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PREPARATION OF HUMAN RESOURCES DEVELOPMENT PROGRAMME  
FOR POST APARTHEID SOUTH AFRICA

XP/RAF/94/131

Entrepreneurial and managerial skill development for  
sustainable industry in Southern African region\*

UNIDO background paper for the International Donors'  
Conference on Human Resources Development for  
a Post Apartheid South Africa  
on 28 to 30 June 1994

Based on the work of Dr. Gautham Raj Jain  
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\* This document has not been edited.

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List of Abbreviations

CIDA	Canadian International Development Agency
GDP	Gross Domestic Product
ILO	International Labor Organization
NGO	Non-Governmental Organization
PTA	Preferential Trade Area
R	Rand (South African currency)
SADCC	Southern African Development Coordination Conference
TBVC	Transkei, Bophutatswana, Venda and Ciskei
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNIFEM	United Nations Development Fund for Women

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## FOREWORD

Further to the United Nations General Assembly resolution 46/79 A of December 1991 and 47/116 A<sup>1</sup>, the UN Secretary General and the Commonwealth Secretary-General agreed the principle of organizing an International Donors' Conference on Human Resources Development in a New South Africa in cooperation with their key donors' agencies and South African organizations. The main goal of the Conference is to provide assistance in the area of human resources development to disadvantaged South Africans to enable them to contribute to the development of a prosperous and stable non-racial democracy.

To this end, a Technical Committee of the Core Group to continue carrying out preparations for the Conference was set up in July 1993. The United Nations, the Commonwealth Secretariat and UNDP will serve on the Technical Committee along with any other members of the Core Group<sup>2</sup> that have contributions to make.

UNIDO was invited as a member of the Technical Committee to attend the Second Meeting of the Committee held at the UN Headquarters on 5-6 August 1993. On behalf of UNIDO, Human Resource Development Branch participated in the meeting which was chaired by the Commonwealth Secretary and also attended by their UN specialized agencies (UNESCO, ILO, UNICEF...).

As results of discussions and exchange of professional views on the Conference Background and on the purpose and the format of the papers to be prepared, two background papers are to be prepared by UNIDO for discussions first by the Workshop II (private sector - skills development - self-employment - entrepreneurship and management) and second by the Session V "Regional collaboration in the area of Human Resource Development in SOUTHERN AFRICA". The present background paper was prepared

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<sup>1</sup> "At the appropriate time, in the light of positive developments such as agreement on transitional arrangements, to expand, in a concerted manner, through the relevant United Nations offices and in collaboration with the specialized agencies, the scope of assistance provided inside South Africa aimed at addressing socio-economic issues, particularly in the areas of education, health, housing and social welfare..."

<sup>2</sup> Composed of the Organization of African Unity, African Development Bank, World Bank, European Community, Agence de Coopération Culturelle et Technique, in addition to the UN, Commonwealth Secretariat and UNDP

under the session V for which Economic Commission for Africa will be the Lead Agency'.

The primary goal of the papers is to stimulate donors' interest and to mobilize international support for addressing the Human Resource Development needs of Post Apartheid South Africa. This paper was prepared in line with the basic structure, as requested, and also along with UNIDO experience in the implementation of UNDP/UNIDO project in ASIA and PACIFIC region on "modular approaches to managerial and entrepreneurial skill development" (DP/RAS/89/059).

In October 1993, UNIDO approved the project XP/RAF/94/131 entitled "Preparation of Human Resources Development Programme for Post Apartheid South Africa". This background paper was prepared within this project and based on the desk works carried out by Dr. Gautham Raj Jain, Consultant. During the execution of this consultancy duties, Dr. Gautham Raj Jain considerably benefitted for significant advisory inputs/supports from several colleagues in the Organization. Large numbers of detailed discussions/meetings and exchange of professional views took place - most of them were supplemented by sound background materials. Various assistance/support, particularly in the field of logistics, were provided and highly appreciated.

I take this opportunity to express to Dr. Gautham Raj Jain my sincere thanks for his valuable contributions to the preparation of this paper.

Vienna, 18 May 1994

Backstopping Officer  
Human Resource Development Branch

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<sup>1</sup> UNDP report on the Fourth meeting of the Technical Committee of the Core Group on South Africa held on 25 January 1994 in London, U.K., page 5.

## Introduction

For more than four decades, South Africa has remained alienated and isolated from the rest of the international community. Since the announcement of dismantlement of apartheid and lifting of the ban on the liberation movement, the international community has been active in the process of shaping a new South Africa by bringing it back to the mainstream of the international system. All reform measures will have to face dual challenges as South Africa is going through a period of transition of economic liberalization as well as post apartheid. The goal of developmental strategies for South Africa is to help the country achieve a democratic constitutional order, economic growth and social transformation by tackling the problems of mass poverty, unemployment, racial and gender imbalance. The goal of building a new South Africa would mean not only to create stability within the country, but also the prospect of economic development in the entire Southern African countries.

Apartheid has created deep rooted problems of opportunities for the development of human resources which is a major obstacle to long-term sustainable economic growth and social transformation. This is evident from trends and factors such as extreme poverty and mass unemployment, a shrinking economy, racial and gender inequalities, a shortage of managerial and technical skills and uneven economic development in the region. Further, the existing educational and training systems has been so crippled that it has only contributed to the furtherance of these problems. As a result, South Africa suffers from enormous imbalances in the supply of, and demand for, labor, especially at the technical level. Such imbalances must be redressed for the effective and complete socio-economic development. Human Resource Development (HRD) strategies are therefore essential for long-term sustainable economic growth, and for ensuring improved employment opportunities, supply of skilled manpower at different levels of the economy and stimulating industrial growth.

One of the urgent needs in the context of socio-economic development is the economic empowerment of the black community. Experience in many developing economies indicates that the promotion of small/medium including micro-enterprises has been successful in not only stimulating industrial and economic growth, but in also achieving redistribution of income, alleviating poverty and generating employment opportunities. The development of industrial, entrepreneurial and managerial skill development among the disadvantaged groups, especially the black population appears to be the most important strategy in the present context of South Africa. Thousands of black people who are unemployed and poor can be assisted to take up self-employment in small scale industry. Existing entrepreneurial and managerial skills need to be further enhanced for those who are already involved in the small-scale enterprises and most of whom are neither very productive nor competitive in the present and/or changing scenario of South African economic/industrial development.



The promotion and development of micro, small and medium sized enterprises is extremely important also for the development of the agricultural trade, and, commercial sectors. The health of these sectors is required to adequately support industry which in turn is essential to boost agriculture production. Industrial development will thus lead to the over-all development of trade, commerce, and services. An effective small-scale industrial development strategy will contribute to widening the base of industrialization throughout the country including in rural areas and small towns. Further, it will help to integrate large numbers of people from disadvantaged groups into the mainstream of productive economic activity, thereby helping the country to achieve a balanced economic growth.

South African institutions provide a rich resource and network of institutions at the macro level as well as the grassroots level for promoting developmental activities for small scale industries. The support and assistance of both these institutions and large corporations could be mobilized to create a sustainable base for industrial development through small scale industry. What is required is to have their role and activities expanded to reach into under-developed areas (the homelands) and to under-privileged people in order to provide them with improved capabilities in entrepreneurial/managerial skills development, technical, financial and information assistance consistent with the needs of micro, small and medium size enterprises.

The changes in South Africa are likely to have profound influences on all the countries of the Southern African region. Therefore, an HRD strategy needs to be broad-based and to address both South Africa and the entire Southern region. The regional cooperation for HRD strategy will be helped by both optimally utilizing existing institutions/resources in the region and benefit from their experiences. This will facilitate the achievement of sustainable HRD programmes which have multiplier effect; large number of beneficiaries will be reached at the grassroots level in South Africa as well as in the surrounding region. This would facilitate not only regional integration of HRD programmes but also achieve results in the most economical and efficient way.

### Summary

1. Despite the apartheid problem, South Africa still appears to be the largest economy in the Southern subregion. Given the per capita income in South Africa, the country could well be classified as a middle income country. However, according to the gini co-efficient measurement, South Africa has the most unequal distribution of income of any country in the world.

2. The human resource situation in South Africa has created many obstacles to long term sustainable economic growth of the country. This is evidenced from extreme poverty, mass unemployment, declining economic growth, uncompetitive structure of the industrial sector, racial and gender inequalities, shortage of managerial and technical skills and uneven economic development. One of the urgent needs in the context is to achieve a constituent socio-economic order which will be to integrate/empower the most disadvantaged groups of people (black) into the process of economic development through industrialisation.

3. The most appropriate strategies to tackle the problems of South Africa will be to widen the base of industrialization all over the country and create forward and backward linkages to promote a large number of people in sustainable micro-, small- and medium-size industrial enterprises. This will assist South Africa in utilising all possible natural, physical and human resources productively to enhance production and thereby achieve accelerated and sustainable economic growth.

4. The Commonwealth expert group on "Beyond Apartheid: Human Resources in South Africa" established that human resource development is shown to be the top priority which is to increase/develop productive skills among disadvantaged populations for their absorption in industrial enterprises. The experts group further emphasized the regional integration of South Africa as the economic development with South Africa will have profound influences in the entire Southern subregion.

5. The micro-, small- and medium-size enterprise sectors have many strategic advantages in the present context of South Africa. This sector which can be promoted with small capital, simple technology, minimum infrastructure facilities can make significant contribution in the development of domestic as well as of export market, stimulate the growth of large industry, trade, commerce and service sector and provide an adequate base for agricultural production. Global experiences reviewed in the paper reinforce this aspect, as many developing countries in Africa and South East Asia could achieve socio-economic benefits through the promotion of the micro, small and medium industrial enterprise sector.

6. Development of the sector has been a conscious effort on the part of policy matters, support system and financial institutions in the countries under review here. Development programmes included training in entrepreneurial development, export promotion, management skill development and rural micro enterprises. In addition to these, a number of incentives, assistance and policy support was created for providing credit-assistance, infrastructural facilities, technical, extension, counselling and information services to prospective as well as to existing entrepreneurs.

7. Entrepreneurial and managerial skill development programmes have generated strong evidences that people who are weak in commerce and trade can be developed as competent industrial entrepreneurs. The programmes use a comprehensive development process which involves selection of prospective entrepreneurs, strengthen their motivation to be an entrepreneur; develop entrepreneurial/managerial capabilities with necessary knowledge and skills required in selecting appropriate opportunities, mobilising necessary resources, and proven of start up and management of enterprise. During this process participants are also assisted in decision making with regard to size of investment, location of factory, business plan preparation, loan application as a part of enterprise launching.

8. The programmes proposed in the paper involves key development programmes, institution building, policy and support system development programmes, strengthening key educational institutions in South Africa for resource persons' development at key stages through regional cooperation and collaboration with international communities with the use of multiplier approach to address large number of target beneficiaries. The ultimate programme beneficiaries are turned poor men and women, rural youth illiterate people, educated unemployed migrant labour, small traders owners of small and medium enterprises, professionals, managers and technocrats.

9. The programme strategies will be to strengthen existing institutions at the regional and national levels through the resource persons development in entrepreneurial/managerial skills development programmes who would in turn train trainers for the grassroots level agencies. The trainers at the grassroots level will, in turn, turn out to entrepreneurs and develop existing enterprises in improving their performance and sustainability in the changing socio-economic environment of South Africa. In this process, the cooperation of existing institutions in South Africa like ABDC, IDC, SBDC, DBSA, CSIR, SAFTO, etc. will be sought to execute their role/activities to create network of institutions/support and service in underdeveloped areas and also to underprivileged people.

10. Output of the programmes at the preparatory start-up will be to identify training needs assessment of the target beneficiaries, to prepare curricula for different target groups, training needs assessment of institutions for their capability development in entrepreneurial/managerial skills development is

required for the preparation of directory of potential opportunities in industry. Programmes for developing resource persons and trainers will be organized in micro-, small-and medium-size enterprise creation and improving the performance of the existing enterprises. To influence policy makers, and officials of support and financial institutions, sensibilisation workshops and developmental programmes have been envisaged to create necessary policy and infrastructural support. To sustain the programmes for micro-, small and medium-size enterprises in the country, rural training centres, growth centres and small enterprise promotion centres are proposed to be set up in key locations of South Africa.

11. The programme envisages substantial financial support from the donors to the amount of approximately US\$ 4,4 million. The total duration of the programmes will be three and a half years.

### Recommendations

- (i) The paper has been prepared in accordance with UNIDO's objectives and developmental needs of South Africa. The main focus of the programmes proposed in the paper is on assisting South Africa to utilise all possible natural, physical and human resources productively to enhance industrial production and thereby achieve an accelerated economic growth. The strategy of the programme will be to widen the base of industrialisation all over the country and create forward and backward linkages to promote sustainable micro-, small- and medium size industrial enterprises. This aspect should be emphasized during the discussion of the paper in the donors' conference in South Africa.
- (ii) All other programmes proposed in the paper are for promoting manufacturing industrial activities and are consistent with UNIDO's objectives and expertise. To promote these programmes and ensure sustainability of small- and medium-size industrial enterprises, it is necessary that UNIDO assists and advises the South African Government to formulate appropriate policies, provide and create institutional network even in under-developed areas for continuously providing essential services to this sector such as information, counselling, technical processes, marketing, credit assistance and infrastructural facilities.
- (iii) A number of institutions are needed to be created to sustain activities related to entrepreneurial and managerial skills training, technical and infrastructure assistance in the future. Adequate funds need to be sought to create such institutions and adopt them for a period of two years. To have these institutions sustain in the future, UNIDO should

explore and establish adequate funding and administrative support from the African government or other community based organisations/large corporation at the time of the initiation of setting up of these institutions.

- (iv) To ensure effective implementation of the proposed programmes with quality assurance, it is recommended that UNIDO should form core group within UNIDO and create a Project Steering Committee. The core group will be responsible for the overall supervision/guidance, monitoring and evaluation of programmes and provide advisory services to the Project Steering/Coordination Committee. The core group will consist of UNIDO officials from Human Resource Development Branch, Industrial Policy Branch, Integration of Women in Industrial Development Unit and Africa Programme. The Project Steering/Coordination Committee will be responsible for overall implementation of programmes and provide professional inputs in curricula development, institutional collaboration and create local support/system in South Africa and coordinate activities with the relevant ministry of South African government. The Committee should consist of officials from HRD Branch, HRD consultant with specialisation in entrepreneurial/managerial skill development, rural industrial technology expert, representatives from donor agencies, international organisations, representatives from South African government especially from SBDC, IDC and SADCC's Regional Training Centre.
- (v) A certain number of programmes fell within the preparatory stage. these are: training needs assessment, industrial project and opportunity directory, training needs assessment of institutions and core group of senior policy maker/support and financial institutions. Within this framework, training needs assessment and industrial project and opportunity directory preparation should begin simultaneously. Only after the completion of training needs assessment and preparation of tentative curricula for the ultimate target beneficiaries, the training needs assessment of institution should be started. This is important because the curricula for the ultimate target beneficiaries are required to determine what institutions are needed for training of trainers as well as resource persons development programmes and also prepare curricula for these programmes too.
- (vi) All the resource persons' training programmes should include all the elements/inputs required for the training of trainers at the grassroots level agencies within the framework of training needs identified for the ultimate target beneficiaries. Internationally reputed institutions with substantial experience in training of trainers programmes should be selected for the resource persons programmes. There are a number of institutions in Europe, South East Asia (India, Malaysia, Philippines and Africa).

The institution should be selected only after a careful study of their training facility, faculty resources and their ability to impart input with appropriate training methods.

## Part I: SOCIO-ECONOMIC PATTERNS AND TRENDS

Despite apartheid which has created deeply rooted socio-economic problems, South Africa still appears to be the largest economy in the Southern African region. Its GDP (\$ 80.370 millions) is nearly three times greater than that of the SADCC countries. The overall per capita income is estimated at about \$ 2470 making South Africa a middle income country. Given the total population of South Africa which is about 37 million, South Africa has the largest national market in the region. About 32 million (86 per cent) are black and about 5 million people (14 per cent) are white. Fifty-nine per cent of the population live in urban areas. The growth rate of the population is 2.4 per cent per year.

South Africa is the most industrialized country in the region having the largest manufacturing sector. Forty-four per cent of the GDP comes from the industrial sector, while the manufacturing sector alone contributes 24 per cent to the GDP. The agriculture sector contributes only 6 per cent, while the total contribution of the service sector is 50 per cent to the GDP. The overall growth rate of production was 1.5 per cent between 1980-89. During this period the agricultural sector grew at the rate of 2.7 per cent, industry by 0.4 per cent, manufacturing by 0.5 per cent and service sector by 2.5 per cent<sup>2</sup>.

The economy is overdependent on mining, especially gold and coal. Gold alone contributes to about 30 per cent of export earning, while mineral and base metals contribute approximately 27 per cent<sup>3</sup>. The major important sectors in manufacturing are food, beverages and tobacco (14 per cent in 1988), machinery and transport equipment (20 per cent in 1988) and chemicals (11 per cent in 1988)<sup>4</sup>.

However, in recent years, the country is facing declining growth in almost all economic sectors and many social problems which include unemployment, poverty and skilled manpower shortages. All of these are discussed below:

### A. Declining economy

After decades of apartheid and repression, the South African economy has shown a downturn in all sectors. In the past decade, the real per capita income has fallen between 10 and 15 per cent. The GDP growth slowed to 1.5 per cent between 1980-89 which is well short of the 2.5 per cent in population. The ratio of investment to GDP declined by 5 percentage points in the mid 1980s<sup>5</sup>. This slower growth rate has raised the proportion of the economically active population which was without employment opportunities, from 25 per cent in the mid 1970s to almost 42 per cent by the end of the 1990s<sup>6</sup>. The manufacturing sector, which was contributing over 20 per cent, is shrinking at the rate of

1 per cent annually. The capital goods industry has also shown a declining proportion to total production<sup>7</sup>.

The country has failed to adapt to the changing global market of the late 1970s or 1980s and is no longer a competitive export economy in the region. South Africa's share of global manufacturing fell from 2.62 to 0.84 per cent. While export is falling, imports are on rise. Between 1985 and 1989, the imports have increased by 59 per cent<sup>8</sup>. Also, inflation is rising to alarming heights (e.g. 14.9 per cent in 1991) which has created uncertainties about nearly every aspect of economic activity in South Africa<sup>9</sup>. The new South Africa has inherited a weak economic performance which can be characterized by low growth, low investment, high inflation and non-competitiveness in the global market.

### B. Inequalities

According to the gini co-efficient, an economic measurement of income, South Africa has the most unequal distribution of income of any country of the world<sup>10</sup>. The income distribution is skewed along racial, urban and rural lines. Whites in South Africa, which represent only 14 per cent of the total population, have two-thirds of the national income, while blacks who represent 86 per cent of the population account only for a quarter of the income<sup>11</sup>. While 59 per cent of the population is living in urban areas, most of the black poor are in the countryside, often in the homelands to which the blacks were forced to move during apartheid. The poor standard of living is also reflected in their lower life expectancy, higher infant mortality and lower literacy rate<sup>12</sup>.

Disparities are seen not only in terms of income distribution, but also in the sphere of education, economic opportunities and concentration of economic power. Among the economically active population only 5 per cent of the blacks had attained an educational level of standard 10 or above against 31 per cent of whites. Only 1.5 per cent of blacks had either diploma or degrees, compared to 32 per cent of the whites. The blacks in managerial and professional jobs are also very low, compared with the whites. Only 7.4 per cent of accountants, 0.1 per cent of engineer and 8.1 per cent of doctors were blacks. In overall terms at the higher level of occupations such as professionals and management, only 40 per cent blacks are professionals and 12 per cent are in management, while 60 per cent of whites are professionals and 88 per cent in management. The majority of the blacks are represented in the lower range of the occupational spectrum. 92 per cent of them are in production work, of which 98 per cent are unskilled workers<sup>13</sup>.

Wide disparity exists even in the case of black women: women constitute 36 per cent of the workforce in South Africa. Ninety-four per cent of the non-farm domestics, 75 per cent of the clothing operatives and the bookkeepers and 67 per cent of the teachers are women. Of the total number of employed women, 60 per cent are black and employed in the occupations demanding few



formal skills, e.g. services and agriculture. Many women are, according to labor market definition, technically inactive and are involved in the informal sector, particularly in selling clothes or food or working childminders and midwives<sup>14</sup>.

In addition to these inequalities, the economy is also characterized by high levels of economic concentration and centralization. Six conglomerates control the mining, manufacturing and financial sectors of South Africa. Infrastructural facilities also favor the whites. Electricity connections are given preferentially to industry and high income housing; well maintained highways link major cities while roads in black towns are pitted with potholes<sup>15</sup>.

### C. Poverty, unemployment

The detrimental effects of apartheid on the economy are also evident from the mass of poverty and unemployment among blacks. As per the Carnegie Report, 50 per cent of all South African households (including Transkei, Bophutatswana, Venda and Ciskei states) and 60 per cent of all blacks lived below the minimum living level in 1980. While in 1989, 40 per cent of South Africa's population (excluding the TBVG states) lived below the poverty line. At this level of poverty, the black children, women, especially widows and wives of migrant workers, elderly and the disabled are considered to be the most disadvantaged and vulnerable groups.<sup>16</sup>

With regard to the unemployment situation in South Africa, as per IDRC report<sup>17</sup>, unemployment figures range between 3.3-5.3 million people out of the total population of 40 millions. In 1980, 30 per cent of the workforce was unemployed; currently it is over 40 per cent. According to the National Manpower Commission, in 1990, registered unemployment for blacks was 106,683. Employed blacks are largely concentrated in low paid sectors such as agriculture or services and most of them have casual unemployment<sup>18</sup>. The employment situation is likely to be further eroded as employment in manufacturing has stagnated at 1.45 million in the 1980s and the level of capital intensive industry in the country has increased<sup>19</sup>. It is expected that only 10 per cent of school leavers will be able to find jobs in the coming years<sup>20</sup>. The total labor force is expected to rise to 20.2 million in the beginning of the next century and every year an average of 0.35 million people are expected to enter the labor market. Since 1985, only 31000 jobs could be created annually<sup>21</sup>.

### D. Shortage of skilled manpower

The educational system as it exists in South Africa is, in fact the root cause of inequalities and unemployment. Economatrix estimates that no less than 45 per cent of the black population have no basic reading or writing skills<sup>22</sup>. The majority of black children do not receive a full primary education. Out of seven million pupils in 1988, at least one quarter do not attain primary school completion and half did not go to secondary school. Though the number of pupils has

increased, the educational facilities did not increase, resulting in overcrowding in schools. Teacher training facilities are of a poor standard; thus many of the teachers are not properly qualified. Consequently, education standards are also very low<sup>23</sup>.

The main cause of the poor educational system is the disparities in educational facilities for different populations. For example, there are 78 technical colleges for whites, while only 20 technical colleges are for blacks<sup>24</sup>. Further, in technikons and colleges of advanced technical education, the involvement of black students is lower than in universities. This is because admission in technikons is dependent on industry support or attachment which black students are unable to find. In technical colleges, the total enrolment of black students was 15 per cent in 1988<sup>25</sup>. Due to inadequate educational facilities, South Africa has been plunged into severe crises of skilled manpower shortages. According to one estimates, by the year 2000, South Africa will have a shortage of 921,000 managerial and skilled workers. If this happens, the number of unskilled workers will increase to 11.8 million by the year 2005<sup>26</sup>.

#### E. Small businesses

The small business sector constitutes the largest segment of business and industry in South Africa. More than 85 per cent of business enterprises are considered to be small<sup>27</sup>. As per official figures, these enterprises generate about 75 per cent of new jobs<sup>28</sup>. The majority of these small businesses belong to the informal sector. As per the estimates made by the Small Business Development Corporation, there were about 625,000 enterprises in the small informal sector, employing 3.5 - 4.00 million people and generating sales of between 15 - 20 billion rand in 1988. The small and medium sector accounts for about 29 per cent of South Africa's GDP, while the informal sector alone accounts for 17 per cent. The combined SME/informal sector accounts for about 46 per cent of current GDP<sup>29</sup>.

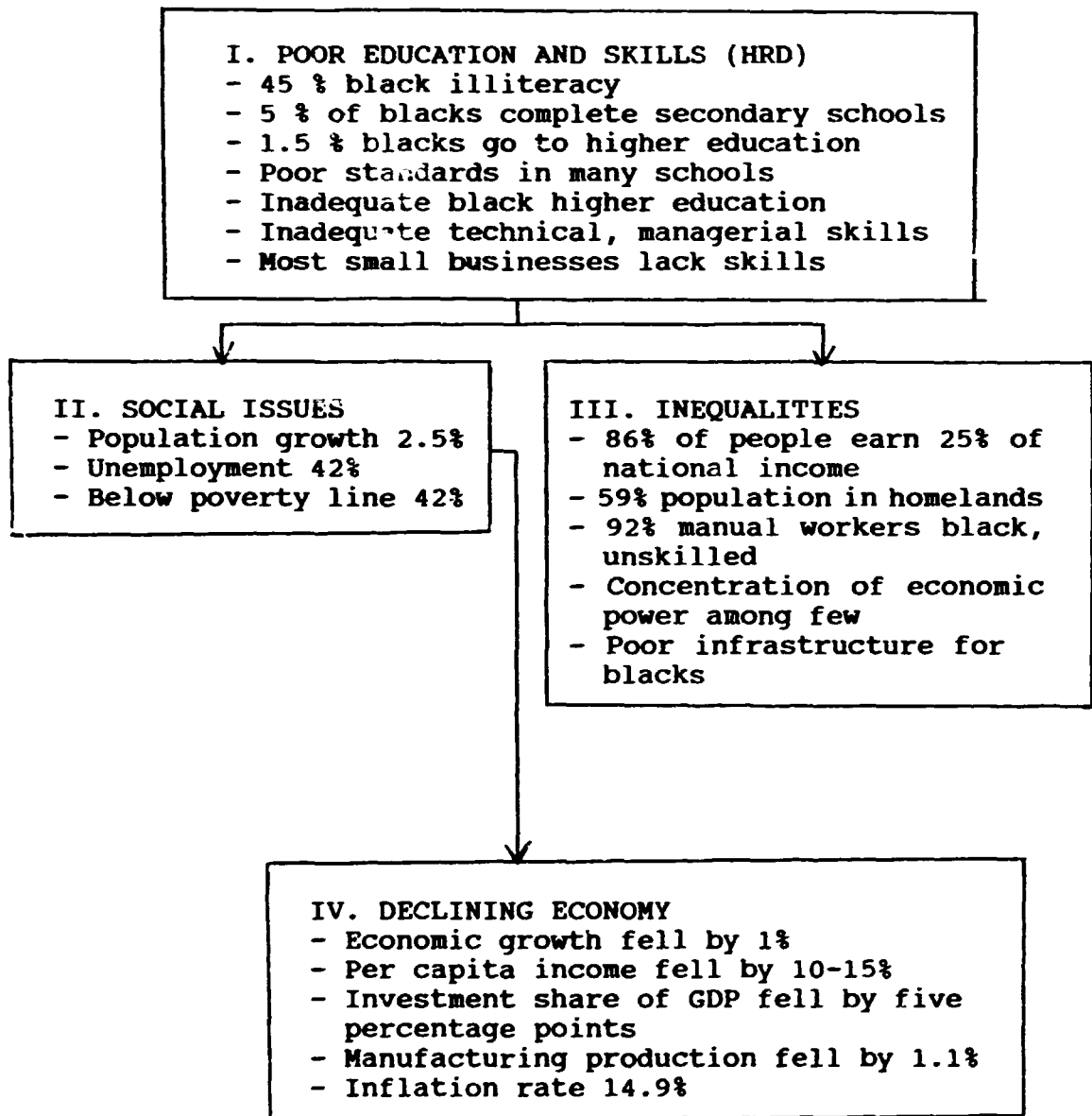
Small businesses are largely composed of street vendors, taxi drivers, hidden shopkeepers, hair dressers, etc. The emergence of a large segment of the small business sector is due to poverty rather than to entrepreneurial spirit<sup>30</sup>. Moreover, a majority of the people in the informal sector are less educated and lack basic business skills. In one survey on the training needs for this sector, weaknesses were indicated in marketing, cost calculations, financial aspects and profitability<sup>31</sup>. Due to apartheid policy, manufacturers in this sector have remained largely at a disadvantage. The financial institutions are reluctant to deal with this sector. As a result, the small business sector continues to be characterized as uncompetitive and unproductive and therefore unable to survive and grow in the present environment<sup>32</sup>.

#### F. Regional cooperation

The dominance of South Africa over its neighboring countries in the Southern region has historical roots in investment in minerals. This has enhanced the establishment of economic linkages with the region especially due to the transfer and migration of black labor. Due to the conflicts in Angola and Mozambique, the major Southern African states had to re-route a large proportion of their world trade through South African ports. In this context, what happens in South Africa in relation to the economic development will continue to have profound influences on the countries of Southern region<sup>33</sup>.

Regional cooperation in this context has also been advocated by many groups including the African National Congress (ANC). ANC has said that a post apartheid South Africa should seek to promote greater regional economic cooperation, "but along new lines" and that imbalances in current relationships need to be corrected<sup>34</sup>. There are several reasons for the positive consequence of the regional cooperation in the region. Many of problems faced by the region in the sphere of economic development are common and hence the cooperation in the region will help them to solve their problems better. Many of the southern countries are dependent on a small national market; a common regional market will then improve both their domestic market and export prospects. South Africa can also learn a lot from the experience of other Southern African countries, especially in relation to creating a new racial civil service; programmes for study tours and work experience; attachment of skilled personnel and technical experts from the region for a short period to the South African institutions and organizations to assist institution building during the transition<sup>35</sup>.

**Figure 1. Socio-Economic Issues in South Africa  
Causes and Indicators**



The figure 1 summarizes the socio economic issues in South Africa. In the country, poor human resources development is the main cause of the socio-economic inequalities which restrict productive contribution to industry and economy. These factors in turn cause declining trends in all the economic sectors of the country. This results in poverty, unemployment and insecurity which in turn create deep rooted socio-economic problems such as strikes, violence, crimes and overall instability in the country. The only way to achieve viable socio-economic development will be to develop/strengthen the capabilities of human resources for their positive and productive contribution to industrial

production and thereby to achieve sustainable accelerated economic growth in South Africa.

## Part II: CURRENT PROBLEMS AND GLOBAL EXPERIENCES

### A. Problems defined and needs assessment

Given this profile of post apartheid South Africa and as described previously, socio-economic problems are largely human resource-related, e.g. shortages of technical, entrepreneurial and management skills especially among the disadvantaged population. These are in fact the root causes of inequalities, unemployment, underemployment, and the uncompetitive structure of the industrial and manufacturing sectors which include large number of unproductive, non-viable enterprises in both the small and informal sectors. What is required immediately to combat these issues is to prepare the disadvantaged population groups to undertake self-employment in small-scale enterprises and to improve the performance of the existing enterprises. This will help the country to ensure redistribution of employment and income but also to increase industrial production substantially and thereby stimulate long-term economic growth of the country.

There is therefore an urgent need in South Africa to promote and develop small and medium enterprises to attain long term socio-economic development. The report of the Commonwealth Expert Group on "Beyond Apartheid: Human Resource in South Africa" has done a comprehensive analysis of the human resource situation in South Africa and established that a human resource development strategy must be top priority for attaining overall socio-economic development in South Africa. The problems which are to be addressed by promoting small- and medium-scale enterprises through HRD strategies are outlined below. These are largely based on the recommendations of the Commonwealth report for promoting micro and small/medium enterprises:

- (1) 3,500,000 jobs need to be created every year. It is not possible for South Africa's formal economic sector to achieve them as it is not only shrinking but uses capital intensive methods of production. Therefore, the economically active population who are without economic opportunities need to be assisted to start their own business in the small sector thereby raising their income and improving their standard of living;
- (2) About 40 per cent of the poor people are living in the countryside to which most of the black population were forced to move. Large numbers of them are youth either under 19 or between 20 and 35 years of age. Women who are particularly concentrated in rural areas have the least economic and educational opportunities. They need to be assisted to start rural enterprises to raise their income level. This could be achieved through indigenous NGOs, cooperatives and community based enterprises. A rural development training center is also required to coordinate

the activities of generating rural economic opportunities in consultation with communities or target beneficiaries;

- (3) Vocational-technical schools which provide industrial skill training to large numbers of students who are going to enter the labor force of South Africa, are mostly unlikely to be absorbed in industry under the present situation. The need is to provide them with alternative career paths based on their developed skills. It is advocated that these students can also be trained in basic business and entrepreneurship skills to help them undertake self-employment in the small business sector in the event of the formal industrial sector is unable to absorb them;
- (4) Since the majority of women are not likely to be included in literacy training, their need is therefore to have parallel programmes which link literacy with women's enterprise development. This can be achieved through women's organizations, NGOs or church communities. In this regard, the outreach management training programme co-sponsored by Commonwealth Secretariat and the World Bank/EDI is a relevant model for enterprise training for women;
- (5) There are about 625,000 enterprises in the small business sector. It is expected that the majority of them are unproductive and uncompetitive in the present context also. Many of those involved in this sector are either illiterate or poorly educated. They also lack basic entrepreneurial skills such as bookkeeping, costing, marketing, etc. The survival and growth of this existing sector is extremely important as its failure can create major obstacles to socio-economic development of the country. The urgent need therefore is to upgrade their skills, capability to run their businesses profitably and achieve further growth;
- (6) Medium and large African businesses also suffer from many constraints like inadequate capital and lack of business expertise. Advanced programmes in entrepreneurial and managerial skill development are needed to assist them in modernizing and expanding their business;
- (7) There are a number of state institutions, banks, foreign agencies and domestic organizations which provide financial assistance to the small business sector. Efforts are necessary to ensure that this assistance reaches the African business owners who are not able to obtain required capital. The officials of these banks need to be sensitized to this and at the same time their skills need to be upgraded for appraising small and medium sized projects and assessing entrepreneurial capability;
- (8) New institution building efforts in the area of entrepreneurial and managerial skill development is needed. Equally, existing institutions providing such training must be strengthened. Both are extremely important for the long

term sustainability of training programmes for promoting small and medium sized enterprises especially in rural areas. A number of key personnel are required to initiate institutions in entrepreneurial and managerial skill development.

- (9) New small businesses need to have access to specific resources-finance, technology, information systems, management skills, provision for affordable factories, offices or shopping center facilities, etc. To ensure such access, growth centers need to be set up at key locations in South Africa to give impetus to the growth of healthy business enterprises in the small business sector;
- (10) It is a prerequisite to the promotion of small and medium enterprises that current and potential industrial business opportunities are identified in different sectors and/or subsectors of industry/business, based on local resources available; those must be documented and published and disseminated to prospective entrepreneurs during the training programmes. This is needed on a continuous basis to ultimately form a business opportunity bank. Therefore, there is a need to strengthen the capacity of a few selected institutions in South Africa to carry out this activity on continual basis.
- (11) After a large number of programmes are organized at the grassroots level, the trainees would need follow-up assistance and continuous counselling during the start up process and later in management of their enterprises. Small enterprise promotion center need to be set up in key areas accessible to the people for providing continuous assistance in small business project formulation, information and counselling services in business management.

#### B. Promotion of micro, small and medium industry

To respond to problems identified in the area of human resource development, a comprehensive programme to stimulate the growth of the small/medium and micro industrial enterprise sector through entrepreneurial and management skill development is proposed to achieve long term sustainable economic growth and social transformation. The growth of this sector is expected to help the country solve the problem of mass unemployment among the poor, educated and illiterate people, women, returnees, and migrant labor in both urban and rural areas of South Africa. It will also assist the country in raising the income level, improving living standards, thereby achieving more equitable distribution of income, and reducing the concentration of economic power.

#### Strategic Advantages

The promotion of small/medium sector provides many strategic advantages in the present South African context:

- (1) Due to capital shortages, the country cannot afford to create large infrastructure facilities required for medium and large industrial companies nor can it afford to import sophisticated technology to stimulate the growth of industrial production. Manufacturing enterprises in the small/medium sector typically can be initiated with small capital, simple technology and minimal infrastructure facilities. Hence, the growth of this sector does not put any extra demands on the country's resources and helps the country achieve increased industrial production;
- (2) Since the growth of manufacturing enterprises are possible in every part of the country including small towns and rural areas, the sector can promote an adequate supply of materials for local consumption and thereby reduce transportation cost for the import of such material in local markets;
- (3) The sector is promoted largely on the basis of locally available resources like raw material and skills, it helps the country to optimally exploit its underutilized resources and manpower in different parts of the country creates more economic opportunities and generates income.
- (4) The sector has enormous potential to contribute to enhancing the country's exports in all types of manufacturing activities. This is evident from experience in many countries;
- (5) The sector also provides advantages in the establishment of backward and forward linkages. This sector will create demands for semi-finished raw material, machines and equipments for its consumption; it can therefore stimulate the growth of larger and heavier industrial enterprises. At the same time, the sector, through forward linkages, stimulates the growth of trade and commerce and service sectors. A large number of people are likely to find newer economic opportunities in the service sector as dealers, wholesalers, retailers, commercial practitioners, transporters, etc.
- (6) A well developed industrial base provides a large market for agricultural production and thus in turn supports the growth and diversification of agriculture;
- (7) Large corporations also get a supply of semi-finished good/small equipment as services through ancilliaryisation with small and medium enterprises by providing necessary capital, technology and skill training;
- (8) A number of technicians are graduating from technikons, universities, and technical colleges every year. Most of them do not find suitable opportunities to adequately utilize their potentials. The sector provides relevant opportunities to these graduates to utilize their technical



and managerial resources more productively by allowing them to start their own small enterprises;

- (9) Since this sector provides enough flexibility to the economy, planners can use this sector to promote and develop depressed industrial sectors as well as the development of economically backward regions. This is possible through the use of incentives and/or supportive policies.

#### EXHIBIT 1

##### STRATEGIC ADVANTAGES FROM SMALL SCALE INDUSTRIAL SECTOR DEVELOPMENT

1. Require small capital, low technology and minimum infrastructural development.
2. Productive utilization of local resources with fewer transportation costs.
3. Adequate supplies for local consumption.
4. Contribution to export earning.
5. Stimulate sustainable growth of large and heavier industry.
6. Stimulate growth of trade and commerce and service sectors.
7. Productive utilization of technical manpower.
8. Development potentials in backward areas.
9. Reduction in unemployment and inequalities.

#### C. Global experiences and evidences

The strategy to promote growth of the small/medium sector is recognized not only by developing countries who have used it to achieve an accelerated pace of economic development, as a tool for income generation and redistribution and for reduction of unemployment and poverty alleviation; the strategy has also been used and recognized by a number of developed countries as a means to promote economic stability and growth. Various promotional measures have also been initiated with the assistance of donor agencies by international organizations and local governments to promote this sector<sup>16</sup>. These promotional measures, depending upon the levels of development of this sector, are composed of financial and extension programmes, counselling and consultancy services in potential opportunities as well as in management; technical skills development; development of specialized training

institutions, support and financial network; business development programmes including entrepreneurial and managerial skill development for creation of new enterprises and expansion of existing ones. At this stage, it will be appropriate to review the contribution of the small/medium sector as well as the various programme measures adopted in both developing and developed countries:

(1) African countries

Almost all African countries are concerned with socio-economic issues which are common in the most of the developing countries. These include unemployment, economic stagnation, low rates of domestic savings and investment opportunities, and unequal distribution of income. In solving these problems, the small/medium sector has made significant contributions. A survey of seven countries of Africa based on sample data showed that but for Egypt, with less than 59 per cent of manufacturing employment in small scale enterprises (SSEs), four countries namely, Ethiopia, Ghana, Nigeria and Sierra Leone have over 82 per cent<sup>37</sup> of their employment in this sector. The contribution to the manufacturing output is also significant. SSEs contribute more than half of industrial output in Botswana and Burundi and less than a quarter in Tanzania, Kenya and Ghana<sup>38</sup>. In Ghana and Sierra Leone, the SSE sector continued to make significant contributions when overall economic growth was stagnated. In Ghana, when GDP was falling, the manufacturing SSE sector still managed to increase employment by 6 per cent per annum during 1960s and absorbed five times as many new manufacturing workers as the large firms<sup>39</sup>. In Sierra Leone, SSE employment in the manufacturing sector grew at 6 per cent per annum over 1979-80 in spite of general economic stagnation and negligible growth in the large-scale manufacturing employment<sup>40</sup>.

With regard to promotional measures in African countries, many African governments have included SSE sector development in their national development plans with the goal to establish special institutions or programmes to assist them. SSEs in African countries have been the target of substantial financial and technical assistance from national and international development finance/technical agencies and aid programme from developed countries and private voluntary agencies. Promotional programmes in African countries included financial schemes, industrial estates, extension services, training in entrepreneur development, technical skills and administrative reforms.

(2) Indian experience

For more than the last two decades, Indian policy-makers have adopted promotion of small-scale industries (SSI) as an important policy instrument to attain certain socio-economic objectives such as widening the industrial base through expansion of small and medium scale industries, generating employment opportunities, dispersal of ownership and control of industry, development of backward regions, optimum use of skilled technical manpower, expansion of the non-farming activities and improving

the economic status of the socially disadvantaged such as rural poor, women, etc.<sup>40</sup>.

After the growth measures adopted since 1970, the SSI sector has become an important sector of the Indian economy and makes a significant contribution to its economic development. The sector accounts for 35 per cent of the value added by the entire manufacturing sector and 6.9 per cent to industrial domestic production and 30 per cent of the country's production. The sector also accounts for 59 per cent of employment<sup>41</sup>.

The promotional measures taken to promote this sector include various policy measures such as incentives, financial assistance at the lower rate of interest, infrastructural support including electricity, industrial sheds, an information system and a backward area development subsidy. A number of national and grassroots level agencies have been promoted to provide technical training, technical consultancy services, assistance in market information, ancillisation, finance, exports, rural micro-enterprises development training, entrepreneur development programmes, extension services, management skill development training<sup>42</sup>.

#### EXHIBIT 2

#### GLOBAL EXPERIENCES: STRATEGY FOR SMALL SCALE INDUSTRIAL SECTOR DEVELOPMENTS

- Reduce unemployment
- Remove inequalities of income distribution
- Achieve a balanced economic growth
- Enhance industrial/manufacturing sectors' production
- Utilize technical/managerial manpower more productively
- Promote export earnings
- Income generation for poor and socially disadvantaged people
- Achieve rural industrialization and rural development.

#### (3) Korean experience

Small enterprises constitutes the largest segment of all enterprises in Korea (98,7%). The sector provides 63.5% of total employment and contributes 32.5 per cent to the total industrial output as per data of 1985-86. The overall promotional measures for small enterprises contain various types of support measures developed over about twenty years. These include technical guidance programmes which consist of consultancy and training as a mode of guidance, profitability promotion programmes, small

business start up programmes, the enterprise modernization programme, the joint enterprise programme (merger, etc.), facility leasing programmes and programmes on small enterprise export promotion. In addition to these measures, Korea has also initiated rural enterprise stimulation measures which include enterprise relocation incentives, rural industry support funds and rural industry tax incentives<sup>43</sup>.

(4) Taiwan experience

Small and medium scale enterprises account for 90 per cent of the total number of enterprises, earn more than 65 per cent of export earning, and employ 70 per cent of the total employed population as per 1985 data. These enterprises are predominantly labor intensive with low technology products and processes. The promotional measures for this sector include a wide variety of support programmes which consist of improving production techniques, new product development, export support programmes, management advice and consultancy services, and financial assistance. To strengthen training capabilities, programmes have also been initiated on training of instructors, training of managers and technicians<sup>44</sup>.

(5) The Philippines experience

The recent economic restructuring plans reflected the government's recognition of the importance of the promotion of small and medium enterprises as a strategy in national development. The sector accounts for 96.3 per cent of total enterprises, 40.2 per cent of the total employment and 27.8 per cent of manufacturing value added and 49.9 per cent of the total employment. In addition to a number of promotional measures related to technology development, technology upgrading and financial assistance, a lot of emphasis is being placed on managerial improvement, export promotion and extension and entrepreneurial development programmes. These programmes consist of business unit consultancy, productivity related and industry related training, "hands-on" managerial related training and consultancy, export market advisory services, entrepreneurial development training, small business extension and consultancy and entrepreneurial initiative promotion programmes<sup>45</sup>.

(6) Singapore experience

The recent policy of Singapore entails a need for a fundamentally different approach to small enterprise development. Though the contribution of the sector is limited it is still very significant. The sector accounts for 46 per cent of the total employment, 31 per cent of the total value additions and 10 per cent of the direct export. In addition to the capital and financial support and guidance, the promotional measures include programmes on productivity improvement, export development, business development and human resource development. These measures include management guidance, productivity consultancy, export market development, export technical assistance, local

industry upgrading programmes, business development schemes, management training, etc."

It is clear from the experiences and evidence available in a number of developed and developing countries that the enterprises in small/medium sector have been a very effective strategy to stimulate depressed economic growth by enhancing industrial and manufacturing sector production. The sector can also help countries achieve social transformation to a great extent by generating employment opportunities and redistribution of income and remove regional disparities. The promotion of these sectors has been a conscious effort on the part of local government as well as international organizations and emphasized entrepreneurial and managerial skill development in creation/development of enterprises in this sector. These programmes have been further supported by appropriate policy formulation through incentives, technology development, technology upgrading as well as financial and infrastructure assistance and counselling and consultancy services.

## EXHIBIT 3

GLOBAL EXPERIENCES: PROGRAMMES/SUPPORT FOR PROMOTION OF  
SMALL SCALE INDUSTRIAL SECTOR ENTERPRISES(a) Incentives/assistance and policy support

- Financial assistance at low interest rate;
- Infrastructural support;
- Technical training;
- Extension services;
- Counselling/consultancy services;
- Export technical assistance;
- Ancillirisation support;
- Administrative reforms;
- Information system;
- Technology upgrading/development.

(b) Developmental programmes

- Training in entrepreneurial development;
- Export promotion programmes;
- Management skill development/training;
- Rural micro-enterprise;
- Export market advisory services;
- Productivity and industry-related training;
- Entrepreneurial initiative promotion programmes.

D. Evolution of entrepreneurial and managerial skill development programmes

For the promotion of micro-enterprises, small and medium size enterprises, entrepreneurial and managerial skill development programmes have been organized in large numbers in both developed and developing countries for more than two decades. These programmes have been found to be extremely successful in stimulating, promoting and developing even the most disadvantaged group of individuals who are unfamiliar or weak in trade and commerce activities into well-rounded competent entrepreneurs. Prof. David C. McClland\* made major breakthroughs by establishing a positive relationship between entrepreneurs and economic prosperity in the 1960s. These findings made it possible to design training and policy related interventions to increase the quality and quantity of entrepreneurs who would be instrumental in bringing about major economic change. This was followed by the famous experiment known as "Kakinada experiment" which generated strong evidence that entrepreneurs can be developed through training, especially achievement motivation. This led to the design of an integrated model for entrepreneurship development. The model consisted of entrepreneurial and managerial skill development to initiate, promote and develop enterprises of different sizes in different locations. The model also envisaged support of technology, marketing network, financial assistance and infrastructure facilities. It has provided an important strategy for developing human resources for promoting economic progress in India as well as in many developing countries.

(1) Development Process: Approach and Method

Unlike management development programmes where necessary knowledge and skills are imparted to help participants manage various function of a business enterprise, the entrepreneurial and managerial skill development programmes use a comprehensive developmental approach. The participants are admitted to programmes through a set of scientific selection procedures which ensure identification of only those individuals who possess latent entrepreneurial talents regardless of the socio-economic class. The programme begins with assessing strengths/weaknesses of prospective entrepreneurs to strengthen motivation to develop their entrepreneurial and managerial capabilities with necessary motivation, knowledge and skills that are required in selecting opportunities, mobilizing necessary resources and beginning and managing newly formed enterprises. During this developmental effort, participants are assisted in making certain decisions and taking necessary action concerning the size of investment, factory location, products to be manufactured, project report

\* (The Achieving Society, Von Nostram Co. NY, 1985)

(business plans), loan application submission, business plan implementation and enterprise launching. In this process, a complete transformation of an individual into a well-rounded entrepreneur is achieved. The trained entrepreneurs are further provided follow-up assistance to speed up the process of enterprise start-up through need based counselling and consultancy. The duration of the programme may range between five to ten days in the case of micro-enterprises and four to six weeks for small and medium size enterprises.

A typical entrepreneurial and managerial skill development programme will have following components which are given below:



## EXHIBIT 4

PROGRAMME CONTENTS OF ENTREPRENEURIAL/MANAGERIAL SKILL  
DEVELOPMENT PROGRAMMES(a) Pre-training stage

- (i) Selection of programme location
- (ii) Promotional campaign
- (iii) Selection of trainees/prospective entrepreneurs

(b) Training stage

## (i) Entrepreneurial skill development

- motivation and enterprise competency development
- information inputs on legal/procedural formalities
- business opportunity selection
- business plan preparation
- mobilizing necessary resources
- inter-personal and creative skills

## (ii) Managerial skills development

- financial skills - accounting, costing, working capital, break-even analysis, cash flows, etc.
- marketing sales, sales and advertising, market survey, marketing manufacture
- managerial skills, recruitment of personnel, legal/procedural requirement, purchasing, planning and control, strategy management, etc.

## (iii) Technical skills development

- manufacturing skills, product and process related through technical institutions

(c) Follow-up

- (i) Need-based inputs through counselling/extension services
- (ii) Assistance in mobilizing necessary support and resources
- (iii) Guidance in costing, marketing and book-keeping

### Part III PROPOSED PROGRAMMES

In view of the socio-economic problems of South Africa, UNIDO proposes a comprehensive human resource development programme to promote and develop small/medium and micro-enterprises in South Africa to strategically enhance economic activities in the country. The detailed strategies together with short-term and long-term objectives, new programmes and institution building, target beneficiaries and resources required are outlined here.

#### A. Beneficiaries

All the programmes are intended to benefit the majority of blacks who are the most disadvantaged groups in South Africa. However, in the present context of transition, it is possible that other minority people might need similar assistance and support for moving into small scale industry. The programmes will take an open view in this matter and consider all population groups falling within the criteria established for "disadvantaged people" and/or enterprises. These beneficiaries are:

- (1) Rural poor men and women, rural youth, illiterate people, educated unemployed, migrant labor for small/informal sector enterprise creation programmes;
- (2) Small-scale traders and manufacturers, owners of small/medium sized enterprises, professionals, managers and technicians for micro-enterprises; small/medium sized enterprise development programmes;
- (3) Beneficiaries with regard to institution building and capacity building will be: regional training institutions, universities, technikons, technical colleges in South Africa, vocational training institutions and teachers' colleges;
- (4) Indigenous NGOs, trade unions, cooperatives and community based organizations and churches for grass roots level training programmes;
- (5) African business associations and employers associations, large corporations, support and financial institutions and policy-makers for sensitization workshops.

#### B. Programme strategy and institutional arrangements

The programmes envisage a comprehensive development strategy to promote and develop the small/medium sector in South Africa. The activities involved in the programmes entail key developmental programmes, institution building, strengthening the capability of key educational institutions in South Africa for resource persons' development at key stages through regional

cooperation and collaboration with international communities using the multiplier approach to address a large number of target beneficiaries. The detailed description of the strategies is given below:

(1) Small/medium sector development strategy

- (a) New micro enterprise creation/development programmes will be organized at the grass root level by South African training institutions which included NGOs, vocational training institutions, cooperatives and community based organizations engaged in job creation programmes and trade unions for promotion of manufacturing/service oriented micro-enterprises in different parts of South Africa including rural areas and the countryside. The ultimate target beneficiaries for these programmes will be rural poor, illiterate men and women, unskilled and skilled labor, returnees or school dropouts. The duration of this programme will be ten to fifteen days linked with the development of required technical skills.
- (b) New small/medium sized manufacturing enterprise sector programmes will be organized by universities, technikons and technical colleges in South Africa. In some cases, regional training institutions will also be involved. The ultimate target beneficiaries of these programme will be professionals, management graduates, technocrats or people with higher levels of education. The duration of these programmes will range between four and six weeks and be linked with appropriate technical training.
- (c) Existing enterprise development programme for the owners of micro-enterprises. The objective of these programmes will be to improve the productivity level of existing businesses and to increase their profitability. These programmes will be organized at the grassroots level by organizations like NGOs, trade unions, cooperatives and community-based organizations. The duration of the programme will range between five to ten days and be linked skills upgrading. The ultimate beneficiaries of these programmes will be owners of micro-enterprises in rural areas and the countryside.
- (d) Existing small/medium enterprise development programmes will assist owners of small/medium sized enterprises to improve their profitability and plan further growth through modernization. The duration of these programmes will range between one week to two weeks. The programmes will be organized by regional training institutions, technikons, universities and financial institutions in South Africa.
- (e) Micro-enterprise creation programmes for women. These programmes will be organized by African women development agencies at the grassroots level and other indigenous NGOs. They will assist rural/illiterate women to start enterprises. The duration of this programme will be two to

three weeks and be linked with development of required technical skills.

- (f) Micro-enterprise development programmes for existing women owners. These programmes will improve productivity levels of existing businesses and profitability. They will be organized by the women's development agencies including cooperatives or community-based organizations. The duration of the programme will be two to three weeks and linked with the upgrading of skills.

The major thrust in all these programmes will be to link them with the required technical skills needed for taking up specific opportunities in creation of micro, small- and medium-sized enterprises. Further, all these programmes will not be general, but rather industrial/manufacturing sector specific. For example, a particular programme may either be based on a particular specific product line. All these programmes will be localized by taking into account local resources, constraints, gender issues, industrial sub-sector and locational (e.g. rural) areas. All these aspects will be covered in both the resource persons training programmes and in training of trainers programmes at the grass-root level.

## 2. Capacity development and institution building strategy

To ensure that the new programmes are carried out effectively at the grassroots level, capacity building programmes will be organized to develop resource persons thus achieving the multiplier effect. Similarly, to ensure sustainability of these programmes, a few key institutions will be set up to act as resource organizations which will provide continuous inputs to upgrade/update training resources and coordinate and monitor training programmes in the future.

The developmental programmes for resource persons will be organized as a part of a capacity building strategy for existing institutions as per the needs of the programmes outlined in para. 1. At the first stage, a few regional training institutions and national/state level institutions will be selected for these programmes. These resource people in turn will provide trainers for the grassroots level organizations. These grassroots level organizations will then organize relevant programmes for the ultimate target beneficiaries.

With regard to institution building, it is anticipated that three types of institutions in the key locations of South Africa will have specialized programmes. These institutions are rural training centers, growth center and small enterprise promotion centers. The rural training center will coordinate and monitor micro-enterprise development activities: The small enterprise promotion centers will be engaged in conducting surveys of industrial opportunities, providing counselling and consultancy services to the existing enterprises and coordinating activities related to new enterprise creation programmes in small/medium sectors. The growth centers in all cities will evaluate/provide

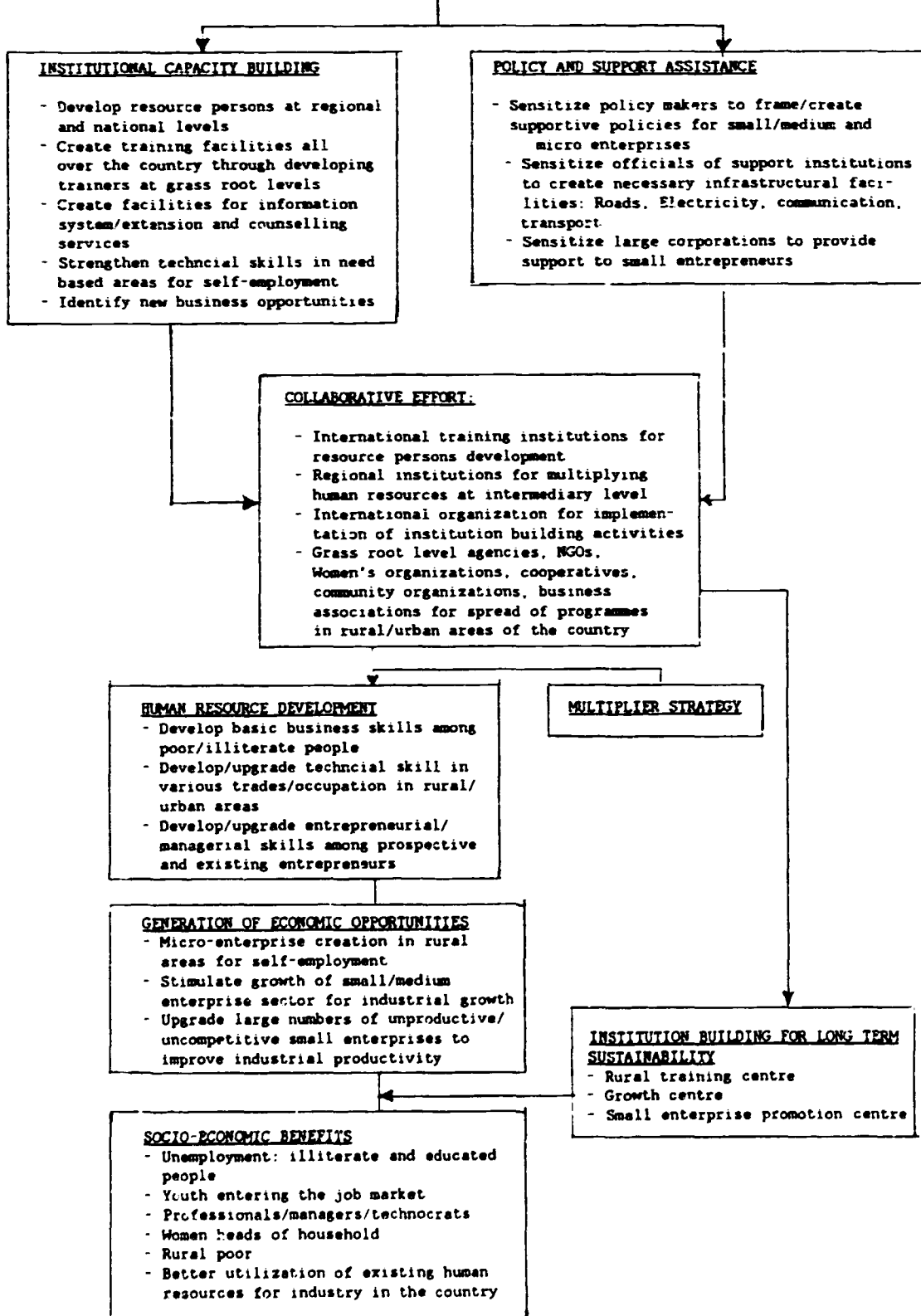
infrastructure facilities to small sector enterprises to ensure their successful start-up.

### 3. Multiplier approach

This approach will be used to ensure the implementation of a large number of programmes by the fully qualified and competent trainers for the target beneficiaries. This will be achieved through the training of resource persons who will in turn, train other trainers at the grassroots level institutions and agencies. The large number of trainers developed in different parts of the country will then implement need-based training programmes in rural/urban areas to ultimately produce entrepreneurs who create and expand micro and small/medium size enterprises in different industrial manufacturing sectors.

Figure 2

**HUMAN RESOURCE DEVELOPMENT STRATEGY: ENTREPRENEURIAL AND MANAGERIAL SKILL DEVELOPMENT FOR SOUTH AFRICA**



### C. Role of South African institutions

South African institutions at the national and also the grassroots level provide rich resources for promoting small scale industrial enterprises as many of these institutions are committed to promote industrial and manufacturing sectors in the country. The name of few institutions worth mentioning here for their appropriate potential involvement at the different stages of the programmes are: The African Business Development Group (ABDG); the Small Business Development Corporation (SBDC); the Industrial Development Corporation (IDC); Development Bank of South Africa (DBSA); the South African Foreign Trade Organization (SAFTO) and the Council for Scientific and Industrial Research (CSIR). These institutions' support will be extremely important in formulating curriculum, in creating a network of institutions at the grassroots level, providing technical and financial support for sustaining the small scale industrial development activities in under-developed areas in South Africa. Many of these institutions' support will also be evident in institution building in rural areas/small towns. For example, CSIR could extend support in creating incubator system-based growth centers, while SBDC/IDC could support in setting up small enterprise promotion centers. Further, a large number of grassroots level agencies like NGOs, trade unions, cooperatives and community-based organizations and womens' development organizations are committed to job creation and assisting poor people in income generation activities. The spread of entrepreneurial/managerial skill development programmes linked with technical skills development in the homelands and other under-developed areas will be possible through these institutions.

The programmes are envisaged to extensively utilize the existing institutional network for improving developmental programmes for micro, small and medium size enterprises. All these institutions' capability in entrepreneurial/managerial skills development will be enhanced to ensure appropriateness/sustainability for small-sized industrial enterprises which will be set up by primarily less educated and poor people with a low level of technical and business skills in different parts of the country including the homelands, rural and urban areas, and, small towns.

#### 1. Regional Cooperation

Selected institutions from the southern region, depending upon their capabilities and interests in the area, will be involved in the development training programmes for resource persons along with other institutions in South Africa. Cooperation of a regional training center under SADC will be extensively involved in coordinating this activity in the region during the initial period of the project.

## 2. Collaboration with International Communities

To achieve the objectives of the programmes, UNIDO envisages the requirement of substantial financial donor support. In the implementation of the various programmes, the active participation of specialized international organizations is also envisaged.

### D. Objectives

The long-term objective of the programmes is to help South Africa achieve self-reliance in generating economic opportunities for its industrial growth and thereby stimulate economic growth.

#### (1) Long term objectives

- (a) Substantially increase industrial production by stimulating the country's manufacturing sector through the strategy of promoting the country's small- and medium-scale industrial sector;
- (b) Remove gross inequalities that exist among the majority of the population of South Africa as well as regional disparities through redistribution and decentralization of economic opportunities and income to achieve social transformation;
- (c) Reduce mass poverty and unemployment by generating self-employment opportunities in rural and urban sectors of the country to attain balanced economic growth;
- (d) Integrate the South African economy into the region through the process of regional economic development cooperation;
- (e) Develop institutions and build institutional capabilities to sustain long-term development and healthy growth of the small- and medium-scale industrial sector of the economy.

#### (2) Immediate objectives

- (a) Identify and strengthen existing institutional capabilities in South Africa as well as in the region through development programmes for resource persons for the promotion of enterprises in the small/medium industrial sector. These institutions should be able to undertake training of trainers programmes for the grassroots level institutions;
- (b) Identify and assess potential economic opportunities in different sectors of industry as well as in different geographical locations to ultimately create an "opportunity bank" for the enterprises for the small/medium-scale sector;



- (c) Sensitize policy-makers personnel in development support and financial institutions to the promotion of the small/medium sector and in institution building and assist them to develop required infrastructural facilities and other assistance;
- (d) Create a number of suitable institutions in different parts of the country to achieve sustainability of future promotional activities for enterprises in the small/medium-scale industrial sector.

#### E. Outputs and activities

As per the immediate objectives outlined in paragraph D., the proposed project foresees seven outputs: (1) training needs assessment surveys; (2) identification of existing institutions and assessments of their capacities; (3) model programmes for resource persons and training for trainers in small/medium sectors enterprise development for the grassroots level agencies; (4) industrial opportunity identification surveys; (5) sensitization workshops; (6) programmes for officials of support financial institutions; and (7) institution building. Details of each of the outputs and activities are described here:

##### Output 1: Training needs assessment survey\*

A comprehensive survey will be undertaken to identify the training needs of different target beneficiaries, to design and develop curriculum for new micro-enterprise creation programmes, new small and medium sized enterprise creation programmes, and also of existing micro-enterprises, small/medium sized enterprises as proposed in paragraph B.1. Training needs assessment surveys will collect data on the profiles of ultimate target beneficiaries, their skill levels, constraints especially at the entry level, issues at problems of existing business and gender-based issues, to identify training needs in entrepreneurial and managerial skills development programmes.

At the end of such surveys, a comprehensive report on training needs assessment will be prepared with recommendations regarding curriculum design and training methods required.

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\* The commonwealth report on "Beyond Apartheid" observed that African small business communities are heterogenous. It is therefore important that a comprehensive survey is carried out to assess the skills and educational profile required for this sector to identify the level for which the programme is to be addressed.

### Activities

- (a) Identification/selection of HRD expert in entrepreneurial and managerial skill development to design/supervise the survey through on-site investigation, visits, analysis of data training needs and report preparation. The total period of survey involved is about three to four months;
- (b) Identification of local agencies capable of collaborating in the survey as well as providing support in conducting the survey and analyzing data;
- (c) Design and develop contents of the training programme including training methods and curricula material. Whenever necessary, international organizations should be involved in this process;
- (d) Select and provide national/international experts in accordance with the identified programme requirements;
- (e) Identify, review and finalize related equipment that is necessary for the identified programme;
- (f) Suggest necessary arrangements for implementing resource persons and training of trainers programmes;
- (g) Establish operational criteria for monitoring and evaluating training programmes.

### Output 2: Training needs assessment of institutions

Institutions in the region and South Africa will be identified for the resource persons training programme as well as for the grassroots level training of trainers programme. Training capabilities for the training of resource persons programme will be assessed to establish training requirements for them in relation to organizing/conducting trainers' training programmes for the grassroots level agencies. A detailed questionnaire will be sent to institutions covering various issues such as the type of training offered, existing and required staff and skills composition, methodologies and work routine, premises and facilities, the stock of equipment and supplies, industries currently served and ways and means of contacting them, and, management and financing. Selected institutions will be invited subsequently to confirm the arrangements for their involvement in the programmes.

Based on an analysis of the survey, a list of potential institutions for resource persons development and also training of trainer programmes will be prepared with the details of training requirements for implementing different modules of entrepreneurial and managerial skill development as per the identified programme requirements industrial opportunities identified and appropriate training methods.

### Activities

- (a) Identify and select HRD experts in entrepreneurial and managerial skill development to assess relevant institutions in the region as well as in South Africa and determine their training requirements for fully developing resource persons and training of trainers in the new enterprise creation programme and for existing enterprise development programmes;
- (b) Design/develop programme contents including training methods and training materials. Wherever necessary, involve the support of international organizations;
- (c) Select and provide national/international experts in accordance with programme requirements;
- (d) Identify and select training equipment that is necessary in accordance with the identified programme;
- (e) Confirm availability/interest of institutions for resource person development programmes at the grassroots level in South Africa;
- (f) Prepare documents to secure the commitment of the selected institution for the next two to three years for offering small/medium sector development and related training programmes;
- (g) Prepare criteria for monitoring/evaluating the performance of the institutions in organizing and conducting training of trainers programme.

### Output 3: Model training programmes for resource persons

#### Sub-output 3.1: Model training programmes in "micro-enterprise creation"

Fifty resource persons fully qualified and able to organize and undertake programmes on training of trainers in new micro-enterprises creation programmes for men and women.

The programme will be aimed at enhancing resource persons' capability to initiate, organize and conduct programmes for training of trainers for grassroots level agencies in South Africa. These agencies would in turn, turn out fully competent micro enterprise entrepreneurs. The programme will focus on all the elements/inputs that are required in setting up micro-enterprises linked with technical skills development. Training and counselling skills will also be offered to participants. Special modules will also be offered on business opportunity consultancies; gender issues in business with special inputs on enterprise creation by women; behavioral skill development and micro-enterprise management. The programme's duration will be four weeks.

Sub-output 3.2: Model training programme in "small/medium size enterprise creation"

Fifty resource persons fully qualified and able to organize and undertake programmes for training of trainers in new micro-enterprises creation programmes for men and women.

The programme will be aimed at strengthening resource persons' capability to initiate/organize and conduct programmes for training of trainers for the selected institutions and also to organize and conduct programmes for small/medium size enterprise creation in South Africa. The programme will focus on all the elements/inputs that are required in setting up small/medium size enterprise and also requisite training and counselling skill development among the participants. During the programme, special modules will be created for business opportunity guidance, behavioral skill development, gender issues of women in business with special inputs on promoting women for small/medium size enterprises; and modern management of small/medium sized enterprises. The duration of the programme will be four weeks.

Sub-output 3.3: Model training programme for "performance improvement of micro-enterprises"

Fifty resource persons fully qualified and able to organize micro-enterprise programmes on training of trainers in improving performance of micro-enterprises.

The programme will be aimed at developing resource persons' capability to initiate/organize and conduct programmes for training of trainers for selected institutions in South Africa. The programme will focus on the problems/issues of existing micro-enterprises and include all elements/inputs to improve their performance. Linkages will be established with trainers in technical skills and gender issues involved in womens' micro-enterprises. The objectives will be to make them more viable and profitable in the current scenario of South Africa. The programme will also provide inputs of training and counselling skills including special modules on enterprise diagnosis, behavioral skill development, expansion and micro-enterprise management. The duration of the programme will be three weeks.

Sub-output 3.4: Model training programme for "performance improvement of small/medium enterprise development"

Fifty trainers fully qualified and able to organize programmes for the existing owners of small/medium enterprise for improving their performance and competitiveness in the present business environment in South Africa.

The programme will be aimed at the development of trainers to initiate/organize and conduct training programmes for the existing owners of small and medium sized enterprises. The

programme will focus on diagnosis of issues/problems affecting the performance of the enterprises and provide all the necessary inputs of advanced entrepreneurial/managerial skill development training including strategic management. The special modules on training and consultancy skill development, family business issues, special issues of women in industry, strategic management and growth strategies will be covered. The duration of these programme will be four weeks.

#### Activities for Sub-outputs 3.1 ... 3.4

- (a) Review and finalize selection of resource persons/trainers from the region and South African institutions;
- (b) Identify competent training institutions to undertake these programmes;
- (c) Make and finalize necessary arrangements for the implementation of programmes and prepare an Aide-Mémoire in this regard and send it to the local authorities/institutions involved in South Africa and other countries in the Southern sub-region.
- (d) Select and provide international experts in consultation with the selected training institutions;
- (e) Allocate fellowship, travel and financial resources for instructors/participants;
- (f) Implement training programmes in accordance with training needs identified for the following:
  - New micro enterprises creation (output 3.1);
  - New small/medium size enterprises creation (output 3.2);
  - Improvement of performance of micro enterprises (output 3.3);
  - Existing small and medium size enterprises (output 3.4)
- (g) Determine and provide the necessary equipment to the resource persons/institutions in the region and South Africa;
- (h) Monitor and evaluate impact of the programmes including follow-up.

#### Output 4: Directory of industrial projects and opportunities

The programme will be aimed at identifying opportunities in the all important sector of industry and manufacturing suitable for micro-enterprises/small- and medium-sized enterprises. A comprehensive survey will be conducted to collect information on locally available resources, skills and documents on commercially

viable industrial opportunities. The directory will provide information on factors such as local resources, market, technology, manufacturing process, capital skills and cost structure for each industrial project and opportunity.

The survey will also analyze the opportunity for developing ancillary small/medium enterprises with the support of large/medium sized corporation and provide relevant information in the directory.

The ultimate aim of the directory will be to equip all institutions involved in organizing programmes for small/medium sector enterprise creation/development with the information on the potential opportunities available. The total time devoted in the preparation of the directory will be six months.

The directory will cover information in about 200-1000 potential industrial and manufacturing projects and opportunities in South Africa.

#### Activities

- (a) Identify/select experts in industrial opportunity identification;
- (b) Identify/select local institutional support for the survey;
- (c) Prepare guidelines/identify priority sectors within which survey is to be completed;
- (d) Monitor/evaluate the survey findings;
- (e) Arrange publication/dissemination of the potential opportunities.

Output 5: A core of senior policy-makers/officials of support/financial institutions for increased awareness for support needs of small and medium industry development

One hundred fifty policy-makers, officials of support and financial institutions fully acquainted with the programme policies and strategies and oriented to provide necessary support for the development of small/medium sector in South Africa.

The main aim of this will be to orient policy-makers, officials of support/financial institutions/large corporations\* to the need for the development of the small/medium sector for the benefit of the disadvantaged population and mobilize their support for the UNIDO project. This will be achieved by organizing workshops for them.

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\* Large corporation could also play an important role in stimulating growth of small/medium enterprise through ancillarisation with small/medium enterprises.

The workshop will analyze the current problems with reference to this sector in the economy and serve as a basis for preparing action plans around which to frame supportive policies, create necessary infrastructure facilities and financial assistance to facilitate setting up new enterprises. The duration of these workshops will be five days.

#### Activities

- (a) Identify/select key policy-makers/officials from support/financial institutions;
- (b) Design the workshop structure as per its goals and develop necessary text/training materials, literature for discussion in the workshop;
- (c) Implement these workshops with the support of entrepreneurs/skill development experts;
- (d) Document the outcome of these workshops for further follow-up.

#### Output 6: Programmes for support/financial institutions

One hundred fully developed officials of support/financial institutions for creating a network of assistance for the promotion of the small/medium and informal sector.

These programmes will be aimed at developing skills of support/financial institutions for creating a network for information on support assistance, incentives, policy framework, potential opportunity, legal and procedural clearances, business plans, preparation for micro-enterprises, and the small/medium enterprise sector. Their capability to appraise project proposals on enterprises as well as the assessment of entrepreneurs will also be developed. The duration of these programmes will be two weeks.

#### Activities

- (a) Identify/select key officials from the selected support/financial institutions;
- (b) Design/develop the programme content in accordance with the objectives identified above;
- (c) Select/provide international/regional expert to provide inputs to the programme;
- (d) Allocate fellowship, travel and other financial resources for instructors/participants;
- (e) Monitor/evaluate the impact of the programme including follow-up.

**Output 7: Rural training center\***

Fifteen rural training centers in the key locations, staffed by fully qualified personnel who will be able to support and sustain micro-enterprise creation/development activities in their areas.

Rural training centers will be set up in key locations of South Africa. The aim of these centers will be to coordinate/monitor micro-enterprise development in rural areas and continuously update information on new economic opportunities in rural sectors and provide counselling services to men/women entrepreneurs in micro-enterprises. These centers will be staffed by the large number of trained personnel in this sector as a result of the UNIDO project. The selected personnel will be given training in institution building/administration.

**Output 8: Growth center**

Fifteen growth centers in key locations fully equipped with the necessary infrastructure facilities/skills and staffed with qualified personnel specially trained for these activities.

Growth centers in key locations will be based on an incubator system. The aim of the growth center will be to provide small enterprises with access to specific need-based resources - finance, technology, information, management skills, small manufacturing facilities (sheds), office and shopping center facilities for a temporary period at a reasonable charge. Once the entrepreneurs develop full confidence to be able to run and manage their enterprises, these facilities will then be withdrawn.

**Output 9: Small enterprise promotion center**

Five small enterprise promotion centers in the key locations, staffed by fully qualified personnel who will be able to support/sustain the activities of small enterprise creation/development.

These centers will be set up in the key locations to coordinate/monitor small entrepreneurial development activities and continuously update information on industrial opportunity for the sector and to provide counselling services to the male/female entrepreneurs. The center will be staffed by the large number

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\* Possibilities will be explored with national and grassroots level institutions to extend their activities through the creation of these institutions in key areas with fully qualified personnel in technical and entrepreneurial/managerial skills development training, counselling and extension services.



of trained personnel in this sector as result of the UNIDO project. The selected personnel will be given further training in institution building/administration.

Activities for Outputs 7, 8 and 9

- (a) Identify and select key locations and arrange necessary infrastructure facilities including premises;
- (b) Identify/select key personnel to staff these centers;
- (c) Prepare documents on the role/activities of centers along with duties/responsibilities of different types of personnel;
- (d) Mobilize necessary financial and administrative support for these centers from the South African government/institutions or other community organizations and large corporations for centers' future sustainability;
- (e) Monitor/evaluate the centers' performance for a period of two years.

F. RESOURCES REQUIRED

In order to achieve the expected outputs, a phased approach will be introduced in implementing the activities of the programme. In this connection, a preparatory assistance has been planned as a crucial first step for the programme. Its aim is to carry out preliminary technical and complex activities and also consultations with Government and discussions on a detailed workplan; the latter will be prepared by a highly qualified team of international and national staff assigned to the project. The preparatory assistance will also include the preparation and finalization of different arrangements required for the development and conduct of necessary group training programmes. A review meeting will be organized in this connection by the completion of the field works.

1. The resources required for covering the preparatory assistance for 3 or 4 months period will comprise:

	US\$
(a) 2 external high level consultants for 2 months each (14,000 x 2 x 2)	56,000
(b) 2 national experts/consultants for the same period (4,000 x 2 x 2)	6,000
(c) Local transport	5,000
(d) UNIDO field monitoring mission	6,000
(e) Report	2,000
(f) Miscellaneous	<u>5,000</u>
TOTAL	<u>90,000</u>

2. Based on UNIDO previous experience, the major elements of the full fledged programme will for a 3,5 years duration include (with rough estimate budget):

	US\$
(a) Personnel	1,200,000
(b) Training	2,600,000
(c) Equipment	400,000
(d) Miscellaneous	<u>200,000</u>
TOTAL	<u>4,400,000</u>

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