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## Project evaluation: summary report

### South Africa: Basic Entrepreneurial Skills Development Programme (BESD) in South Africa's informal sector

Project no.:	2011.2282.9-001,000
Sectoral attribution:	11330 Vocational training
Project objective:	Trained small and micro-entrepreneurs in the informal sector and their employees can increasingly earn a sustainable livelihood in selected implementation locations in all provinces.
Project term:	10/2012 to 12/2016
Project volume:	EUR 4,821,000
Commissioning party:	Federal Ministry for Economic Cooperation and Development (BMZ)
Lead executing agency:	Department of Higher Education and Training (DHET) Department of Small Business Development (DSBD)
Implementing organisations (in the partner country):	Small Enterprise Development Agency (SEDA)
Other participating development organisations:	-
Target groups:	The unemployed, the underemployed and disadvantaged population groups at risk of unemployment, especially small and micro-entrepreneurs in the informal sector requesting technical and vocational education and training and business services

#### Project description

South Africa has the second most powerful economy in Africa after Nigeria and is classed as an upper middle-income country. The rainbow nation is characterised by a history of institutionalised apartheid. This system, a source of significant suffering to the black population, was officially abolished in 1994. 2017 finds South Africa in a difficult phase, with a growth rate of 0.5%, rising unemployment and increasing poverty. This situation is the result of internal factors, such as infrastructural weaknesses, deficits in the education system, a shortage of experts and corruption, and external factors including the economic recession in China (its key trade partner), falling commodities prices, a lack of corporate investment, and climate change. The government's key objectives, as outlined in Vision 2030 in the country's National Development Plan (NDP) (2012-2030), are to reduce the high unemployment rate, combat social inequality and reduce poverty, especially by means of promoting economic growth and creating 11 million new jobs by 2030. These issues particularly affect the black population, which makes up 90% of the country's population and has an unemployment rate of over 60%. The informal economic sector, a source of income for some 2.4 million people, provides around 17% of all jobs, especially those in the retail, craft and service sectors. Micro, small and medium-sized enterprises (MSMEs) are run at a very low level. This means they have no accounting system or bank account, family costs and business assets are not managed separately, they

are poorly organised in terms of workflows, customer service and safety measures, product and service quality is often poor, and incomes are very low. Small and micro-entrepreneurs tend to have few school qualifications.

South Africa has implemented comprehensive reforms in the areas of technical and vocational education and training, and economic development, since 2007, and, since 2011/12, has recognised the importance of promoting small enterprises in the informal sector. The key actors are the Department for Higher Education and Training (DHET) and the Department for Small Business Development (DSBD), the latter of which was established in 2014. Their strategies underscore the importance of providing support to the poor and, in particular, the black population, to young people, disabled persons and women. DHET's National Skills Development Strategy – NSDS III, 2011-2020 and DSBD's National Informal Business Upliftment Strategy (NIBUS) stress the need to expand and improve vocational education and training provision, and promote MSMEs in the informal sector and enhance their competitiveness.

German development cooperation actors have supported implementation of the NSDS since 2007. The training model devised for the entrepreneurial and commercial sector has been further developed in recent years and is now offered at 23 locations in all nine provinces under the title of Basic Entrepreneurial Skills Development (BESD). The project was supported by GIZ from October 2012 to December 2016 and underwent an evaluation in March 2017. For the South African partners, however, the project is not finished; it will continue to be implemented by the Small Enterprise Development Agency (SEDA) of the Department of Small Business Development, with financial support from DHET's National Skills Fund (NSF). SEDA is the institution that implements the government's support measures for MSMEs.

Analysis of BESD planning identified the following core problem in the informal sector: **“The training offered in the vocational education and training system generally fails to meet the need for improving employment potential in the informal sector.”**

Consequently, the following objective was set: **“Trained small and micro-entrepreneurs in the informal sector and their employees can increasingly earn a sustainable livelihood in selected implementation locations in all provinces.”**

The impact rationale of the project arises from the analysis of the core problem: a very high unemployment rate which particularly affects the black population, most of whom received only very basic education and have no access to any form of training measures or training programmes. They thus battle to find employment in the formal sector. The informal sector, which supplied approximately 17% of all jobs in 2015, is however not able to absorb the large influx of jobseekers. Owing to the lack of vocational skills, the informal labour market focuses on very simple jobs in the commercial-, manufacturing- and service sectors. The small and micro-enterprises in the informal sector are run on a very basic level and only generate a low income. It is assumed that the informal sector has a very high employment potential - the qualifications offered by the vocational training system are however not suitable to unlock the employment potential in this sector.

The project's target group are the unemployed, underemployed and those threatened by unemployment in disadvantaged communities, particularly small and micro-entrepreneurs in the informal sector who require vocational training and further education, as well as business services.

Employees and management staff of the DHET/NSF, SEDA and of the selected private training providers function as the facilitators who conclude employment contracts with the entrepreneurial development practitioners (EDPs).

The developed model for a qualification in entrepreneurial- and commercial business management for MSMEs was intended to be implemented in initially three provinces, and finally nationwide. Additionally, measures for the creation of a MSME-friendly environment, particularly in rural areas as well as in former homelands, were to be developed. The project intended to link capacity development (CD) with advisory services on all levels. The CD strategy provided for measures on an individual (development of competencies), institutional (organisational development) and political level (promotion of cooperation in the sector, as well as the improvement of general conditions). On national level the promotion of a sustainable widespread qualification- and coaching offering, which would allow the MSMEs (re-)entry into the qualification and would be aligned to the needs of the labour market, should be in the foreground. Additionally, the capacity of the partner organisations DHET/NSF and SEDA should be improved. The development of SEDA's competencies in steering-, monitoring- and quality control measures of the training (training/coaching cycle for the MSMEs = emerging entrepreneurs – EEs), which is implemented by private training providers (TPs), should take centre stage. The services of these training providers should be offered to small- and micro-entrepreneurs, as well as to business-consultants-in-training on regional and local level, i.e TPs are to conduct the trainings and steer the entire process.

On a strategic level, BESD should contribute to the implementation of the national strategies NDP, NSDS III, as well as NIBUS. For CD the cooperation management should be steered using the success factors of Capacity Works (CW): „Strategy, cooperation, steering structures, processes, learning and innovation“. In doing so, the German support on the level of the target groups, as well as the facilitators (TPs, EDPs), the SEDA agency and the NSF, should generate positive labour market impacts by creating or maintaining jobs, thereby contributing to poverty reduction.

The results model is still valid, the impact hypotheses are conclusive, and the (module) target defined at the beginning of the project was appropriate.

Key measures for the achievement of this objective were the further development of the BESD model by improving the capacity of the South African institutions to implement the model (including the development and implementation of strategies), the creation of teaching and learning materials, the devising of an online monitoring system, and the training of private education providers. These providers are running a 14.5-month individual training/coaching cycle for small and micro-entrepreneurs and have trained trainers to serve as business advisors for the coaching programme.

Given the general conditions at the start of the project, these measures were appropriate for achieving the objective. The final evaluation of the project shows that the services and activities provided were conducive to achievement of results at all levels.

The highly complex tendering and contract award procedures specified by the South African Ministry of Finance led to significant time delays during the course of the project. This had a considerable impact on objectives achievement and on the fulfilment of the initially specified indicators in the given timeframe.

In the process of implementing BESD, capacity development (CD) measures and advisory services were linked at the individual (personal skills development), institutional (organisational development) and political (promotion of cooperation in the sector and improvement of general conditions) levels. Advisory services were provided by international and local long-term experts at national and provincial level, as well as by national short-term experts. Overall priority was given to the deployment of South African experts.

The following illustrates the basis on which the effectiveness and impact of BESD is measured. The effectiveness of the attainment of the project's objectives will be measured according to the module indicators. The indicators are SMART and should be reached by the end of 2016.

Further indicators are based on South African criteria for the promotion of disadvantaged communities (amount of youth from the black population, women, and people with disabilities).

With regards to the measurement of developmental effects (impact), the below assessment criteria are used, assuming that they contribute to higher-level effects: „Improvement in the employment situation as well as the competitiveness of the businesses in the informal sector“. For the purpose of analysis, the assessment criteria (achievement and broad impact) and the GIZ's OECD-DAC checklist will be used. Analysis questions are: influence of the changes in framework conditions on higher-level long-term effects/impact; steering of the project through the use of data obtained from impact-oriented monitoring; reasons why higher-level impacts are expected to be achieved or not achieved.

In addition, observed changes are analysed and trends demonstrated which, under the assumption that BESD will be continued successfully, will lead to further positive impacts. The result of the delay is that the project's objective - the increase of income and creation of jobs – cannot yet be measured conclusively.

Basis for assessment of the OECD-DAC criteria:	Individual and overall rating of the OECD/DAC criteria:
<p>To determine the project's overall rating, calculate the average of the individual ratings of the five OECD/DAC criteria:</p> <p>14 – 16 points: very successful            12 – 13 points: successful            10 – 11 points: rather successful            8 – 9 points: rather unsatisfactory            6 – 7 points: unsatisfactory            4 – 5 points: very unsatisfactory</p>	<p>Relevance: 16 points - very successful            Effectiveness: 7 points - unsatisfactory            Impact: 8 points - rather unsatisfactory            Efficiency: 16 points - very successful            Sustainability: 8 points - rather unsatisfactory</p> <p>Overall, the project is rated rather successful with a total of 11 out of 16 points.</p>

All those involved stated that they considered this to be a good project and that it applied previously unfamiliar methods of technical and vocational education and training, with positive results for the enterprises in the informal sector and for the business advisors. They indicated that it had given rise to a large number of learning and change processes at national and local level and at the level of the small and micro-entrepreneurs: new ways of/changes in thinking, new attitudes, new careers, positive personal development, greater self-esteem, sustainable business practices, expertise in dealing with HIV/AIDS, etc. The project was also described as a lengthy process due to the contract awarding procedure, the time-intensive institutional restructuring measures, and the difficulty of finding qualified training providers for this innovative approach.

### **Relevance** (Are we doing the right thing?)

The project's target group matches that of South Africa's support policy: young people up to 35 years of age, the black population, women and disabled persons, especially those working in the informal sector in rural regions. These individuals, in particular MSMEs in the informal sector requesting technical and vocational education and training and business services, are unemployed, underemployed or at risk of unemployment. Unemployed young academics were also trained up as business coaches for the project in the space of seven and a half months. The project was set up in response to a core problem faced by the target groups.

South Africa's development policy attaches great importance to technical and vocational education and training programmes, such as those designed to boost the ability of micro-enterprises to take action. This importance has increased considerably, among other things as a result of the establishment of DSBD in mid-2014. The project is aiding the implementation of the following policies and strategies: White Paper for Post-School Education and Training 2013, NSDS III

(DHET) and NIBUS (DSBD). It is helping to promote small businesses in the informal sector and provide them with skills training. The cross-cutting issues of gender and HIV/AIDS have been/are being addressed by the project (e.g. 50% of those participating in training initiatives are women), for example, through the provision of HIV/AIDS prevention training for MSMEs.

The importance of the informal sector for a large part of the population, particularly in African countries, is recognised internationally and promoted and supported by for example various programmes of the International Labour Organisation (ILO). The promotion of this sector by the ILO, carried out on behalf of the Flemish International Cooperation Agency in the Free State province (Mangaung/Bloemfontein and Welkom) has ended (GIZ, progress report 2015:6). No findings of activities of non-profit organisations (NPOs) in this sector are available. Even though the promotion of the informal sector is not the focus of the German development cooperation in South Africa, the BMZ's strategy paper on vocational training highlights the importance of the informal sector and the necessity to "align measures to the disadvantaged and marginalised groups and their specific life- and work circumstances in the informal sector...and to orient oneself to the qualification needs of the small- and micro-entrepreneurs" (BMZ 2012:31-33).

The relevance of the project is rated very successful with 16 points.

#### **Effectiveness** (Will we achieve the project's objective?)

The module objective is: Trained small and micro-entrepreneurs in the informal sector and their employees can increasingly earn a sustainable livelihood in se-lected implementation locations in all provinces.

Objectives indicator	Target value according to the offer	Current status according to the project evaluation
1. SEDA implements the BESD training measures itself with 2,500 MSMEs in 15 locations and in all provinces by 2016.	9 provinces 2,500 MSMEs 15 locations	All 9 provinces 1,377 MSMEs <sup>1</sup> 23 locations
2. SEDA integrates the BESD model into the plan of operations for implementing the SEDA strategy by 2016.	Modell integrated in the operational plan	Has been postponed until 2017 due to delay in implementation
3. 75% of the trained small and micro-entrepreneurs (50% of them women) have seen a 5% increase in real terms in their quarterly revenue after completing training.	75% (50% women) by 5%	The training/coaching process is still being implemented and is due to be concluded in 23 locations between June 2017 and February 2018.
4. Three months after completing the training, one new job is created on average for each small and micro-entrepreneur trained.	Average per MSME: 1 job	The training/coaching process is still being implemented and is due to be concluded in 23 locations between June 2017 and February 2018.
5. 20% of the trained small and micro-entrepreneurs (50% of them women) take measures in their firms to raise awareness of HIV/AIDS (e.g. by putting up posters and relevant brochures and/or by putting out condoms) after completing the BESD training module.		The training/coaching process is still being implemented and is due to be concluded in 23 locations between June 2017 and February 2018.

<sup>1</sup> 1754 MSMEs started the training, 437 dropped out in the meantime

The appraiser comes to the conclusion that objectives indicator 1 has been partly achieved, indicator 2 has not been achieved, indicator 3 has not been achieved, indicator 4 has not been achieved and indicator 5 has not been achieved by the end of the project (German contribution).

The indicators were appropriate and suitable for measuring achievement of the objectives. It is largely due to the time delay that most of these indicators were not achieved by the end of 2016. The first training cycles only began in March/April 2016, and the last are due to be completed in February 2018. There are currently 178 trainers (60% of them women) carrying out training/coaching for 1,687 small and micro-entrepreneurs. These trainers have received appropriate training as part of the BESD model (221 in total, as at 1 March 2017). These activities are being managed by 20 private education providers, who have been trained for this work by BESD, in 23 locations in all provinces.

A number of success stories of MSMEs and business advisors show that BESD is helping to bring about fundamental change (improving operational organisation, boosting incomes and promoting character development). It can be said of BESD and of institutions such as SEDA, NSF and education providers that the journey is the destination.

With regard to the German contribution, the effectiveness of the project is rated unsatisfactory with 7 points.

### **Overarching development results (impact) (Are we contributing to the achievement of overarching development results?)**

The potential overarching results for this phase can only be evaluated on the basis of assumptions. Owing to the current implementation of training for small and micro-entrepreneurs, the results 'The programme helps to improve the employment situation and to enhance the competitiveness of enterprises in the informal sector, thereby broadening opportunities for formalisation' can only be observed on an anecdotal basis at the level of the small enterprises. However, positive results have been identified in the previous phase, including product and service improvements, higher incomes and job creation.

The skills of all participating state and private structures have been significantly improved at national, provincial and local level, as have the skills of trainers. The model is recognised as being feasible and relevant to development, making it probable that BESD will be continued over the next few years. This would most likely boost employment potential in the informal sector and lead to more socially equitable economic growth, poverty reduction, the elimination of regional development disparities and greater equity among population groups and the genders.

The project has contributed to an increase in the employability and the employment of business advisors (EDPs) and, according to the findings of the previous phase, contributed to an increase in the competitiveness and creation of jobs at MSMEs. The business advisors are currently in fixed/permanent employment. Some small- and micro-entrepreneurs have increased their income. BESD herewith contributes to poverty alleviation on an individual level, but due to the low number of business advisors and small- and micro-entrepreneurs, is not yet able to achieve a more widespread impact.

The impact of the project is rated rather unsatisfactory with 8 points.

### **Efficiency (Are the objectives being achieved cost-effectively?)**

With regard to the services rendered, GIZ's available resources have been deployed efficiently by means of steering central key processes and in cooperation with the partner organisations. Intensive use was also made of lessons learned, including those from the previous phase, and innovative products were developed. Input was provided for the development and implementation of strategies that improve the access to and quality of basic technical and vocational education and training in the informal sector. SEDA and NSF underwent capacity development measures and are now better able to perform their quality-assurance and service-provision functions. The private education providers are operated efficiently and effectively in the interests of the target groups, with corresponding services being delivered. The 178 academics who were unemployed prior to the training programme are now employed full-time as trainers, while others have taken up work in other fields.

The lengthy contract award processes mean that efficiency is low among partners. However, it would significantly increase if coaching were continued beyond 2018.

Due to their lengthy awarding procedures the efficiency of partners is low.

At the point of writing, 221 unemployed youth with post-school training as business advisors not only received a qualification but also secured employment (approximately 17 months within BESD) as well as outside of BESD. Should further BESD training cycles take place for small- and micro-entrepreneurs, the majority of the business advisors would find employment, and for the NSF/SEDA, the efficiency of BESD would thereby improve substantially.

The funds of the South African partners have been and are being used to train business advisors and run the coaching cycles. The original ratio of the funding can be used to gauge the level of interest on the part of the South African partners in receiving support from the German side. These funds, provided from 2012 onwards, were around 35% higher than the German contribution (ZAR 84,000,000 as at 18 October 2012: EUR 7,396,970).

The efficiency of the project is rated very successful with 16 points.

**Sustainability** (Are the positive results durable?)

SEDA and NSF have now assumed responsibility for the continuation of the project until March 2018. The indicators agreed to at the beginning of the project are set to be achieved at the end of the implementation process in 2018. The high financial contribution by the South African partners and the commitment to continue funding BESD underscores how highly valued and how relevant the project is to development. Nonetheless, the delay means that it has not yet been possible to conclusively measure the project objective of boosting incomes and creating jobs. The German contribution ended in late 2016.

Given the lack of verifiable results to date (it is only possible to indicate trends), it is not possible to evaluate the sustainability of the results achieved so far. This would require that the structures consolidate their capacity to take action and that BESD achieve the intended results. Assessment of the scope for sustainability is based on the following assumptions:

- SEDA and the education providers continue to run a high-quality training/coaching cycle,
- support has been guaranteed for the education providers and business advisors (technical dialogue, problem-solving, adaptation to requirements, etc.),
- the MSMEs derive visible benefits from coaching and continue to participate.

The importance of small business promotion in the informal sector for development has increased in recent years. State institutions are increasingly offering training for MSMEs and tradespeople in technical and entrepreneurial fields specifically geared to the social and commercial training requirements of the poor rural population and the self-employed. Strategic use could be made of the experiences with BESD in order to promote sustainability.

The sustainability of the project is rated rather unsatisfactory with 8 points.

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Registered offices:  
Bonn and Eschborn

Friedrich-Ebert-Allee 40  
53113 Bonn, Germany  
T +49 228 44 60-0  
F +49 228 44 60 1766

Dag-Hammarskjöld-Weg 1-5  
65760 Eschborn, Germany  
T +49 61 96 79-0  
F +49 61 96 79-11 15

E [info@giz.de](mailto:info@giz.de)  
I [www.giz.de](http://www.giz.de)