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# **Presentation to FAO / NAMC / WCDA / US workshop**

**6 October 2009**



# Outline



- 
- ECI*Africa* (Pty) Ltd)
  - Target groups and sub-sector knowledge
  - ECI experience
  - ECI methodology
  - Proposal development



# ECIAfrica Mission



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To assist our clients  
– governments, donors and private sector –  
in resolving their transformation and  
developmental challenges primarily in South,  
Southern, Eastern and West Africa



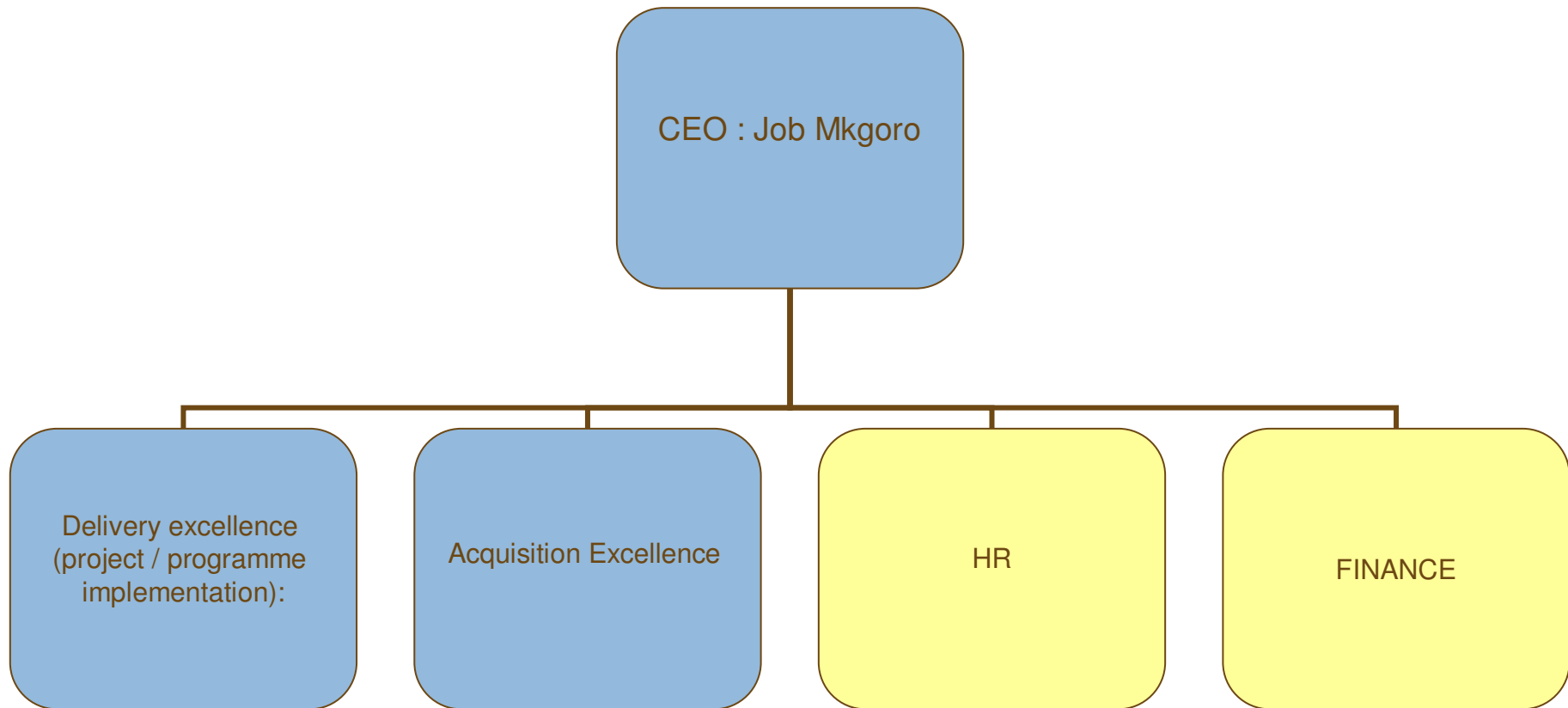
# ECIAfrica Operations



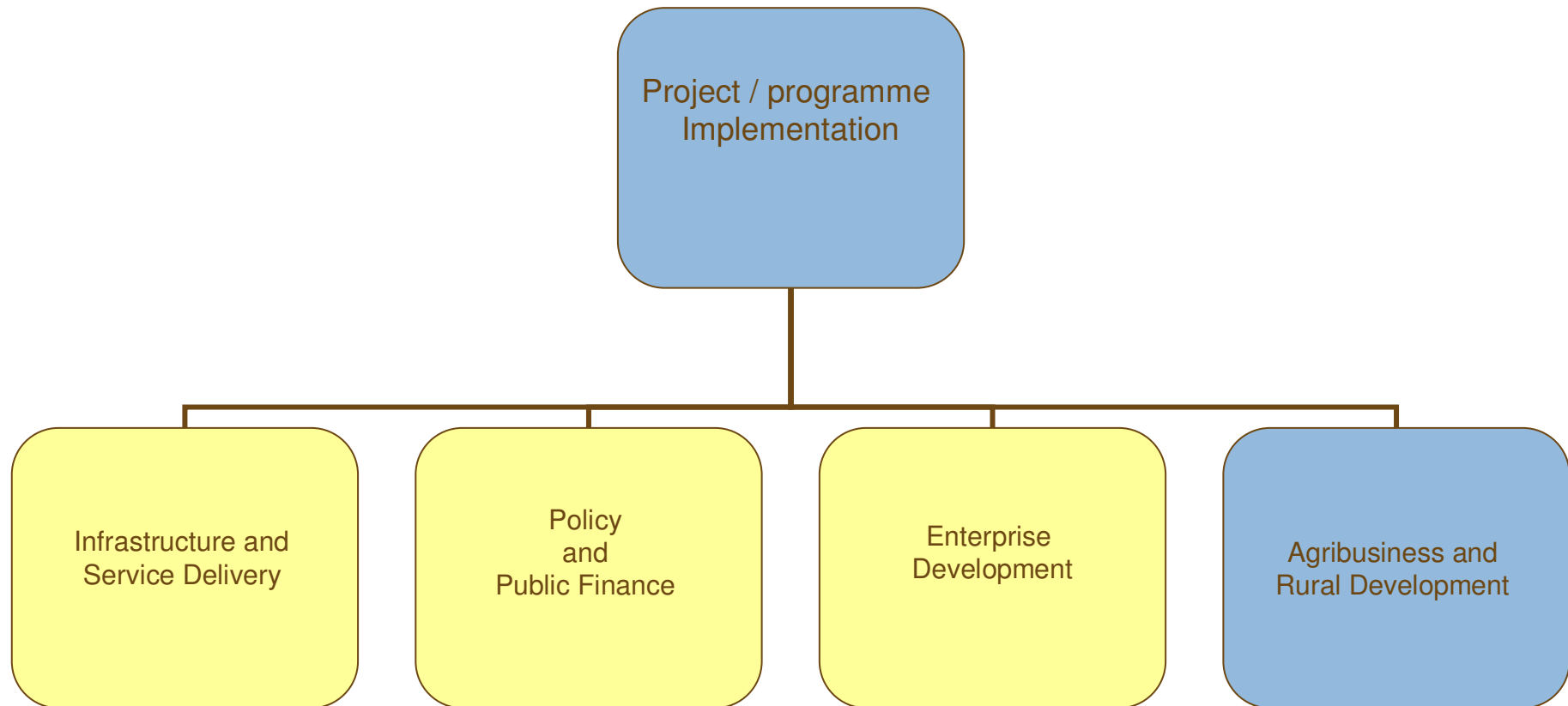
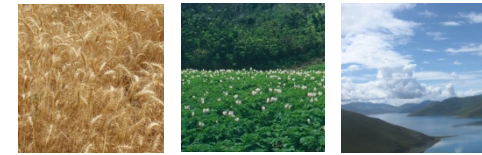
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- Operating in more than 10 countries
    - Southern, Eastern and West Africa
  - South Africa – offices in 7 provinces
  - 65 full-time head office and project employees
  - Pool of associate technical consultants within the SADC region



# ECIAfrica's Structure



# ECIAfrica's Structure...



# ECIAfrica toolbox

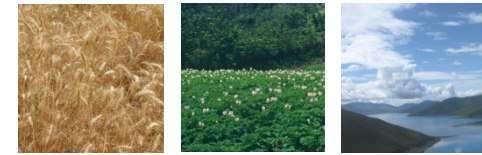


- Project design, implementation and management
- Value chain/sub sector analysis
  - Research and advisory services
  - Feasibility studies/business plans
- Business linkages
  - Strengthening SMME competitiveness
  - Promoting access to markets
- Monitoring and evaluation including impact analysis
- Policy design and evaluation
  - SMME policies and strategy development

Overriding philosophy- market led development /  
public-private partnerships



# Lessons Learnt from linkage programmes



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## Two key issues (... in design)

- Target beneficiary definition
- Knowledge of target sub-sector





# Lesson learnt ....



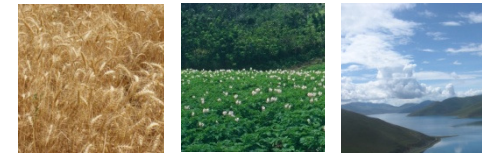
- Beneficiary target group definition:
  - SMEs / SMMEs / start-ups?
  - Success rate varies
  - Length of intervention required varies
  - Donor agencies (and other clients!) want results
  - Target groups defined such that it yields a high success rate.
  - Government has socio-economic / political mandate to support poorest of the poor
  - Not necessarily compatible with business development

# Lesson learnt ....



- Knowledge of the sub-sector:
  - By the intervention agent  
need to have intimate knowledge of the sub-sector (or access to knowledge)  
(NWGA / Technoserve chickens)
  
  - By the client  
Need to develop an understanding of “the art of the possible”  
(Scale of profitable ventures/import parities/expected returns)
  
  - By the beneficiary  
To lead the potential (small) agribusiness into participation in the value chain.

# Relevant ECI*Africa* Experience



- PAL (Promoting Agri-business Linkages: Oct 03 to March 07)  
USAID sponsored
- TEP (up to June 2007) Tourism Enterprise Programme  
SA Government
- South African International Business Linkages (SAIBL) Programme  
SAIBL I – ran concurrently with PAL; SAIBL II – Apr 07 to 2010  
SME target beneficiaries  
USAID sponsored
- Maruleng and Bushbuckridge Enterprise Development Initiative (MABEDI)  
Business Trust sponsored
- SA Provinces: Gauteng, Free State, NW Province, Northern Cape



# ECIAfrica Methodology



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- Market scoping to select appropriate target sub-sectors
  - Sub-sector analysis
  - Linkage programme development to suit client needs / retain the art of the possible

## **GDACE proposal:**

Selected sectors relevant in Gauteng

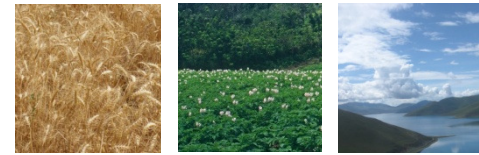
Conducted sub-sector analysis of selected sectors

Skills development of client staff (sub-sector analysis training)

Linkage programme with two – tier approach SMEs and Micro



# ECIAfrica Methodology ...



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## Free State

Agro processing focus

Sub-sector selection (5 from 12) on criteria such as occurrence, technical potential, markets

Sub-sector analysis (soya; sunflower; beef; broilers; dry beans)

Linkage programme recommendations keeping the art of the possible in mind  
Viz., capital intensity, local market opportunities vs. “export”



# ECIAfrica Methodology ...



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## MABEDI

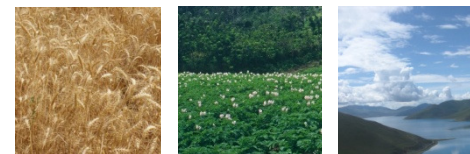
Valuable assets transferred to communities through land restitution

Three pronged approach:

- Community partnerships to retain high value businesses
- SME access for individual members to pursue own farming ventures
- Communal access to grazing, firewood, thatch grass, graves, subsistence production



# ECIAfrica Methodology ...



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## PAL

Limpopo: Linking farmers to supply Tiger Brands factory at Musina.

- At the end of PAL 10 farmers formally linked for sustained contract farming with Tiger brands
- Post PAL: Tiger Brands employed the PAL linkage officer to expand the programme. Now 37 black contract producers

The linkage process covered:

- Contracting with Tiger Brands;
- Access to production finance from ABSA;
- Technical support from the linkage officer.



# Pal (Musina) ....



## Key issues

- Farmers are immediately / indirectly exposed to the international markets
- International price and quality becomes the yardsticks, ( TB produces in SA but also imports from China)
- For the buyer side selling is a major issue when procuring through contract. SA commercial farmers notorious for side selling (sub-sector characteristics determine side selling potential)
- Linkage support institution must have intimate knowledge of the value chain. Linkage officer supplied to the Musina factory prior to employment under PAL.



# ECIAfrica Methodology ...



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## PAL ...

### North West:

- Market scoping of the province to identify most appropriate local markets
- Sun City
- Platinum mines
- Negotiations with potential buyers for ascertain specs
- Programme ended



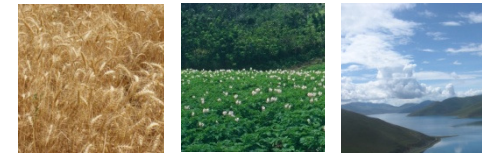
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# Lesson Learnt.....



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- Projects with a short time span (less than 12 months) do not allow for:
    - Effective targeted enterprise support
    - Effective monitoring and evaluation
  
  - There is need to roll-out a long-term project with a clear exit strategy which includes:
    - More enterprises supported
    - Enhanced post-transaction evaluation
    - Enhanced skills transfer to client officials
    - Sustainable market-based support to farmers/enterprises
    - Enhanced monitoring and evaluation

# Value Proposition to client



- Design and implement programme to effectively support small and medium agribusiness enterprises to:
  - Participate and compete in appropriate (national, regional and international) markets
  - Contribute to growth and job creation in South Africa by developing partnerships to provide access to market information, market-driven business opportunities
  - Establish support systems for economic empowerment and sustainability



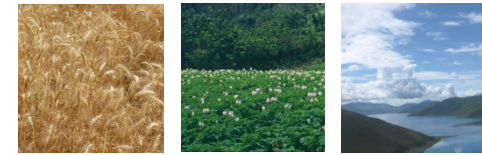
# Proposed Business Linkages & Procurement Programme



- Objective
  - Access to enterprise development support & procurement opportunities
- Target group
  - Black owned agribusiness SMEs and SMMEs
- Interventions
  - Training, capacity building services, and access to markets
- Eligibility criteria
  - 26% or more black ownership and agreed minimum annual turnover
- Exit Mechanism
  - Increased capacity of client in business linkage facilitation
- Monitoring & Evaluation
  - Set clear output & impact measures to track success



# Proposed Programme Objectives & Focus



## ■ Objectives

- To provide access to basic business training, advice and product and marketing development services support to black agricultural SMEs to improve their understanding of business management, marketing, productivity and use of modern technology aimed at improving their access to markets and procurement opportunities
- To provide support to client so as to improve capacity of officers in value chain analysis and business linkages

## ■ Focus

- The focus is ideally on registered black agribusiness enterprises that have the potential or capacity to supply goods and services to national, regional and international markets, public and private sector corporations, and local, provincial and national government departments, on a sustainable basis



# Operational Model

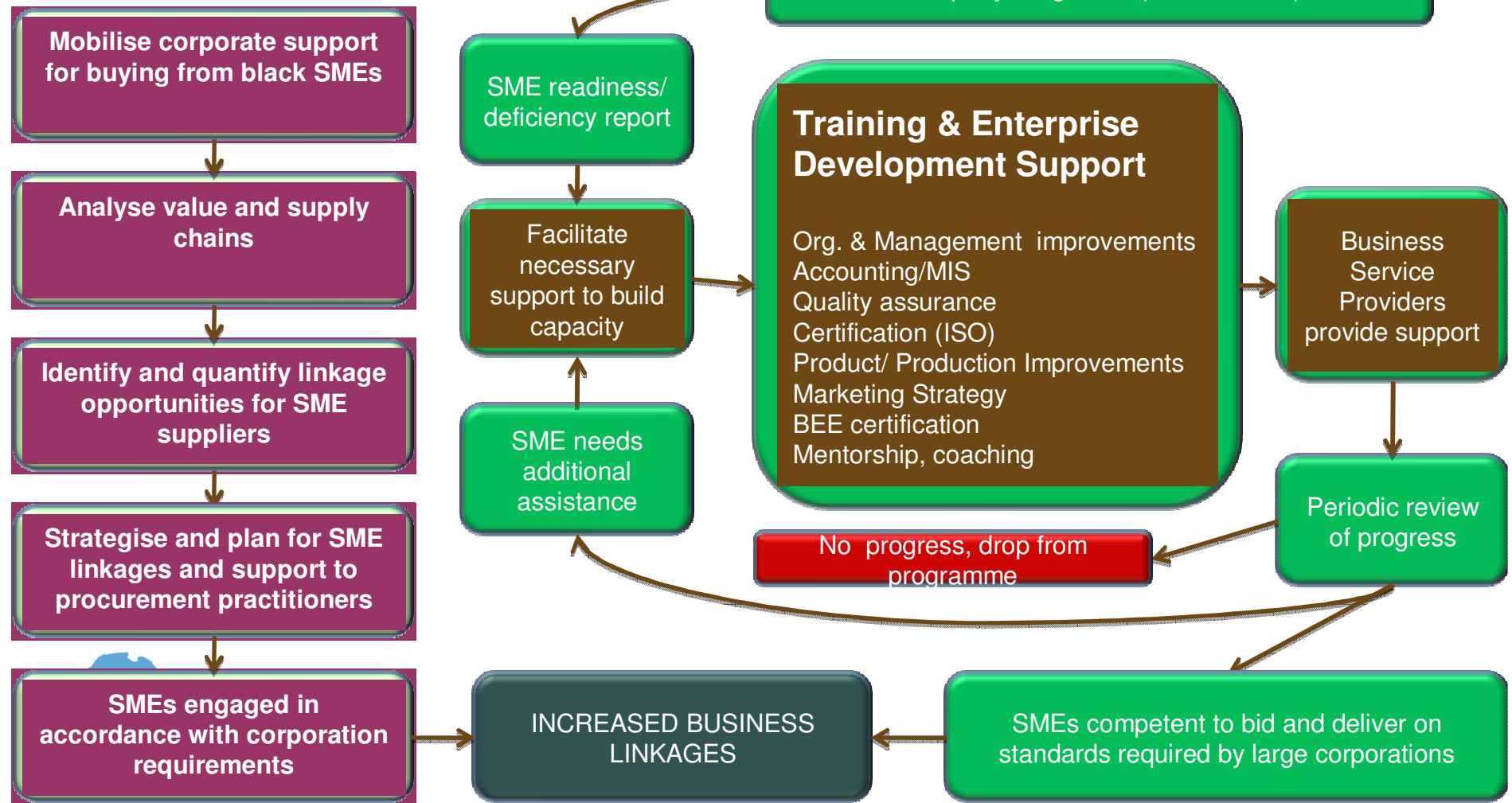
## SUPPLY-SIDE



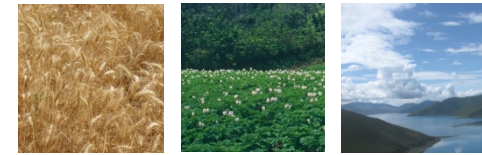
Existing Supplier that is Linkage Ready

Potential Supplier that is Linkage Ready

## DEMAND-SIDE



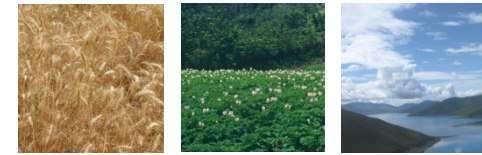
# Programme Training & Enterprise Development Support



- Basic finance for business management
- Computer skills
- Basic legal compliance
  - IR, HR, Tax, UIF, PAYE
- Sales and marketing
- Tendering and contracting
- Product, production and quality improvements
- Business plans and financing proposals
- Negotiating skills and techniques



# Proposed Programme Organisational Set Up

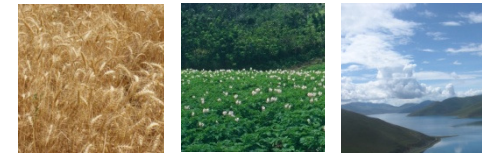


- Client to consider funding a 3 year programme
  - Year 1 fully funded
  - Years 2 and 3 funded on an annual basis based on ECI programme performance
- Set up a Project Management Unit led by a Senior technical expert
- PMU to have Agribusiness Linkage Coordinators (number based on agreed focus sub-sectors based on agricultural potential and client objectives)
  - Preference to be given to local recruiting
  - Assigning client officers to ensure institutional development



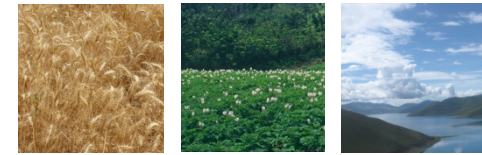


# Programme Implementation and Operations

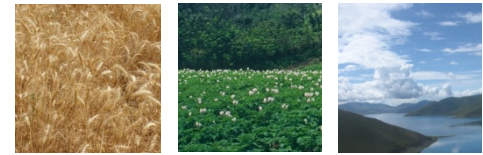


- Client budget to include a Training and Technical Assistance Fund
  - Support training and capacity building for SMEs
- Recruit local consultants/business service providers
  - Provide short term business advice and services to SMEs
- Client Programme Steering Committee
- Programme Management reporting
  - Public Finance Management Act
    - Client Accounting Officer

# Monitoring & Evaluation System – Technical Administrative Management Information System (TAMIS)



- Quarterly scorecard reporting on the following:
  - Number of SME applications approved and rejected by gender
  - Number and type of interventions approved and completed
  - Value of sales
  - Net and total jobs
- Quarterly SME satisfaction surveys in respect of:
  - Programme support services
  - Service Providers
- Annual Impact Evaluations on qualitative and quantitative effects of the programme
  - Change in SME performance (contracts won, sales, profits)
  - Change in net jobs
  - Change in management practices
  - Change in productivity and skills
  - Success stories, lessons learnt and recommendations for improvements



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THANK YOU

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