

Emerging learning from the Jobs Fund’s Business Support Initiatives

What are BSIs and why does the Jobs Fund support them?

The objective of the Jobs Fund is to co-finance initiatives that will contribute to job creation in South Africa. In particular, the Jobs Fund aims to facilitate and develop new and innovative methods of increasing employment participation in the economy. Through one of the Jobs Fund’s funding windows, “Enterprise Development”, a variety of Business Support Initiatives (BSIs) have been supported. The objective of this window is to fund initiatives that focus on job creation utilising a commercial enterprise approach. Many of these BSIs therefore operate in a manner similar to business incubators.

What is a Business Support Initiative?

The purpose of the review was to assess Business Support Initiative (BSI) models that aim to identify the key practices that lead to successful and sustainable enterprises, and identify the different models that have been used to support enterprise development. The review was conducted by DNA Economics

Support models

Fifteen BSIs were assessed and three models of support were identified. These included a financing model where BSIs were funded according to their ability to create jobs and repay the loans. The second model is a franchise-based model that provides support to beneficiaries who own their own business.

The third model is an incubator service. Within the incubator model there are projects that specialise in agri-incubator support to agricultural enterprises.

These BSIs support a range of businesses including existing and start-up enterprises, as well as enterprises of different sizes, ranging from survivalist businesses to medium enterprises.

The key services offered by the BSIs

While the core service provided by the BSIs varies depending on the type of model used to support enterprise development. Most common among the BSIs is the provision of business training and support.

Figure: 1 Organisations by support model:

| Financing | Franchise | Incubator |
|---|--|---|
| <ul style="list-style-type: none"> • Anglo American Sebenza Fund • Mondi Zimele Jobs Fund • Small Enterprise Foundation • Curafin | <ul style="list-style-type: none"> • A2Pay • Hotdog café | <ul style="list-style-type: none"> • Awethu • Cape Craft Design Institute • Enablis • Microsoft BizSpark • Shanduka Black Umbrellas • Agri-incubators • Buhle Farmers Academy • Karoo Agricultural Incubator • LIMA • TechnoServe |

Core services

The research found that the core service of the BSI varies depending on the type of model they use but most BSIs do provide some sort of business training and support which is key to success.

In addition the BSIs also provide: mentoring, coaching, financing or finance facilitation, business planning, networking opportunities, physical infrastructure, access to markets and technical training and support.

The review suggests that training and support are critical to assisting in the development of beneficiaries. This is most relevant to the agricultural sector, where the provision of technical training and support was considered one of the most important contributions to client development by the BSIs.

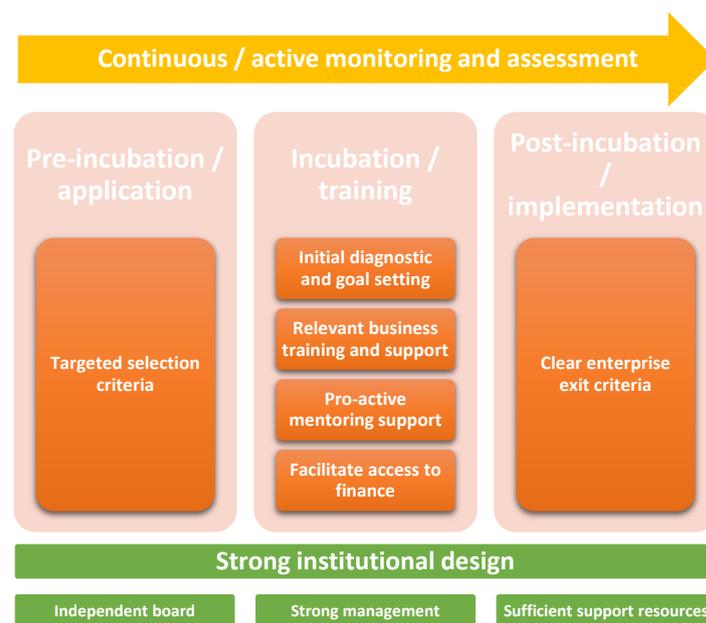
Another important learning is that the level and type of support provided depends on the size of the beneficiary. Smaller organisations require ongoing support of a more basic nature while bigger organisations require complex support but far less frequently.

Key elements of successful BSIs

1. Careful selection of clients and beneficiaries reduces the risk of failure and generates value for money over the long-term
2. Conducting initial diagnostics for clients/beneficiaries to understand their needs and to set baseline goals and targets
3. Provide relevant and applicable business training and support for clients and beneficiaries in support of reporting requirements
4. Provide mentoring or coaching support
5. Upfront identification of beneficiaries/clients

6. Facilitating access to capital and finance is critical to success
7. Clear exit criteria for beneficiaries
8. Pro-active and continuous monitoring to ensure client success and quickly highlight problem areas
9. An independent and diverse board to ensure good governance and strategic direction
10. Skilled and experienced management and staff to manage BSIs efficiently
11. Adequate resourcing.

Figure 2: Core elements for design of successful BSIs



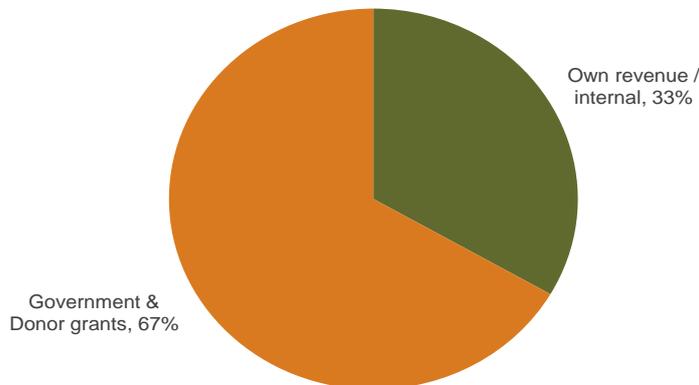
A number of additional elements are relevant for specific sectors and types of clients.

1. For commodity-based sectors, such as agriculture, clients require explicit market access facilitation in accessing both upstream and downstream markets.
2. BSIs targeting unemployed individuals may need to provide pre-defined, pre-packaged business opportunities in order to promote enterprise sustainability.

BSI self-sustainability and scaling-up

The review highlighted that many BSIs will continue to require public, and possibly grant funding, over the medium to long-term. This is not unusual for incubator models in developing and developed countries. This is particularly true in the South African context where BSI support focuses on survivalist businesses, where the services provided by incubators are highly subsidised.

Figure 3: BSIs expected source of main / primary funding after Jobs Fund:



BSIs structured along commercially-focused lines may provide a better path to (BSI) self-sustainability. Similarly, financing institutions targeting the “missing middle” may provide a model for a level of self-sustainability, since the careful selection and risk management of financed clients can ensure that funds are effectively recycled.

Scale-up and replication

Scale-up and replication is possible in the BSI space. While franchise models are more dependent on specific market conditions, incubator models offer potential for scale-up.

For scale-up to become possible three factors play an important role but it should be noted that these can also be constraining factors.

1. **Access to capital and finance** is essential, especially for non-profit organisations, to scale-up and expand.
2. **Dedicated, skilled and trained human resources.** The highly skilled nature of human resources employed to provide support to clients and the fact that support initiatives are also often driven by single individuals during the early stages makes overcoming human resource deficits especially important.
3. **Structural factors** within the agricultural sector, such as land ownership and missing infrastructure may make the replication and scaling of agri-incubators more challenging

Conclusion

The review concludes that BSIs seem to be generating positive outcomes, especially in relation to job creation, with achievements to date relatively in line with their targets. However there is work to be done to ensure the long-term sustainability of these projects.