated. Local business is also critical in opening valuable pathways to resources, business development opportunities, product markets, and general expertise. Supply, subcontracting, and outsourcing relations with bigger businesses are also crucial for SMMEs in any locality. Business mentoring, sponsorships, and involvement in governance can all play roles in this regard.

Again, much experience has been gained in LBSCs in local-level partnering, but our general finding was that for most LBSCs, and for the overall system, something is not gelling properly. Localised arrangements are often tortuous, wearisome and grudging. Local authorities have not, as yet, wholeheartedly embraced the LBSC mission, despite paying lip service to it – and to LED as well. Indeed, the specific LBSC LED role remains largely undefined and is poorly understood. Individual local businesses and their representative structures (e.g., Chambers of Commerce and Industry) are not as involved as they might be. There is some participation by local community

¹¹ Michael Porter, "What is Strategy?" in *On Competition*, Harvard University Press, 1998.

groupings but in an inconsistent fashion.

To some degree this situation owes to South African attitudes that are very hard to shift. Local economic development actors from different sectors and institutions tend to be suspicious of one another, and consequently find it very difficult to go beyond their sectoral or organisational interests and boundaries. There is thus a lack of trust, and agreements and project designs tend to be endlessly revisited, delaying actual implementation. Patience, generosity and the willingness to work together towards common economic development purposes – "a rising tide lifts all boats" type of view on business expansion for example – are typically outweighed by overblown and unrealisable ambitions, which lead to disappointment when projects apparently 'fail,' by destructive carping and even by *schadenfreude*.

Only working together actively – and the experience of growth – will ultimately change these attitudes. Nevertheless, continuing active experimentation, experience in implementation, dissemination of results, and the reworking of localised partnership arrangements can go a long way in improving LBSC operational performance and sustainability prospects.

4. Capacity Development

The one unquestionable success of the accreditation of LBSCs by the BDS Division, supported by other Ntsika divisions and programmes, is in the area of enabling LBSCs to do their work better through the development of individual (staff) and institutional capacity through a series of skills upgrading, system development, and networking facilitation activities for the LBSCs. This has included the orchestration of opportunities for LBSCs to learn from one another with regard to their own good practices, as well as that of extra-local (national and provincial level) linkages and interrelationships – with government departments, service providers, and donors, for example.

The design and delivery of these capacity development activities is far from perfect. But a start has been made, which, again, needs augmenting and further development. Better, more efficient and more consistent mechanisms are needed for information sharing and for common staff and systems development. Indeed, capacity development is often seen too narrowly, as training of one kind or another, typically for individuals. The capacity development mission needs, in fact, to be conceived more imaginatively, as a central and key function for enhancing LBSC performance. In the field of environmental management, a recent, very useful current of thinking has begun to define capacity development in environment – so-called CDE – in a broader fashion:

Capacity in Environment relates to the ability of individuals, groups, organizations and institutions in a given context to address environmental issues as part of a range of efforts to achieve sustainable development...Capacity development in environment describes the process by

which capacity in environment and appropriate institutions are enhanced.¹²

The Danish government's international environmental agency Danced argues for five "S" components of capacity development in environment when seen this way:

- Structure: the division of labour and lines of communication and command within an institution
- Systems: the tools and procedures used by an institution to perform its functions
- Skills: the ability of staff to use these systems
- Incentives: the individual and collective motivations of staff
- Strategy: the institutional alignment of the four areas above to follow given objectives with particular resources.

Another "S" can be added to Danced's five:

Inter-relationshipS: how the organisation relates to other aspects of the environmental management system in the country.¹³

Συχη α περσπεχτιπε χαν βε φρουιτφυλλψ αππλιεδ το τηε τερραιν οφ λοχαλ-λεπελ εχονομιχ δεπελοπμεντ ανδ σμαλλ βυσινεσσ συππορτ. Χαπαχιτψ δεπελοπμεντ ινιτιατιπεσ ωηιχη αδδρεσσ βοτη ινδιπιδυαλ ΛΒΣΧσ ανδ της ΛΒΣΧ σψστεμ ασ α ωηολε νεεδ το αιμ ατ αλλ σιξ ∇Σ□σ∇ βψ:

- Building better and resilient LBSC structures, highlighting funding arrangements
- Strengthening existing systems and procedures
- Augmenting skills, including widening access to extra-organisational skills sources
- Bolstering incentives as motivations, which, beyond good salaries and benefits, can also include a moral or political dimension
- Creating strategic focus, both of a short and a longer-term nature

Promoting interrelationships, through creating access to and by strengthening influence with related projects and institutions.¹⁴

Σεεν τηισ ωαψ, χαπαχιτψ δεπελοπμεντ φορ της ΛΒΣΧσ βεχομεσ μορε τηαν φυστ αν αδδ-ον ! ιτ ισ της μοστ σιγνιφιχαντ τασκ α νατιοναλ-λεπελ ινστιτυτιον λικε Ντσικα χαν φυλφιλλ.

VI. RECOMMENDATIONS

As argued earlier, Ntsika's LBSC programme needs to define a strategy for its

¹² OECD/DAC, *Capacity Development in Environment: Principles in Practice*, 1996; and OECD/DAC, *Donor Assistance to CDE*, 1995. It is cited in a Danced Evaluation Report prepared by The E21 Group, entitled *Evaluation of Danced Supported Capacity Development Projects in the Republic of South Africa*, 2000.

¹³ See Danced, op cit, for this addition and further discussion.

¹⁴ Ibid.

intervention in the LBSC system that is oriented around facilitating the performance and developing the capacity of LBSCs rather than creating, controlling or even coordinating them. With a limited budget and staff complement, the BDS Division (with MED) should not over-reach – it should rather play a particular, well-crafted, still central, but perhaps more modest role in the national spread of the LBSC network. **Following the direction it is already moving in, the BDS Division LBSC programme should see itself, essentially, as a capacity development rather than a controlling or coordinating facility for the LBSC network.** This is a productive, apposite – and crucial – role, and one that can promote system wide sustainability in a clearer and more visible fashion than is now occurring.

Recommendations now follow. These are capacity development oriented, targeted at the 6 S's, and broadly structured in terms of the key success factors discussed above. They conclude with the implications for Ntsika as an institution. Current BDS initiatives with regard to funding models, monitoring and evaluation procedures, and an LBSC system marketing plan should be informed by these recommendations.

1. Funding

The majority of LBSC operational challenges stem from a lack of funding, or from uncertainty around future funding. LBSC managers and staff divert creative energy and strategic focus away from service delivery responsibilities to try to meet these challenges. Solutions or aid in alleviating them would facilitate the ability of LBSCs to provide better service.

In order to maximise productivity and effectiveness, LBSCs need access to a clearly understood and transparent stream of known funding. The BDS LBSC programme should therefore endeavour to:

1. **Make clear the funding formula, associated requirements and decision-making processes which lead to yearly funding decisions.** LBSC management must have a clear understanding of the criteria used by Ntsika to determine funding allocations. A transparent, predictable funding model will facilitate LBSC strategic planning processes and alleviate the uncertainties surrounding operational viability, making service provision to SMMEs the actual real priority for LBSC management.
2. **Increase Ntsika funding reliability and predictability.** Much speculation exists around future Ntsika funding. Many LBSCs thus regard Ntsika funding as a "wild card" which cannot be relied upon. This results – positively – in LBSC efforts to explore and draw on other funding sources. But, too often, the uncertainty is profoundly debilitating. More reliable and predictable Ntsika funding will serve to enhance LBSC planning and decision-making processes. Resulting LBSC efficiencies will transfer to SMME clients in the form of steady, consistent and planned service delivery. Also, knowing definitively when funding is **not** available will contribute positively to LBSC decision-making processes and service delivery strategies.

3. **Facilitate a reduction of reliance on Ntsika funding.** Favourable funding models include a mix of private and public sources combined with LBSC revenue generation. The BDS Division and Ntsika should facilitate a sustainable LBSC funding mix through research and education on best funding practices, as well as the brokering of linkages to known national private funders, donor agencies, and national and provincial government departments. Many economies of scale can be realised if Ntsika leads the way in the development of funding partners on behalf of the network.¹⁵ At local level too, the LBSC programme needs to play a strong advocacy role: to reiterate, while local authorities pontificate endlessly about "LED," develop interminable planning strategies to this end, while simultaneously pumping money into hard infrastructure, their cornerstone small business support institutions, prominent amongst them LBSCs, languish and suffer for want of funding. The LBSC system is wholly unsustainable without active local involvement in funding.

4. What are the practical implications of these three steps? The merged BDS/MED Division and other Ntsika actors need to lead the LBSC network by building knowledge and capacity in the area of funding and sponsorship development. Confined by its own budgetary constraints, Ntsika is limited in its ability to increase funding levels to LBSCs. However, through the leveraging of existing resources, and through the commissioning of studies where apposite, **the Ntsika LBSC programme should review, determine, and disseminate good practices in the areas of:**

- **Funding partnerships and sponsorships:** A review of the good practices of LBSCs and related organisations in the area of funding partnership and sponsorship development is required. This review should produce a tool kit capacitating LBSCs with tried and tested models, strategies and tools to target, approach and secure national and local funders and sponsors. The review should include the progressive and well-constructed models of funding currently in place in a number of LBSCs, as well as an analysis of the best practices that exist in similar organisations and networks in other countries.
- **Self Sufficiency:** As discussed previously, some LBSCs are endeavouring to achieve self-sufficiency. Ntsika should add value to this process on behalf of the LBSCs by understanding and making recommendations on effective models of self-sufficiency. A review should highlight analysis of good practice with regard to income generation and propose realistic three to five year strategies for LBSCs to improve their situation in this regard.
- **Local, Metropolitan and Regional Support of LBSCs:** Relatively few local governments have properly committed to the financial support of LBSCs (metropolitan authorities are doing better). Local government funding support is critical to LBSC success. Through reviewing the existing situation and by strong advocacy,

¹⁵ In its effort to support SMMEs, the Ontario provincial government in Canada has established a two-tier LBSC-type network. The system is based on volume and supports both smaller one-person offices, and larger centres. For smaller centres, funding covers total annual LBSC operating budgets. For higher volume centres, a partial funding commitment is supplemented with an agreement to facilitate private sector sponsorship for the LBSC. Although renewed yearly, funding for LBSCs has, and continues to be, a known and consistent priority for the Ontario government.

Ntsika should facilitate change in local government positions on LBSC funding support. Provincial funding support should also form part of this thrust. To use one example, an Ntsika "Challenge Fund" could match provincial and local government contributions to LBSCs on a one-to-one basis.

- **National private sector sponsorship:** Leveraging existing funds that support the programme, the BDS Division and Ntsika should work towards bringing a national private sponsor (or sponsors) to the LBSC network. The identification of appropriate funding targets, the design of a comprehensive sponsorship package, and the lobbying of target sponsors are roles that Ntsika is well suited to play, given its national position and broad reach. The same approach could be taken with one or more donors. The feasibility of setting up investment fund instruments that put into place medium to long-term sources of investment revenue for LBSCs should also be considered with private sector design input.

2. Service Delivery Strategy

Many different service design and evaluation systems exist throughout the LBSC network. Relatively few seem to be rigorous or replicable or appear to add consistent value to service provision capacity. **An effective and efficient system is needed for the assessment of needs, the design of services, the monitoring of implementation, and the evaluation of impacts on clients and local economies.**

The creation of easily adaptable, functional tools for needs assessment, service design and the evaluation of service impacts will aid in the consistent delivery of quality services, and in assuring their sustainability. The resources, knowledge and infrastructure required to create such a system are currently beyond the capacity of many LBSCs. The Ntsika LBSC programme should take the lead, in partnership with a number of individual LBSCs that are strong in this area, in designing such a system on behalf of the network. This should be done incrementally, with individual 'modules' developed to build up to a system over time.

The system should include:

- **A tool for needs assessment:** a consistent and efficient system is required for the assessment of community and client needs, encompassing the analysis of local economic situation and needs, as well as individual client skills gaps. The LED workbook designed for LBSCs by Ntsika's Policy Division goes some way towards this but more is needed.
- **Service design skills:** a methodology for product/service design should be established and made available to aid LBSCs in effective service development. It should again be noted that some are already practicing sound – and in some examples, exemplary – product and service development. This should be drawn and built upon.
- **The automation of management information systems:** there is little

consistency between LBSCs in this regard. In many instances, such automation is lacking altogether. It stands to reason that efficiencies could be realised with the implementation of a common management information tool. Tracking client profiles, data analysis, and client follow up could all be enhanced with the electronic capture and synthesis of information. Along with the benefits of quick and accurate on site data would come the benefit of data sharing between LBSCs in the network

- **Information technology tools development:** this is an area of uncertainty for many LBSCs, all of which disseminate information. In most instances, this information provision is done through relatively inefficient mechanisms: one on one counseling and off site training sessions. The delivery of information via enabling technologies such as radio, television and the Internet would provide valuable economies of scale for LBSCs. The relevance of these individual technologies must certainly be considered on a case-by-case basis, given the diversity of current client make-up. The Ntsika LBSC programme should investigate developing modular information tools that can be archived and utilised when needed: i.e., LBSC's could "take" these up when their competency allows them to, producing efficiencies in delivery. First, though, Ntsika and the LBSCs – and requisite IT partners – would have to produce a series of information programmes that could then be translated, particularly, into Internet-based training modules (in the South African context, radio should also be more emphasised). As this can be costly and requires an extensive technology infrastructure, international experience can be drawn upon. Several Canadian firms in Toronto and Ottawa, for example, specialise in taking existing information programmes and converting them to Internet or computer based modules.

- **Monitoring and evaluation:** the development of a system for the monitoring and evaluation of service provision would enhance LBSC impact. A methodology (and accompanying toolkit) is required which assists LBSCs to monitor and evaluate salient factors, including the following levels:

- Client **reaction** to services in the form of preliminary evaluation/feedback mechanisms
- Learning **transfer** through follow up testing and assessment
- Observation to ensure **behaviours** reflect learning and skills practice
- Overall success by gauging the degree of **impact** that service provision has had on clients and local economies.¹⁶

3. Capacity Development: Skills and Systems Training

Much has already been gained as a result of efforts to date to provide capacity building opportunities in the form of seminars and workshops for LBSC staff. As a central service, and informed by the broader CDE perspective discussed above, the BDS LBSC programme can evaluate LBSC staff skills and system needs, and design apposite support activities, often in the form of training. Areas of immediate need are:

- Establishing and utilising Boards of Directors – LBSCs need training in the creation and management of a Board of Directors

¹⁶ Donald Kirkpatrick, *Evaluating Training Programs*, Berrett-Koehler, 1994.

- Needs analysis and service design – training for the design and implementation of methods of analysing client and local needs, and the development of appropriate programmes and services, using the prospective tools discussed above
- Monitoring and evaluation of service impact: training in the design and implementation of the type of monitoring and evaluation procedures, also using the tools discussed above
- Funding: building on the funding recommendations and toolkit above, the design of a training programme for LBSC managers designed to increase their capacity to generate revenues and secure external funding
- Information technology training in the modular tools discussed above
- Provision of information on general SMME development, including legislative changes affecting SMMEs
- Partnering methods and mechanisms: training with regard to creating local level implementing partnerships for LBSCs
- LED: the specific role LBSCs play within broader LED initiatives requires far greater consideration. The LBSC function of supporting both new entrepreneurs and existing small businesses in any locality is often undervalued or taken for granted. This function certainly needs to be more widely recognised – indicating a need for publicity and advocacy rather than training per se. LBSCs, particularly in smaller places, can more than likely play a greater role in supporting LED rather than see a duplication of functions and structures. The LBSC programme linkage with LED training initiatives needs to be made more clearly
- An annual LBSC system conference to learn, network and share good practices.

None of these suggested capacity development training activities is especially novel, but putting together a clearly communicable and implementable capacity development strategy that encompasses them, together with the toolkits recommended above, as fitted to both expressed LBSC needs and to BDS Division LBSC programme capacity, is a necessary first step.

In considering these recommendations, the BDS/MED Division – and Ntsika more broadly – will need to carefully consider its own position on the LBSC programme. Is the LBSC programme just one of many Ntsika programmes, or is it still the Ntsika – and national – small business support flagship it was envisaged as? We have suggested a capacity development role for Ntsika to play with the LBSC system, rather than one of control or coordination. Many LBSCs, in fact, can and will continue without Ntsika intervention. But Ntsika can and should undoubtedly continue to provide valuable assistance to the unfolding of a localised system of entrepreneurial support across the country.

We would recommend that if Ntsika is to play the capacity development role it should for the LBSCs, that the institution begins by assigning a higher priority to its own LBSC programme. The regaining of credibility by the BDS LBSC programme itself is essential if value is to be added to the LBSC brand, and local and national funders are to be attracted in a more sustained way. The Ntsika LBSC programme's real and perceived inefficiencies – due in the main to its own financial and human resource constraints – have caused it to have a relatively poor reputation in the national small business support community. This colours the view that many

have of the LBSC system as a whole, or even that of individual LBSCs that are performing remarkably well.

To put it bluntly, the LBSC programme must first be seen to have "fixed" its own organisational inefficiencies before it can be viewed as a credible source of capacity development for the LBSC system. The image problem that has been created for the programme is considerable. Prioritisation of the programme, within what is currently seen by many observers as Ntsika's broad, unfocused, and ultimately unattainable mandate, is the necessary first step.

Following this, **we recommend that a clear and definitive decision must be made as to the future role of Ntsika in funding LBSCs. Two further definitive decisions must then be made: where Ntsika can and should add value to the network through capacity building, and how this capacity building should be phased in over a three to five year period.** We have presented a series of recommendations in this regard above. Ntsika certainly does not have to and should not go it alone here: other sources of technical assistance from donors and business sponsors – including that from already flourishing LBSCs – can and should be drawn upon. A well-functioning LBSC system is not Ntsika's responsibility alone. **We recommend that the IDRC take a lead in ascertaining such technical assistance needs for the LBSC network, particularly with regard to the creation of the capacity development tools discussed above, and their wide delivery via enabling technologies like radio and information and communication technologies.**

If these steps are taken, **Ntsika's LBSC programme should then embark on an LBSC system awareness raising campaign together with – not for – the LBSCs.** This campaign must focus on:

- Building the credibility of the LBSC system as the definitive national and local source for start up and business growth information and assistance for entrepreneurs and small and medium businesses
- Positioning the LBSC network in the eyes of private and public sponsors and funders as key contributors to and supporters of local business and employment creation and, as such, valued contributors and catalysts to LED in the locales they operate.

In many respects, the LBSC network now has an undeservedly poor reputation. Against great odds, battling against what are often unnecessarily severe financial and capacity constraints, many LBSCs are putting in a surprisingly strong performance in delivering services to their clientele. With proper and better financial and capacity development support, this good performance can be widened and sustained in South Africa.

VII. ANNEX

Annex A Schedule of Meetings

	ORGANISATION	CONTACT DETAILS	DATE	TIM E	LBSC PARTICIPANT(s)
1	Centurion Business Support Centre (CENBIS) 134 Union Avenue Lyttelton Centurion 0140	Mr Phil van Rooyen Tel (012) 664 8171 Fax (012) 664 4696	10 April	1400	Phil van Rooyen

2	Medunsa Organisation for Disabled Entrepreneurs (MODE) 22 Solomon Street Braamfontein 2001	Ms Vivienne Zwennis Tel (011) 830 0231/3/4/6 Fax (011) 839 3216	11 April	1400	Gordon Freer
3	Education with Enterprise Trust (EWET) 49c Stuart Street Harrismith 9880	Mr Arie Bouwer Tel (058) 623 0104/0649 Fax (058) 623 0107	12 April	1100	Arie Bouwer and staff
4	Albert Luthuli Community & Educational Development Trust c/o R102 and D270, Near Stanger Groutville, 4450	Mr. Albert Campbell Tel: 032 559-9087 Fax:032 559-9089	13 April	1100	Albert Campbell Moir Mbambo
5	Sukuma Trainers Co-operative Ltd 612/613 Acutt Street Durban 4000	Ms Dudu Zulu Tel (031) 305 1237 Fax (031) 305 1522	14 April	0900	Dudu Zulu and staff
6	Thekwini Business Development Centre 127 Alice Street Durban 4000	Mr Protas Madlala Tel (031) 309 5432 Fax (031) 309 5437	14 April	1400	Protas Madlala Hans Ropertz
7	Vaal Triangle Training Centre 6 Moshoeshoe Street Sebokeng 1983	Mr Mordecai Kocha Tel (016) 988 1350 Fax (016) 988 1347	17 April	1100	Mordecai Kocha
8	Katorus Economic Development Initiative 171 Barry Marais Road Vosloorus Municipality Complex Vosloorus 1475	Mr Isaac Molema Tel (011) 906 2509 082 3306 673 Fax (011) 906 2733	17 April	1500	Isaac Molema
9	Small Business Unit – University of PE Small Business Unit Building 7 Cuyler Street Central Port Elizabeth 6000	Mr Dolf Venter Tel (041) 585 2555 Fax (041) 585 2557	18 April	1100	Dolf Venter
10	Community Self Employment Centre (COMSEC) Old Grahamstown Road Local Building Sydenham Port Elizabeth 6000	Mr Errol Heynes Tel (041) 487 3996 Fax (041) 484 3943	18 April	1400	Errol Heynes

11	SAB Project Noah – Isando Enterprise Centre 10 Isando Road Isando 1600	Ms. Trudy Bouwer Tel (011) 974 2190 Fax (011) 974 2191	19 April	1000	Trudi Bouwer
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