

2009 Annual Report




swisscontact
South Africa

Swisscontact is a non-profit organisation founded in 1959 by personalities from the Swiss private business sector and universities with the goal of helping to grow the private sector in selected developing countries and thereby contributing to poverty reduction.



Foreword

Swisscontact is a non-profit organisation founded in 1959 by personalities from the Swiss private business sector and universities, with the goal of helping to grow the private sector in selected developing countries and thereby contributing to poverty reduction. Since entering South Africa in 2003, we have worked closely with our funders, partners and clients to improve the competitiveness of Micro, Small and Medium-Sized Enterprises (MSMEs) and to improve the environment in which these businesses operate so that they can grow and thrive.

Partnering to fight poverty – 2009 in review

During 2009, Swisscontact South Africa furthered its mission of promoting private economic and social development through advisory services, training and continuing education. We made significant progress in all our existing projects and also initiated a number of new ventures with the help of our partners. Our results-driven approach has attracted much interest in South Africa. During the year under review, we initiated promising new project contracts, such as the Vertical Shaft Brick Kiln Programme with the Swiss Agency for Development and Cooperation (SDC). We extended others, such as the Mentoring project funded by Credit Suisse and the Alfred Nzo District Municipality pro-poor development planning project that is

funded by the Austrian Development Agency. We are pleased with the progress of each of these projects, and believe that we are already making a difference for the partners and communities they target. Some projects – such as a partnership with the Swiss Secretariat for Economic Affairs to promote growth-oriented SMEs in the Western Cape – came to a conclusion after successfully meeting their goals. Details about these projects and others can be found in this report. Together with some of our key partners, we hosted a number of round-table sessions during 2009 to share best practices. These sessions – where experiences and approaches were shared – proved to be invaluable to our clients, partners and Swisscontact itself. We also undertook a number of short-term consulting assignments that delivered quick benefits to a range of client companies during 2009.

Swisscontact South Africa could not have achieved everything it did during the course of 2009 without the support of all our funders, partners and clients as well as the commitment of our employees and board of trustees. We would like to thank every person and organisation that contributed to our success during the year for their loyalty, encouragement and help throughout 2009. We look forward to an even stronger working relationship with our partners in 2010 as we work together to contribute to job and income creation and smooth the way to a better future.

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Swisscontact South Africa is proud to have reduced the overhead costs of our country programme management in South Africa to less than 10% of our total project cost. At the same time, we have increased our project volumes by 66.4% during the period under review, meaning that we are reaching more individuals and organisations than ever before.

Financials

Local Project Costs for 2008 : 2009 (Association incorporated under Section 21 of the Companies Act)

Project Name	Funding Agency	R 2008	R 2009
Twinning BDS with Finance	International Finance Corporation (IFC)	1,362,580	-
Promotion of growth-oriented SMEs in the Western Cape	Swiss Secretariat for Economic Affairs	2,027,961	4,835,755
Access to finance for small businesses	Credit Suisse (CS)	53,927	1,097,989
Alfred Nzo District Municipality	Austrian Development Agency (ADA)	678,941	1,151,041
LEDNA	Swiss Agency for Development and Cooperation (SDC)	490,264	235,817
Vertical Shaft Brick Kiln (feasibility and preparation)	Swiss Agency for Development and Cooperation (SDC)	-	395,215
Country management / acquisition	Swisscontact	679,695	756,616
Local Project Costs		5,293,368	8,472,433

Swisscontact South Africa is proud to have reduced the overhead costs of our country programme management in South Africa to less than 10% of our total project cost. At the same time, we have increased our project volumes by 66.4% during the period under review, meaning that we are reaching more individuals and organisations than ever before. The project figures above include only the local project costs and expenditures managed directly through Swisscontact South Africa. International consulting fees, international overheads and other international project costs are managed through the Swisscontact head office in Switzerland. The costs for the Deutsche Gesellschaft für Technische Zusammenarbeit Local Economic Development (GTZ LED) project are managed by the ICON Institute, our partner in the consortium, and are hence not disclosed in the table above.

Swisscontact focuses on building the capacity of the public and the private sectors as well as civil society to develop the economic and social potential in their localities.

Our Four Approaches

Swisscontact aims to contribute towards income generation and employment opportunities in South Africa by helping small businesses to thrive. We provide technical assistance, capacity building, training and institutional development to partners that assist these businesses to become competitive, grow and expand – and ultimately create additional jobs. We do this in a manner that promotes gender equity and sustainable usage of natural resources. The way we operate is informed by our four main approaches, outlined below.

Small business development

Swisscontact promotes small business development by building the capacity of business development service providers, sector bodies and business associations. These partners provide small businesses with advice and technical assistance that help them to grow, consolidate and expand their business. Swisscontact acts as a broker in building the relationship between bigger corporates and small suppliers.

Swisscontact also promotes access to financial services for small businesses by introducing pre- and post-loan mentoring services and developing and presenting good practice for small business finance to relevant stakeholders such as banks and development agencies.

Energy efficiency and climate change

Swisscontact recognises that climate change, unsustainable use of natural resources and pollution aggravate poverty, since the poor lack the means to manage the risks posed by deteriorating natural environments. For that reason, our interventions always take into account environmental concerns, such as cleaner production mechanisms, sustainable management of waste and sustainable urban development.

We focus on local solutions that create positive incentives for both government and businesses to protect the environment.

We believe that more environmentally friendly technologies, practices and standards create business opportunities. As such, we promote the long-term preservation of potentials for today's and future generations by ensuring that economic development takes place in a sustainable manner.

Decentralisation and local economic development

Swisscontact focuses on building the capacity of the public and the private sectors as well as civil society to develop the economic and social potential in their localities by identifying comparative advantages and attracting investments for increased economic activity. We promote increased interaction between different stakeholders for improved coordination and planning.

To do so, we apply innovative communication

channels such as theatre and mass media. We support the involvement of communities in the implementation of development plans to ensure accountability and that concrete results are achieved.

Access to information

Swisscontact focuses on the promotion of channels of information and knowledge to small businesses, ranging from media and business networks to corporates. We aim to show information providers that it makes commercial sense for them to target mass audiences and seek to educate the media sector about target preferences and needs among lower income groups.



"We need partnerships like this one we have with Swisscontact if we are to make an impact for our member small businesses."

Nokuthula Nkondo, CEO of the Etwatwa Daveyton Kingsway Wattville

Chamber of Commerce and Industry

Project News

Swisscontact has initiated a number of projects in South Africa that promote skills development, access to finance, access to markets and local economic development to the benefit of small businesses. These projects are having a measureable impact on the growth and sustainability of our clients and are helping to drive job creation and alleviate poverty.

Access to finance for small businesses

Swisscontact launched this project in July 2008 (with funding from Credit Suisse) with the aim of helping small businesses in the Gauteng province to improve their contribution towards job creation. The project focuses on disseminating information about business development and financial services available to small businesses. We use the media as a conduit; equip mentors to offer credit-related mentoring to small businesses; and encourage stakeholders in the financial sector to assign resources to small businesses.

To date, the project team has commissioned surveys to assess the information needs of small businesses, has developed training materials that address small businesses' information needs and financial literacy, and conducted entrepreneurship awareness campaigns via print and broadcast media. The main focus is on growing financial literacy among entrepreneurs by educating them

about how to manage their money better, understand the advantages and disadvantages of financial products, and apply financial management principles to their businesses.

The project has recruited a number of mentors, who in turn have provided pre- and post-loan mentoring services to more than 60 businesses. In addition, the project has forged links with financial institutions and chambers of commerce to bring financial and non-financial services to townships.

Client spotlight

Swisscontact has forged a close alliance with the Etwatwa Daveyton Kingsway Wattville (EDKW) Chamber of Commerce and Industry for this project. About 50% of the Chamber's membership comes from the survivalist sector, which includes street traders, spaza shops, cooperatives and other types of informal businesses.

The Chamber wanted to increase its outreach and offer members and the community a platform where they could access information, mentoring and access to finance. Working closely with Swisscontact, it has managed to reach more than 1,000 small businesses in four different communities with relevant business information through expos and information events.

Local Economic Development in South Africa

Since 2003, a team of advisors from Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), ICON Institute and Swisscontact, have supported the Department of Cooperative Governance and Traditional Affairs, the Department of Trade and Industry, and the South African Local Government Association in tackling local economic development issues.

They are working together to empower local and district municipalities as well as partners in the private sector to initiate local economic development processes and take up economic opportunities, using an efficient, effective and low-cost approach.

Key components of the project are development of local economic development concepts and tools; institutional and human capacity building; and local economic development policy advice, learning and knowledge management. In collaboration with Inwent Capacity Building and the German Development Service, the team nurtured the South African Local Economic Development (LED) Network (www.led.co.za) into a professional, sustainable practitioners' association with a local economic development knowledge hub.

Close to 1,000 officials, councillors and government decision-makers at provincial and national levels have undergone training to build their capacity in local economic development. The LED project supported the

"LEDNA is an excellent resource and a promising knowledge network to advance the LED agenda in Sub Sahara Africa. We should nurture and use it to catalyze partnerships that respond to the real needs of local authorities."

Gulelat Kebede, OIC, Training and Capacity Building Branch (TCBB), UN-HABITAT, Kenya.

Development Bank of Southern Africa in establishing the Vulindlela Academy as a training provider in South Africa, thus institutionalising local economic development capacity building.

As a result of this project, many key players in the local economic development environment have been armed with the tools and strategies they need to tackle development issues. In addition, the project has created a number of benchmarking tools and standards that allow the capacity and maturity of local economic development across key municipalities to be measured.

Client spotlight

Dr JS Moroka is a rural municipality one hour north of Pretoria that acted as a "human dumping ground" for the Apartheid State's forced removals. The project worked with the municipality to design a local economic development programme over a 24 month period. Partners in the effort were the municipality, KfW and Development Bank of Southern Africa as funders, and the LED Project.

During the course of the project, a number of projects were identified and are now in their implementation stages. These include the building of a job centre, a crime prevention programme, a waste management project and interventions in the tourism and agricultural sectors.

Local Economic Development Network of Africa

Initiated in 2008, Local Economic Development Network of Africa (LEDNA) is a pan-African effort to institutionalise local economic development through national and local policies and programmes. It promotes sharing of knowledge and also aims to strengthen the capacity of key stakeholders by providing them with local economic development knowledge and tools.

LEDNA has sought to achieve its objectives through partnerships with local government associations in countries such as Mali, Togo, Botswana and Zambia. It has also developed a one-stop online knowledge hub (www.ledna.org) that offers free access to nearly 3,000 peer-checked economic development resources.

A social networking platform with a growing membership is enabling people around the continent to share knowledge and experience. One major success story is the successful facilitation of a five-year national local economic development programme in Mali that spans 16 cities. In addition, programmes are facilitated on an ongoing basis in Togo, Botswana and Zambia.

Promotion of Growth Oriented SME in the Western Cape

Initiated in 2006 and completed in 2009, this project aimed to spur increased small business contribution to the overall economic growth in the Western Cape Province. The way that

the project sought to achieve its goal was through supporting small businesses to gain access to business development and financial services.

The initiative managed to reach 23 small businesses, which between them created 85 new jobs in the province. Nearly 80% of these clients received and paid back loans from commercial lenders, and most managed to increase their sales by 10% even against the backdrop of a recession in the province. Project interventions such as the installation of financial systems, help with training and skills development, and assistance in developing policies that strengthened the clients' businesses have helped them to navigate the economic crisis.

The project also sought to strengthen the relationships between buyers and small business suppliers, including increasing volumes of contracts. This set of interventions reached 371 small business suppliers, who have benefitted from increased sales of 10% per buyer. As a result, suppliers have been able to employ more people and increase salaries for existing staff – because they have secure income streams from stable clients. These small businesses accounted for about 9,800 jobs in 2009, of which an estimated 15% were newly created.

Client spotlight

R&E Design, an upholstery, curtain manufacturing and interior design firm owned by Evelyn Zyster, is one business that

The company is now attracting high-calibre clients, including high net worth individuals and prestigious design houses. Swisscontact's help in areas such as compliance with tax and labour laws, as well as in setting up sound financial controls and systems, has played a vital role in R&E Design's growth.

benefitted from this project. Since the Swisscontact intervention, it has grown to a size where it has created five new full-time jobs and needs to look for new premises because the old ones have become too small to accommodate the thriving business.

The company is now attracting high-calibre clients, including high net worth individuals and prestigious design houses. Swisscontact's help in areas such as compliance with tax and labour laws, as well as in setting up sound financial controls and systems, has played a vital role in R&E Design's growth. Other assistance that Swisscontact offered was help in securing a loan for a new delivery vehicle and working capital.

Vertical Shaft Brick Kiln Project

On behalf of the Swiss Agency for Development and Cooperation (SDC), Swisscontact, in cooperation with Skat, initiated the Vertical Shaft Brick Kiln (VSBK) project with the goal of reducing greenhouse gas emissions and improving energy efficiency in the process of manufacturing clay bricks. The project currently targets the Western Cape, Eastern Cape and Gauteng, but will eventually reach all clay brick-producing areas of South Africa.

The VSBK project is a technology transfer project that aims to migrate brick manufacturers from clamp to more environmentally-friendly kilns in the brick manufacture process. The technology, sourced

from Nepal and India, will be piloted with 20 South African firms. Local entrepreneurs and workers as well as specialised service providers are targeted for knowledge transfer.

Entrepreneurs such as Namakwa Stone are interested in the kiln technology as a means to reduce energy costs and comply with environmental regulations. The first kilns will be fired up in 2010, after which Swisscontact will be able to report on the economic and environmental impact of this project.

Client spotlight

Namakwa Stone produces about four million bricks a year with about 50 employees. Recognising that the drop-off in manufacturing volumes as a result of the recession is a perfect opportunity to invest in new technology, the company is working with Swisscontact to introduce the kilns into its business.

Alfred Nzo District Municipality Project

This project aims to institutionalise effective communication and coordination in development planning and project implementation among municipalities and community-based organisations in the Alfred Nzo District in the Eastern Cape. There is a huge communication gap between the district municipality and local municipalities as well as between the local government bodies and the communities in the region.

About 60 participants from 30 civil society organisations and 15 councillors at a district level received training about development issues and effective communication. Some 15 people at the district municipality received training in financial management systems.

In addition, several thousand people in 19 villages in the district were reached with 'Theatre for Africa', a theatre performance used to drive awareness in the communities about their rights and duties as citizens and the possible communication channels with the municipality. Swisscontact oversaw a study on the municipality's culture of performance, which the district municipality will use to improve internal communications and drive a culture of performance excellence.

After encouraging results at Alfred Nzo District Municipality, the next phase of the project will focus on getting the local municipalities more involved. Innovative communication channels such as theatre and radio and the concept of peer review will be used to ensure that knowledge is shared between the stakeholders involved in the project.



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Fact Sheet

Project	Access to finance for small businesses
Area of Work	Business development services and access to finance and information
Project Manager	Neo Seleke • Tel: +27 12 346 5102 • Email: ns@swisscontact.co.za
Number of staff on project	1
Financed by (donor organisation)	Credit Suisse (CS)
Project	Local Economic Development in South Africa
Area of Work	Local economic development
Project Manager	Gabriele Trah • Tel: +27 82 9072722 • Email: gabriele.trah@gtz.de
Number of staff on project	4
Financed by (donor organisation)	Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)
Project	Local Economic Development Network of Africa
Area of Work	Local economic development
Project Manager	Serge Zelezeck • Tel: +27 12 346 51 02 • Email: serge.zelezeck@ledna.org
Number of staff on project	5
Financed by (donor organisation)	Swiss Agency for Development and Cooperation (SDC), United Cities and Local Governments of Africa (UCLGA)
Project	Promotion of growth-oriented SMEs in the Western Cape
Area of Work	Small and medium business development
Project Manager	Rozandi Louw • Tel: +27 73 202 6000 • Email: rl@swisscontact.co.za
Number of staff on project	2
Financed by (donor organisation)	Swiss Secretariat for Economic Affairs (SECO)
Project	Vertical Shaft Brick Kiln
Area of Work	Climate change, energy efficiency and technology transfer in building materials
Project Manager	Juancho Hagnauer • Tel: +27 12 346 5102 • Email: ns@swisscontact.co.za
Number of staff on project	2
Financed by (donor organisation)	Swiss Agency for Development and Cooperation (SDC)
Project	Alfred Nzo District Municipality
Area of Work	Local economic development
Project Manager	Ntombizakhe Bungane • Tel: +27 39 254 5000 • Email: nb@swisscontact.co.za
Number of staff on project	1
Financed by (donor organisation)	Austrian Development Agency (ADA)

Swisscontact South Africa could not have achieved everything it did during the course of 2009 without the support of all of our funders, partners and clients as well as the commitment of our employees and board of trustees.

The Team



Juancho Hagnauer
Resident Representative



Neo Seleke
Project Manager



Lerato Mokoena
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Deputy Resident Representative



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LEDNA Online Facilitator



Rozandi Louw
Project Manager



Gabriele Trah
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