
Company code: F-1

Sector: Automotive assemblers (out of KZN)

(1) General

1) Ownership and other profiles

A wholly owned subsidiary of a U.S. company, having a engine shop and an assembly plant within the country. The total number of suppliers is 164, of which 6 are located in KZN. The total amount of purchase from suppliers is Rd 2.4 billion.

For adaptation to MIDP, the company emphasizes engine exports. It also intends to raise the localization rate for engines, which is already high at 65-70%.

2) Recent business activity and trend

It emphasizes engine exports in response to MIDP and plans to boost the localization rate. Major export markets include Europe, Mexico and China.

(2) Production management and major problem

There is no significant problem related to production management.

(3) Major characteristics of production process, technology and products, and major problems

The company is responsible for production of engines of old design, which are exported to Europe, Mexico and China in response to MIDP. To raise the localization rate further, it urges European suppliers to invest in the country.

(4) Procurement of components, parts and materials

The company is unable to procure small lot items that cannot be cost competitive and high-tech parts. At present, 5 suppliers have obtained Q1 and the company encourages additional 10 suppliers to obtain certification.

(5) Sales activity and major problem

There is no significant problem related to sales activity. The company needs to improve export competitiveness in terms of quality and supply capacity. As for problems related to second-tier suppliers, the company should solve them by itself, instead of referring them to assemblers.

Company code: F-2

Sector: Automotive assemblers (out of KZN)

(1) General

1) Ownership and other profiles

A wholly owned subsidiary of a Japanese company. The company has achieved the localization rate of 60% for passenger automobiles and 70% for trucks, highest in the industry. As a few new models are introduced, however, the company has been losing share in the country. It uses 98 suppliers in total, of which 4 are located in KZN. (Geographically, 75% are located in Johannesburg, 20% Port Elizabeth, 4% KZN, and 1% East London)

2) Recent business activity and trend

It intends to emphasize exports of assembled cars and parts, while it has no plan to increase local procurement further. It exports catalytic converters, seat covers, aluminum wheels, and engine components. The company exports 4,000 finished cars annually to the rest of Africa, making the top exporter in the industry.

(2) Production management and major problem

There is no significant problem related to production management.

(3) Major characteristics of production process, technology and products, and major problems

There is no significant problem related to production process, technology and products.

(4) Procurement of components, parts and materials

The company uses 98 first-tier suppliers, of which 4 are located in KZN. Problems related to suppliers are cost, quality and delivery. The company works together with suppliers for improvement by setting specific targets. Although it feels the need for supplier support (group activities, etc.), it thinks that a single company cannot undertake such effort.

(5) Sales activity and major problem

In response to MIDP, the company strives to boost exports of CBUs and components

and parts.

Company code: F-3

Sector: Automotive assemblers (out of KZN)

(1) General

1) Ownership and other profiles

This is a wholly owned subsidiary of a German company. It uses approximately 210 suppliers, of which 130 companies are major suppliers (25 in KZN). By model, 140 suppliers are used for Golf 3 and 40-50 for Golf 4. Total procurement cost reaches Rd 1.6 billion, of which Rd 250 million worth of purchase are made from suppliers in KZN.

2) Recent business activity and trend

As new models adopt modular components and parts extensively, the company uses less first-tier suppliers and a large number of first-tier suppliers will become second-tier suppliers. Also, introduction of new technology results in increased use of foreign subsidiaries and joint ventures.

(2) Production management and major problem

There is no significant problem related to production management.

(3) Major characteristics of production process, technology and products, and major problems

Increased use of modularized components and parts requires first-tier suppliers to act as parts assemblers. The degree of modularization rises with model change.

(4) Procurement of components, parts and materials

Prices are determined with reference to purchase prices in Europe. Both first-tier and second-tier suppliers are required to comply with VDA6. The total procurement cost (210 suppliers) is Rd 1.6 billion, of which KZN suppliers (25) receive Rd 250 million.

(5) Sales activity and major problem

There is no significant problem related to sales activity.

Company code: F-4

Sector: Automotive assemblers (out of KZN)

(1) General

1) Ownership and other profiles

The company is a wholly owned subsidiary of a foreign company, manufactures right-hand-drive cars designed by the parent company and exports them worldwide (including Japan). It uses approximately 140 suppliers, of which 10 are located in KZN. First-tier suppliers have been on the decline due to the company's response to MIDP by DTI; it has been increasing exports, both finished cars and parts.

2) Recent business activity and trend

- a) The number of suppliers decreases: 150 in 2000, 140 in 2001, and 125 in 2002 (estimate)
- b) Year of establishment (start of production): The localization rate is 41% and the company intends to raise it further as production increases.

(2) Production management and major problem

The company operates a unique JIT system by gathering first-tier suppliers within an assembly facility (called the "industrial park") and receiving immediate delivery of assembled parts. At present, three first-tier suppliers are operating in the industrial parks and four companies will join by the end of 2001.

(3) Major characteristics of production process, technology and products, and major problems

There is no significant problem related to production management.

(4) Procurement of components, parts and materials

The company is willing to expand local sourcing if suppliers meet price (same as prices offered by European suppliers), technology and quality requirements. It has been requesting improvements to first-tier suppliers in the recent few years, but no significant progress has been made. The company anticipates that first-tier suppliers will eventually decrease to 40-50 companies.

(5) Sales activity and major problem

Annual production ranges between 45,000 and 50,000 units, with a further increase being expected. The company reported annual sales of Rd 8,450 million in 2000, up 30% from the previous year, and further growth (23%) is expected in 2001. Increased parts exports are a major factor for firm growth.

ANNEX 4: General Profiles and Activities of Organizations Engaged in SME Promotion

NTSIKA

(1) Background

NTSIKA was established by DTI in 1996 and is viewed as a leading organization to provide public support for projects related to small enterprises and microenterprises in the country.

(2) Objective, function, and functional sharing with other organizations

NTSIKA is primarily responsible for providing a variety of non-financial services for small businesses, including microenterprises, which are also offered by various government organizations. More importantly, it coordinates the provision of such services to ensure their smooth implementation. Also, it conducts policy review on DTI through its coordination and service implementation activities.

NTSIKA is a sole policy implementation body under DTI and there is no other organization having the similar function.

(3) Organization, manpower, budget (scope of activities), and future plan

NTSIKA consists of the following four divisions:

- Management and Entrepreneurial Development Division
- Business Development Services Division
- Marketing and Business Linkages Division
- Policy, Research, and Information Division

Management and Entrepreneurial Development Division is comprised of the following three units.

- Training and Capacity Building Unit
- Targeted Assistance Unit
- Special Projects Unit

Training and Capacity Building Unit provides education and training for organizations that render various services for SMMEs in order to upgrade their service delivery

capabilities and skills in the fields of training, management, and consulting.

Targeted Assistance Unit is responsible for assisting young people, entrepreneurs in rural areas, women, and handicapped people in starting up and expanding their own businesses. On the other hand, Special Projects Unit aims to create and promote professional organizations that provide management education and training.

Business Development Services Division is mandated to build up the networks of organizations that provide support service for SMMEs at national, provincial and local levels. In particular, it focuses on augmentation of LBSC (Local Business Service Center) by providing loans for LBSCs and assisting them in the organizational development process toward effective networking. As of July 2001, NTSIKA accredited 37 LBSCs.

Marketing and Business Linkages Division aims to help explore domestic and export markets for products and services of SMMEs by creating and promoting the linkage (partnership) between SMMEs and large corporations. In particular, it establishes tender advice centers (TACs) which assist SMMEs in winning contracts from government organizations and large corporations by providing guidance on participation in the public tender process, including necessary documentation and procedures. Furthermore, the division implements various programs to encourage the growth of suppliers as well as the upgrading of their products in an attempt to help products and services of SMMEs attain competitiveness.

Policy, Research, and Information Division is responsible for policy formulation, programme design and implementation, and dissemination of information. At present, it primarily implement the following four programs.

- National Small Business Data Programme
- National Small Business Research Programme
- National Small Business Regulatory Review
- Manufacturing Advisory Center (MAC) Programme

As of July 2001, NTSIKA had 70 staff. It is now in the process of organizational reforms and plans to increase staffing in the near future.

(4) Activity plan and record

NTSIKA coordinates the activities that are designed to implement DTI's policy at national, provincial and local levels. DTI is currently giving priority, in its SME policy, to three areas – promotion of business startup, job creation through the development and upgrading of skills, and regional development. NTSIKA provides coordination service along this policy and supports programs that are planned under DTI's policy for their smooth implementation.

(5) General reputation among industries and enterprises

NTSIKA has established and provides operational support for a variety of support organizations, including LBSC (Local Business Support Center), MAC (Manufacturers Assistance Center), and TAC (Tender Assistance Center). Therefore it has contributed to promotion of local industries and companies through activities of these support organizations.

(6) Future challenge

As discussed above, NTSIKA is an organization under the central government and functions as a coordinating body for SME development and promotion programs at provincial and local levels, which are implemented by local government organizations (i.e., provision of various services). As the system decentralizes service delivery functions to local organizations, however, it is often difficult to manage the programme effectively in the ordinary cycle that consists of mutually interdependent activities, including implementation, monitoring, problem finding, feedback, and correction.

To ensure that programs planned by DTI are smoothly implemented at provincial and local levels, NTSIKA is required to develop and maintain a close relationship with local government organizations by means of an exchange of personnel in charge of programme implementation and management (including coordination).

Other problems pointed out include the overemphasis on short-term programs and a relatively small number of medium- and long-term ones, duplication of scope of responsibility and service among the above divisions, and the lack of linkage with KHULA (organization under DTI, responsible for financial support for SMMEs).

AIDC (Automotive Industry Development Centre)

(1) Background

AIDC was established by the Gauteng state government and CSIR under the assistance of the Germany government in 1999 (the establishment procedure started in April and ended in November). It was established as a proprietary limited company, 60% owned by the Gauteng state government and 40% by CSIR.

(2) Objective and function, and functional sharing with similar organizations

AIDC has the primary purpose of furthering the development of the automobile industry in South Africa to the competitive sector that is capable of achieving sustainable growth and providing employment opportunities.

According to AIDC's long-term vision, the automobile industry is considered to evolve through the following six stages.

- 1) CKD production
- 2) Competitive production of model components
- 3) Exports of model components
- 4) Maintenance of models
- 5) Production of global models
- 6) Designing of global model concept and specifications

AIDC considers the automobile industry in South Africa to be in stages 1) "CKD production" and 2) "competitive production of model components" and envisions that it will evolve to 3) "exports of model components", 4) "maintenance of models", and 5) "production of global models", with an ultimate goal of reaching stage 6) "designing of global model concept and specifications". To fulfill this vision, AIDC plans to provide support in cooperation of government and other public organizations, trade associations and industries.

- Support for business startups in the automobile and automotive parts industries, business expansion of existing companies, and entry from other industries (e.g., investment incentives, locational analysis and infrastructure development)
- Support for encouragement of local procurement (e.g., identification and selection

- of potential suppliers, promotion of the supplier base, and project management)
- Support for regional development (e.g., selection of development opportunities and partners, project management)

AIDC is the first public research organization in the country, which focuses on the automobile industry, and sets priority to promotion of SMMEs as well as large corporations and is therefore expected to play a leading role in broad-based development of the supplier base in the industry.

(3) Organization, manpower, budget (scope of activities), and future plan

AIDC's organization consists of the following four divisions.

- 1) Competitiveness Improvement
- 2) Design, Engineering, & Testing
- 3) Research and Development
- 4) Human Resources Development
- 5) Joint Ventures

The divisions are responsible for the following activities.

- 1) Competitiveness Improvement:
Supplier promotion, technology transfer, SME promotion, and logistics
- 2) Design, Engineering, & Testing:
Designing and development of system components and production processes, promotion of local procurement, and inspection and testing of automobiles and automotive parts
- 3) Research and Development:
Research and development on basic materials, process technology, production technology, and automobile industry-related technology
- 4) Human Resources Development:
Training for basic industrial skills, shop floor training, training for advanced techniques and skills, and educational and training for automobile engineering and management skills
- 5) Joint Ventures:
Promotion of joint ventures, including those involving foreign research organizations and enterprises

AIDC hires 17 people (including managers and engineers). Since the establishment, it has been spending 27 million rand (400 million yen) for preparation of commercial service and 42 million rand (630 million yen) for social and economic activities. The annual budget is around 35 million rand (530 million yen) and AIDC intends to maintain the current level of activity for a while.

AIDC is managed by the advisory board that is represented by NAACAM and NAAMSA. Under the advisory board, Technical Action Group is responsible for policy implementation including the planning of activities. AIDC forms an information network with local universities, research institutes and other organizations.

(4) Activity plan and record

AIDC makes an activity plan for each division, some of which is under implementation. Major activities planned by "Competitiveness Improvement", "Design, Engineering & Testing" and "Human Resources Development."

<Competitiveness Improvement>

- Implementation of the supplier promotion programme in cooperation of Society of Motor Manufacturers and Traders' Industry Forum
- Development of Industrial Logistics and Supply Chain Management under the engineer exchange programme with Fraunhofer IPA (started in April 2001)
- Development of the supplier promotion and improvement programme for SMMEs
- Development of technology transfer methodology in collaboration with Pretoria University

<Design, Engineering & Testing>

- Ergonomic evaluation of locally manufactured models
- Inspection, parts evaluation and designing of automobiles using alternative fuels

<Human Resources Development>

- Development of automobile industry-related programs and training courses for universities and colleges
- Introduction of machinery and equipment for automobile industry-related programs and training courses for universities and colleges
- Development of skills training programs on the manufacture of dies and molds for universities and colleges
- Development of technology transfer capability reinforcement programs for

universities and colleges

(5) General reputation among industries and enterprises

In its second year, AIDC claims to receive positive evaluation from industries in the following respects.

- Formulation of the future vision and policy for the automobile industry according to the government's guideline for industrial development policy
- Commitment to SME promotion by announcing the development of supply chains for second- and third-tier suppliers
- Multi-faceted efforts for development and dissemination of application technologies from

(6) Future challenge

AIDC is the first research organization covering the automobile industry and conducts extensive activities on the basis of a relatively large annual budget. As it plans and implements a variety of activities, it is expected to develop and commercialize key technologies that are required for further growth of the automobile industry in the country. As the industry is characterized by a large technology gap between large corporations and SMMEs, AIDC can help reduce it by disseminating technologies it develops to SMMEs *in an effective and efficient manner.*

ITHALA Development Finance Corporation Ltd.

(1) Background

ITHALA was established under the KwaZulu-Natal Ithala Development Finance Corporation Act of 1999, by reorganizing KFC (KwaZulu Finance and Investment Corporation Ltd.) which was established in 1980. At present, it has 40 branches in KwaZulu-Natal (10 in cities, 17 in towns and villages, and 13 in rural areas) ITHALA is essentially a government financial institution under the control of DEDT, but its operation is fully funded from its business revenues, not receiving subsidy from local governments.

(2) Objective, function, and functional sharing of other organizations

ITHALA was established to support economic development in KwaZulu-Natal from financial aspects and assumes the role of supplying funds to private enterprises, farms and individuals for household management, housing, real estate investment, and capital spending purposes. In fact, it is the sole government financial institution in the KwaZulu-Natal. It provides service in close coordination with DEDT and KMI (marketing support organization in the KwaZulu-Natal).

(3) Organization, manpower, budget (scope of activities), and future plan

ITHALA consists of the following four departments according to the purpose of loan. Property Investment Department is divided into Commercial Division and Industrial Division, and Business Loan Department is comprised of Agricultural Division and SMME Division.

- 1) Saving Loan Department
- 2) Housing Loan Department
- 3) Property Investment Department
 - Commercial Division
 - Industrial Division
- 4) Business Loan Department
 - Agriculture Division
 - SMME Division

ITHALA employs a total of 1,170 staff, including branches. Its gross revenues are around 300 million rand (4.5 billion yen). It intends to maintain the current levels of staffing and business size for a while.

(4) Activity plan and record

ITHALA's Business Loan Department extends loans to farms and SMMEs at the annual interest rates that vary between 16.5% and 18.5% by borrowing original funds at the market rates ranging between 10.5% and 14.5%. It should be noted that ITHALA defines SMMEs as enterprises having the factory floor area of 5,000m² or less. So far, approximately 2,000 SMMEs have used the ITHALA loans and the total amount of loans has reached 500 million rand (7.5 billion yen). In connection with SMME loans, ITHALA gives advice on development of business plans.

ITHALA, since the former KFC, has constructed a number of industrial estate buildings in Pinetown, New Germany, Durban North, Pietermaritzburg, and Empangeni / Richards Bay as well as industrial estates in Ezakheni, Isithebe and Madadeni, with the total floor area exceeding 1 million m². These industrial estates and buildings accommodate over 1,400 companies that operate and hire an estimated 36,000 workers.

ITHALA provides the following services for companies that intend to operate in these industrial estates and building, in conjunction with its loan service.

- Feasibility study
- Market study
- Application for incentive programs and assistance in the application process
- Matchmaking and introduction of potential joint venture partners

(5) General reputation among industries and enterprises

ITHALA serves the entire state of KwaZulu-Natal and provides loan service on the basis of good knowledge on locality. It extends loans to around 600,000 customers and has established itself as a financial institution widely used by local residents. According to ITHALA, its loans for enterprises and farms are highly valued for their contribution to job creation and promotion of local industries by diverting funds to relatively risky business startup and capital spending projects.

(6) Future challenge

ITHALA is essentially a business entity operated for profits. Because of high capital costs (interest rates on original funds), its SMME loans are inevitably high and are difficult to expand to smaller enterprises. It is imperative to take action to allow low interest rate loans.

Khula Enterprise Finance Ltd. (KHULA)

(1) Background

KHULA Enterprise Finance Ltd. (KHULA) was established in 1996, under the Companies Act and under the full capital contribution of DTI. It started its formal service in 1997. KHULA is a limited company and has its headquarters in Johannesburg, with branch offices in Cape Town, Durban, Port Elizabeth, East London, and Midland.

(2) Objective, function, and functional sharing of other organizations

KHULA has the primary objective to assist SMMEs in financing business startup and expansion. It does not provide loans directly to SMMEs and instead provides funds to retail financial intermediaries (RFIs) which refer to a variety of financial institutions that extend loans to SMMEs, including commercial banks, NGOs, non-bank financial corporations, and state development corporations. In turn, KHULA receives funds from the government and domestic and foreign donor organizations. It is now expected to fulfill its unique role in helping creation and development of SMMEs with growth potential by means of indirect financing through RFIs.

KHULA defines SMME as follows:

- Microenterprises: 5 or less employees, annual sales of 50,000 rand or less, and total assets of 20,000 rand or less
- Small enterprises: 50 or less employees, annual sales of 5 million rand or less, and total assets of 500,000 rand or less
- Medium enterprises: 150 or less employees, annual sales of 20 million rand or less, and total assets of 5 million rand or less

IDC is a similar organization established by the government and is primarily responsible for providing loans directly to large and medium-sized enterprises.

(3) Organization, manpower, budget (scope of activities), and future plan

KHULA's head office has Credit and Guarantee Department and Loan Department. It has approximately 50 staff and will add 15 – 20 staff in the near future. It has a branch in Durban and hires 2 persons including a part-time staff (3 days per week). Its

annual budget ranges between 500 – 600 million rand. Revenues and expenditures last year are summarized as follows.

Revenue: 508 million rand (DTI budget)
60 million rand (contribution and donation)

Expenditure: 400 million rand (credit and guarantee)
97 million rand (loans)
20 million rand (others)

(4) Activity plan and record

KHULA's head office offers a variety of credit and loan services, including loan guarantee for private enterprises that borrow funds from commercial banks, and loans to state development corporations, commercial banks, non-bank financial institutions, and NGOs. Note that loan guarantee is provided for the purchase of technology and software, not covering hardware.

KHULA has the following five loan schemes.

- Business Loans
- Seed Loans
- Capacity Building
- Equity Fund
- Credit Guarantees

First of all, Business Loans extends loans ranging between 1 million rand (15 million yen) and 100 million rand (1.5 billion yen). The amount of loan, repayment conditions, and other terms are determined for each application after KHULA's detailed examination. On the other hand, Seed Loans is designed to supply working capital for business startup to entrepreneurs, allowing them to obtain equity capital for incorporation or initial operating funds.

According to KHULA's head office, it has issued loan guarantee to around 6,000 companies for commercial loans. And around 60,000 companies have received loans of varying amounts through RFIs.

In addition to credit and loan services, KHULA offers a special programme to encourage the use of its loan schemes by SMEs, called Thuso Mentorship Programme.

The programme was launched in 1999 and is now conducted by the head office and branches in Cape Town, Durban, Port Elizabeth and Midland.

Thuso Mentorship Programme conducted in Durban provides extensive assistance and support for SMMEs in KwaZulu-Natal, including evaluation of business viability, advice on marketing and management, loan intermediary service, and post-loan services. SMMEs using this programme can receive loans from commercial banks, in the amount ranging between 100,000 rand and 1 million rand.

According to KHULA's head office, it has received inquiry on Thuso Mentorship Programme from approximately 5,000 companies, of which 700 – 800 companies have participated. Note that branch offices including Durban provide service related to Thuso Mentorship Programme only, not credit and loan services.

(5) General reputation among industries and enterprises

According to the Durban branch, Thuso Mentor Programme is increasingly used by companies in KwaZulu-Natal. At the same time, however, loan application derived from the programme needs to be made at the head office in Johannesburg, preventing smooth expansion of loans to SMMEs that participate in the programme.

(6) Future challenge

The Durban branch provides service related to Thuso Mentorship Programme only. It is imperative to establish an integrated service delivery system that allows SMMEs in rural regions to gain immediate access to credit and loan services provided by the KHULA head office.

SABS (South African Bureau of Standards)

(1) Background

SABS is a government organization under DTI and was established in 1948. It has the head office in Pretoria and branch offices throughout the country, including Cape Town, Port Elizabeth, Durban, East London, Richards Bay and Bloemfontein.

(2) Objective, function, and functional sharing of other organizations

SABS develops, establishes and enforces product standards through certification and inspection services, for the purpose of improving quality and competitiveness of products made in South Africa. The head office in Pretoria is primarily responsible for the development and establishment of product standards, while the Durban branch provides certification service and the Richards Bay branch inspection on coal and other mineral products. SABS is a sole government organization in charge of public service related to product standards and quality control and there is no other organization having the similar function.

(3) Organization, manpower, budget (scope of activities), and future plan

SABS consists of the following four departments.

- 1) Standards establishment and development
- 2) Standards certification
- 3) Product inspection
- 4) Standards information service

SABS has approximately 1,400 employees in total. The Durban branch has 30 and the Richards Bay branch 10.

The annual operating budget amounts to 500 million rand, of which 12 million rand (180 million yen) is allocated to the Durban branch.

SABS is currently reforming its organization but does not plan to change its staffing or budget significantly.

(4) Activity plan and record

In 1998, SABS established SMME Development Department, which is designed to support activities related to promotion of SMMEs by providing intermediary service

between SABS and other public support organizations and SMMEs. The department is authorized by the government to serve as a coordinating body for Presidential Imperatives Programme (PIP) and therefore its support activities for SMMEs are fully consistent with the national economic plan and policy.

The department defines enterprises with 10 or more employees as SMMEs and gives priority to six sectors, namely agriculture, construction, textile, manufacturing, automobile, and service. It has 8 staff. Since 1998, it has been rendering support and intermediary service activities in the areas of training and R&D.

In particular, Missing Linkage Training is a major programme conducted by SABS SMME Promotion Department. The programme provides guidance and skills training customized to the actual needs of SMMEs with a view to promote production of goods and services that meet domestic and international standards. Under the programme, the department plans to provide support for 5 companies in each province, totaling 45 in 9 provinces. It has established a database containing 180 companies and provides the following services for 30 companies.

- Evaluation of production techniques and skills
- Quality inspection and testing
- Produce certification (SABS mark)
- System certification (ISO9000/14000)

When a company participates in the programme and receives guidance from SMME Development Department, it is entitled to subsidy that covers 50% of costs required for programme activities. In addition, the department supports market development efforts by providing SMMEs in the database with information and advice on procurement by government organizations and large corporations, which is made through open tender procedures.

SABS's head office owns a variety of automobile inspection and testing equipment and 20 staffs perform inspection service on braking and other systems.

Since 1999, the Durban branch has been conducting a training program for SMEs to obtain ISO 9000 certification. It has been sending instructors, with free of charge, to approximately 180 SMEs in the fields of construction material, textile, metalworking (welding), and electricity and electronics. In addition, it started quality inspection

service (with fee) in April 2001 to certify compliance with standards.

(5) General reputation among industries and enterprises

According to SABS's Durban branch, it has been providing certification, inspection and information services for approximately 700 companies in the area. SABS provides guidance and information services for improvement of product quality, with free of charge, including the training program for ISO 9000 certification, and believes that these services are generally accepted by industries and enterprises.

(6) Future challenge

SABS's Durban branch points out that there are significant differences in quality between products made by large manufacturers and those made by SMEs, and that quality improvement of SME products should be made of high priority. Thus, SABS should expand technical guidance for SMEs, such as the ongoing training programme.

NPI (National Productivity Institute)

(1) Background

NPI was established in 1958 and is a non-profit, government organization authorized under Section 21. It is under supervision of both DTI and the Ministry of Labor, different from SABS, KHULA, CSIR and other organizations under DTI. Its management policy is formulated by the council, which members are representatives of the government, industry, and labor unions.

(2) Objective, function, and functional sharing of other organizations

NPI has the primary objective of raising productivity of local manufacturing and service industries in order to increase their competitiveness while promoting collaboration between management and labor. In particular, NPI is expected to play a vital role in raising awareness of private enterprises about productivity, including SMMEs, and developing human resources that will become leaders of productivity improvement at individual companies.

SABS has a government organization having the function similar to that of NPI. While NPI conducts information dissemination and education in "productivity" aspects, SABS provides corporate training and guidance in "quality control" aspects. Both organizations share the same objective of raising competitiveness of local industries.

(3) Organization, manpower, budget (scope of activities), and future plan

NPI's head office consists of the following six divisions, each of which provides a variety of services for private enterprises.

- 1) Technology
- 2) Strategic Projects
- 3) Emerging Sectors
- 4) Knowledge and Skills
- 5) Promotion and Advocacy
- 6) Consulting

NPI has a total of around 100 staffs, of which 80 are engineers or other professional staffs. It has branch offices in Cape Town and Durban. The Durban branch has 7-8 staffs.

NPI's operating budget comes from the budget allocated by the Ministry of Labor (60%) and its own business revenues (40%). 90% of business revenues are earned from consulting service. It has once received financial support from the Danish government, but it now relies on the two primary revenue sources. It intends to maintain the present organization and the operational budget.

(4) Activity plan and record

In March 2000, NPI newly established Emerging Sectors Division. The division started its activities targeting three key areas, promotion of SMEs, the improvement of women's status, and development of local communities. As for SME promotion, the following activities have been conducted.

- 1) To hold seminars and workshops for improvement of productivity awareness;
- 2) To conduct trainer education for productivity improvement; and
- 3) To conduct a public education program on productivity, targeting students.

Emerging Sectors Division has held 7 seminars and 10 workshops to raise productivity awareness in Gauteng, Northwest and KwaZulu-Natal. Each seminar was attended by over 50 persons and a workshop over 80. The workshop proceeded by dividing participants into small groups (consisting of 10 persons each). In addition, Productivity Improvement Programme is conducted to train productivity improvement trainers in collaboration with NTSIKA. NPI staff teaches to managers of SMMEs the know-how on productivity improvement activities within each company. At present, NPI has more than 20 instructors for trainer education. Emerging Sectors Division also offers lectures and workshops on productivity at a university in Cape Town under a special arrangement.

(5) General reputation among industries and enterprises

Productivity improvement of SMMEs should start from seminars and workshops designed to raise their awareness and teach knowledge and know-how on actual improvement of productivity. Then, SMMEs should have leaders to drive productivity improvement activities within each company. As SMMEs have limited human resources, however, public support is essential in educating these productivity leaders. As discussed earlier, NPI holds seminars and workshops on productivity improvement as well as Productivity Improvement Programme to educate trainers who lead productivity improvement initiatives within SMMEs. These activities are well accepted as effective public support to meet the needs of industries and companies.

(6) Future challenge

Major issues to be addressed by NPI are summarized as follows:

- 1) To hold seminars and workshops in other states;
- 2) To expand trainer education; and
- 3) To enhance local organizations.

NPI's Emerging Sectors Division has been holding productivity seminars and workshops since November 2000. However, they were mainly held in Gauteng where NPI had the head office, with a limited number of seminars and workshops being held in Northwest and KwaZulu-Natal. As many SMMEs have little concern about productivity and its improvement, they are facing intensified competition, in many industries, with imports made in countries with low labor costs. If SMMEs are to survive in the increasingly competitive markets within the country, they have to realize the need for productivity improvement. NPI's productivity seminars and workshops are considered to be an effective means to achieve the goal and should be held on a continuous basis, including the states other than Gauteng.

In particular, trainer education requires public support and NPI's current programme should be expanded, preferably covering all the states.

To hold the seminars, workshops and trainer education programme throughout the country, NPI needs to reinforce its local organization. It must make and implement long-term plans to expand the existing branch offices in Cape Town and Durban and establish new branch offices in the states other than KwaZulu-Natal and West Cape.

SBAC (Small Business Advice Center)

(1) Background

SBAC was established by Richards Bay Minerals (RBM) in 1986 to support development of small enterprises and job creation in the Empangeni/Richards Bay region.

At present, it is a quasi-government organization that receives 78% of its operating funds from a private company (AN RBN Enterprise Trust) and 22% from government organizations. (e.g., DTI and DEDT)

(2) Objective, function, and functional sharing of other organizations

SBAC has the primary objective of supporting development of SMMEs and creation of employment opportunities in the Empangeni/Richards Bay region. Since its foundation, it has been expected to fulfill the following functions:

- Support and advice for business startup and expansion
- Planning and implementation of skills training
- Promotion of subcontracting
- Support for regional development

SBAC was accredited by NTSIKA as a LBSC (Local Business Service Center) in 1995. It was originally established by RBM and has been reorganized to a quasi-government organization. There is no organization of similar nature.

(3) Organization, manpower, budget (scope of activities), and future plan

SBAC has 14 staffs and its annual operating budget is approximately 3 million rand (45 million yen). SBAC intends to maintain the current level of operation for a while.

(4) Activity plan and record

SBAC has been conducting the following activities, which have contributed to creation of 4,000 jobs.

- Business support service
 - Guidance on accounting practice, support for sales planning and procurement promotion, and advice on tax management and legal control
- Loan support and follow-up
- Skills training, workshops and seminars on marketing, financial management, tender procedures, and similar subjects

- Support for the establishment of linkage (subcontracting) between assembly manufacturers and suppliers
 - Establishment of ZCBF Business Linkage Center (BLC) in 1993
 - BLC handles subcontracts worth 100 million rand in total per year.
- Support for hawker business
 - Encouragement of communication between formal vendors and the regulatory body
 - Provision of buildings and showcases for sales activities
 - Production of promotion videos
- Establishment of local banks (Empangeni)
 - Joint project with Achib (African Council for Hawkers and Informal Business)
- Establishment and operation of local mini-factories
 - Skills training and guidance for field workers (machinists, welders, maintenance personnel, etc.)
- Entrepreneur education
 - Conducted, since 1993, at schools, prisons, and vocational training centers.
 - Annual school competition is held jointly with Mercury Newspaper.
- Promotion of tourism
 - Support for business startup in tourism (*Lebombo Corridor*)
- Establishment of the community police forum
 - Encouragement of collaboration between the police and communities
- Information service (library)

(5) General reputation among industries and enterprises

During the past 15 years, SBAC has been supporting the development of SMMEs and growth of employment through a variety of activities, which are well received by industries and enterprises.

(6) Future challenge

Richards Bay is a newly developed industrial city with large manufacturers of aluminum, titan, iron and steel, construction and farming equipment, sugar, paper and pulp, timber, fertilizer, and other products. There are a small number of SMEs, while a large number of microenterprises and survivalist enterprises. Growth of SMMEs is impeded due to the shortage of funds and marketing capabilities. SBAC designates aluminum processing (die casting and extrusion molding) and furniture as prospective industries in the area. It is expected to secure human resources and funds required to support promotion of these industries.

DCC (Durban Chamber of Commerce and Industry)

(1) Background

DCC is an organization of private enterprises, which was established in 1856. This is the largest business organization in South African and has approximately 5,000 member companies, 84% of which are SMMEs (100 employees or lower). DCC defines SMEs as companies having 100 or less employees and MEs as those having 10 or less employees.

(2) Objective, function, and functional sharing of other organizations

DCC has the primary objective of meeting business needs of member companies and is expected to fulfill the following functions.

- Provision of information on member companies (e.g., marketing, business administration, production management)
- Advice and support for business deployment of member companies
- Promotion of exchange and collaboration among member companies
- Support for socioeconomic development in the Durban area

(3) Organization, manpower, budget (scope of activities), and future plan

DCC has the secretariat having approximately 40 staffs. Its annual operating budget ranges between 7 million and 8 million rand (105 million – 120 million yen) and is financed by membership fees and business revenues. The annual membership fee varies with company size. DCC has no plan to expand its organization as its membership has not increased recently.

(4) Activity plan and record

At present, DCC is currently providing the following services for member companies.

- Provision of information and advice on marketing and sales
- Provision of information and advice on loan
- Planning and implementation of seminars and workshops
- Participation in domestic and foreign trade fairs

DCC does not provide special service for SMME members.

It intends to enhance export information and advice services for automobile and machinery industries.

(5) General reputation among industries and companies

DCC, with its long history of nearly 150 years and the large membership of 5,000 companies in the manufacturing, distribution and service industries, is widely recognized by industries as an organization to promote information exchange and communication among member companies. It plans annual activities, including the provision of business information for member companies and the planning and implementation of seminars and workshops on various subjects. While many member companies consider these services as useful, the membership fee is fairly high (although varied according to company size) and some SME members complaint that they do not receive service for what they pay.

(6) Future challenge

From the viewpoint of SME promotion, DCC is expected to enhance the following activities.

- Provision of information and advice that meet the needs of SMEs
- Provision of merchandising and marketing information and advice for export promotion

