Integrated Small-Enterprise-Development Strategy

A Summarised Version

Unlocking the potential of South African entrepreneurs

2005 Department of Trade and Industry
The Integrated Small-Enterprise Strategy

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<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>BEE</td>
<td>Black economic empowerment</td>
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<tr>
<td>BIC</td>
<td>Business Information Centre</td>
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<tr>
<td>CBO</td>
<td>Community-based organisation</td>
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<tr>
<td>CPSI</td>
<td>Centre for Public-Service Innovation</td>
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<tr>
<td>CSIR</td>
<td>Council for Scientific and Industrial Research</td>
</tr>
<tr>
<td>DBSA</td>
<td>Development Bank of Southern Africa</td>
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<tr>
<td>DFI</td>
<td>Development finance institutions</td>
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<tr>
<td>DIP</td>
<td>Integrated development plan</td>
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<tr>
<td>DM</td>
<td>District municipality</td>
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<td>DPLG</td>
<td>Department of Provincial and Local Government</td>
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<td>DST</td>
<td>Department of Science and Technology</td>
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<td>DTI</td>
<td>Department of Trade and Industry</td>
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<tr>
<td>EDU</td>
<td>Enterprise Development Unit (in the dti)</td>
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<tr>
<td>FET</td>
<td>Further education and training</td>
</tr>
<tr>
<td>FET</td>
<td>Further education and training (colleges)</td>
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<tr>
<td>GDP</td>
<td>Gross domestic product</td>
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<td>ICT</td>
<td>Information and Communication Technology</td>
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<td>ICT</td>
<td>Information and communication technology</td>
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<tr>
<td>IDC</td>
<td>Industrial Development Corporation</td>
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<td>ISRDP</td>
<td>Integrated sustainable rural development programme</td>
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<tr>
<td>LBC</td>
<td>Library Business Corner</td>
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<tr>
<td>LBSC</td>
<td>Local Business-Services Centre</td>
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<td>LED</td>
<td>Local economic development</td>
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<tr>
<td>Mac</td>
<td>Manufacturing Advice Centre</td>
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<td>MFRC</td>
<td>Micro-Finance Regulatory Council</td>
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<tr>
<td>NDA</td>
<td>National Development Agency</td>
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<td>NEF</td>
<td>National Empowerment Fund</td>
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<td>NGO</td>
<td>Non-governmental organisation</td>
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<tr>
<td>NPI</td>
<td>National Productivity Institute</td>
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<tr>
<td>PDI</td>
<td>Previously disadvantaged individual</td>
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<tr>
<td>PPP</td>
<td>Public-private partnership</td>
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<td>PPPs</td>
<td>Public-private partnership</td>
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<tr>
<td>RFI</td>
<td>Retail finance institutions</td>
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<td>RIA</td>
<td>Regulatory Impact Assessment</td>
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<td>SABS</td>
<td>South African Bureau of Standards</td>
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<td>SADC</td>
<td>Southern African Development Community</td>
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<tr>
<td>Samaf</td>
<td>South African Micro-Finance Apex Fund</td>
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<tr>
<td>Saqi</td>
<td>South African Qualifications Institute</td>
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<tr>
<td>SARS</td>
<td>South African Revenue Service</td>
</tr>
<tr>
<td>SBDC</td>
<td>Small Business Development Corporation</td>
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<tr>
<td>Seda</td>
<td>Small Enterprise Development Agency</td>
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<tr>
<td>Sita</td>
<td>State Information Technology Agency</td>
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<tr>
<td>SMEDP</td>
<td>Small- and Medium-Enterprise Development Programme</td>
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<tr>
<td>SMEs</td>
<td>Small and medium enterprises</td>
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<tr>
<td>SMMEs</td>
<td>Small, medium and micro-enterprises</td>
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<td>TEO</td>
<td>The Enterprise Organisation (in the dti)</td>
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<tr>
<td>Thrip</td>
<td>Technology and Human Resources for Industry Programme</td>
</tr>
<tr>
<td>Tisa</td>
<td>Trade and Investment South Africa</td>
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<tr>
<td>TWIB</td>
<td>Technology for Women in Business</td>
</tr>
<tr>
<td>URP</td>
<td>Urban Renewal Programme</td>
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<tr>
<td>UYF</td>
<td>Umsubomvu Youth Fund</td>
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</table>
EXECUTIVE SUMMARY

The Integrated Small-Enterprise Strategy

1 Purpose of the document


The Integrated Small Enterprise Development Strategy presents the way forward for small-enterprise development in South Africa over the next ten years (i.e. 2005 to 2014). It is the result of a thorough process of review, consultation, research and refinement and also takes into account the changing economic context.

This process has built upon the successes of government in macro-economic development and applies the experiences and lessons of the last ten years relating to small-enterprise promotion, while responding to the concerns raised by stakeholders within government, the private sector, organised labour and civil society. In particular, the strategy aims to address government’s special development goals to improve equity in terms of race, gender and geographical location.

2 Summary of strategic approach

The strategy is based on three pillars:

- promoting entrepreneurship through campaigns, leadership training and awards
- strengthening the enabling environment through more flexible regulations, better access to finance and markets, improved infrastructure facilities and business support,
- enhancing competitiveness and capacity at the enterprise level through skills training, more focused quality-, productivity- and competitiveness-support and the facilitation of technology transfer and commercialisation of incubation.

Across these three pillars the strategy is to be underpinned by improved information and knowledge spread and management, including expanded research and communication as well as monitoring and evaluation of existing support programmes.

A key strategic shift since the adoption of the White Paper is the integration of a wider group of institutions into the realm of small-business development and a more co-operative approach of government towards its partners in the public and private sectors. In this context the main institutional reforms set out in the strategy include the recent establishment of the Small Enterprise Development Agency (Seda) which will localise support through a national network of access points, the establishment of the South African Micro-Finance Apex Fund (Samaf) and a more focused approach by Khula to service small to medium-sized enterprises.

3 Core thrusts

1 Please refer to the “Review of Ten Years of Small-Business Support in South Africa” for further details.
Within that strategic framework the document highlights six thrusts, which each need strong and sustained funding commitment by government, and the dti in particular, given its mandate to champion small business development in South Africa in partnership with all spheres of government.

3.1 **Substantially strengthen support for SMMEs’ access to finance**

Through a more targeted approach, the Apex Fund will focus more on survivalist and micro-enterprises, while Khula and other DFIs will mainly target small and medium-sized enterprises.

3.2 **Create an enabling regulatory environment**

The dti plans to invoke Section 18 (1) of the National Small Business Act, which empowers the Minister of Trade and Industry to publish guidelines for organs of national, provincial and local government to promote small business.

3.3 **Further expand market opportunities for specific categories of small enterprises**

Efforts in this sphere have to happen through the government’s procurement process and the possible addition of sector-preferential "set-aside" schemes. The dti also proposes the selection of a few products frequently used by government departments, to be manufactured by small-scale manufacturers. Seda is to provide a deal brokerage service for the acquisition of machinery and equipment from local and international suppliers further supplemented by Khula, IDC- and NEF-support programmes and other dti incentives.

3.4 **Localise small-business support through a grid of Seda-co-ordinated information and advice-access points**

The mandate of Seda is to design and implement a standardised delivery network that reaches all regions of the country and integrates government-funded small-enterprise support across all tiers of government.

3.5 **Initiate a national entrepreneurship drive and expand education and training for small business**

Within the broad context of the entrepreneurship promotion the integrated strategy gives its particular support to the formulation of the youth-enterprise-development strategy currently being drafted by the Umsobomvu Youth Fund and the National Youth Commission. The strategy will guide public-, private- and community-driven agencies in the support of youth-owned enterprises championed by the dti.

3.6 **Co-fund minimum business-infrastructure facilities in local-authority areas across the country**

Essentially the integrated strategy has to link up closely with current LED efforts in all municipalities, with government prepared to help mobilise core funding.

While the strategy stresses that in each area the optimal mix of private-public and public-public partnerships will be different, it is the integration of the different support clusters,
which can, if underpinned by significant resources and strong leadership via the dti, assure a meaningful acceleration of the process of SMME growth.

4. Vision and objectives

Vision 2014

The Integrated Small-Enterprise Development Strategy aims to contribute to the overall vision for South Africa by 2014 of a country with an economy that can sustainably meet the material needs of all its citizens.

In particular, this strategy has a vision of South Africa as an entrepreneurial nation that rewards and recognises those who recognise a business opportunity and pursue it, a South Africa with a vibrant and competitive small enterprise sector with enterprises that grow in both size and success. Those who were once excluded from full participation in the economy will have access to support and development services and be fully integrated into the core of the South African economy, with access to local, national, African and international markets.

Objectives

The key objectives of this strategy can be summarised as follows.

- Increase the contribution of small enterprises to the growth of the South African economy,
- create an enabling environment for small enterprises with a level playing field between big business and small enterprises, that reduces the disparities between urban and rural enterprises and is conducive to entrepreneurship,
- create sustainable long-term jobs in the small enterprise sector,
- ensure equitable access and participation in term of race, gender, disability, age, geographical location and sector,
- increase the competitiveness of the small-enterprise sector and its enabling environment so that it is better able to take advantage of opportunities emerging in national, African and international markets.

Given these objectives, the strategy places particular emphasis on addressing the needs of micro-enterprises, small enterprises in high-growth sectors, and small enterprises owned and managed by historically disadvantaged individuals, namely black people, women, the youth and the disabled.

In addition to these desired outcomes or objectives, this strategy aims to improve the collaboration and communication between government, other suppliers of support and the small-enterprise community in the process of implementing the strategy. This is envisaged through a number of strategic pillars of support.

4.1 Strategic pillars of support

An overview of priority areas of interventions within the strategy framework is set out below. The respective roles of government and other potential delivery partners vary across these programmes, depending on the primary locus of control for the available instruments. In
areas where the majority of instruments are outside the public sector’s direct control, government can nevertheless play some role to encourage greater coherence in the interventions of other role players.

A graphic representation of these elements is set out below.

**Box 1**

**Unlocking the potential of South African entrepreneurs**

<table>
<thead>
<tr>
<th>PILLAR 1</th>
<th>PILLAR 2</th>
<th>PILLAR 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting entrepreneurship</td>
<td>Creating enabling environments</td>
<td>Enhancing competitiveness and capabilities at enterprise level</td>
</tr>
<tr>
<td>a) Strengthen national awareness about the critical role of entrepreneurship</td>
<td>a) Maintain small-business-sensitive business regulations</td>
<td>a) Strengthen managerial, business and technical skills</td>
</tr>
<tr>
<td>b) Promote alternative focus on ownership</td>
<td>b) Improve access to finance</td>
<td>b) Facilitate improved quality, productivity and competitiveness</td>
</tr>
<tr>
<td>c) Expand franchise opportunities</td>
<td>c) Strengthen access to markets via procurement, exports and business linkages</td>
<td>c) Support technology transfer, incubation and the commercialisation of business services</td>
</tr>
<tr>
<td>d) Strengthen business associations and networks</td>
<td>d) Facilitate the availability of business infrastructure and premises</td>
<td>d) Expand SMME-focused sector-support strategies</td>
</tr>
<tr>
<td>e) Increase the effectiveness of enterprise support</td>
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<td></td>
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<tr>
<td>f) Localise support infrastructures</td>
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</tr>
</tbody>
</table>

| 4 | Cross-cutting foundation services | Information, research, monitoring and evaluation |

**4.2 Targeted beneficiaries**

The Integrated Strategy has been designed to address the needs and development potential of the whole small-enterprise sector, which includes micro-, small and medium-sized enterprises.

This targeting will be based on three key criteria, viz.
• the degree to which market failures exists in particular segments of small enterprises,
• the degree to which segments create opportunities to support the government’s special development goals,
• the viability of suitable instruments to government to impact on these segments.

Based on these criteria, the following categories of small enterprise are targeted within the integrated strategy.

• Micro-enterprises
• Informal enterprises
• Start-up businesses
• Black-, women- and youth-owned enterprises
• Enterprises in particular growth or priority sectors, including agriculture and agro-processing, construction, small-scale manufacturing, tourism, crafts and cultural industries as well as the beneficiation of minerals

The main strategy document briefly explains each of these targeted segments

4.3 Instruments to advance small-business development

Given the pervasiveness of small enterprises in all sectors of the economy, their large numbers and the diversity of issues and problems to be addressed, it follows naturally that support efforts include a wide range of tools, instruments or interventions applied by the national government, national parastatals, provincial and local authorities, NGOs and business associations. Box 2 summarises the range of instruments, with a few examples given for each category.

This diversity of instruments highlights the wide scope for interventions, but it also suggests an underlying danger of all small-business-support efforts, viz. the overlapping or duplication of programmes, the lack of proper co-ordination of different interventions and insufficient communication of the goals and methods of such interventions. In fact, grassroots research on specific policies or incentives regularly shows how few small enterprises are actually aware or make effective use of the incentives.
### Box 2

#### Range of instruments used for SMME support

<table>
<thead>
<tr>
<th>Type of instrument</th>
<th>Examples</th>
</tr>
</thead>
</table>
| **A** Policy frameworks with relevance to SMMEs | - Integrated Small-Enterprise-Development Strategy  
  - Micro-economic reform, poverty alleviation, BEE, local economic development, provincial growth and development strategies, etc. |
| **B** Legislation | - National Small Business Act  
  - Co-operatives Act  
  - Companies Act |
| **C** Regulations and administrative procedures | - Company regulations  
  - Tax regulations  
  - Intellectual-property regulations  
  - Procurement regulations  
  - Trade administration |
| **D** Advisory structures | - National Small Enterprise Advisory Council |
| **E** Co-ordination mechanisms | - National-government co-ordination structures (interdepartmental)  
  - Provincial and local co-ordination structures  
  - Co-ordination structures across delivery partners, including private sector, NGO and international assistance |
| **F** Research | - Baseline sector and area research |
| **G** Information and advice | - Industry and market information  
  - Information about support services  
  - Information channelled via institutions, mass media, networks, etc. |
| **H** Monitoring and evaluation | - Development of indicators, monitoring systems, evaluation systems and feedback mechanisms |
| **I** Institutional capacity building | - Enhancement of small-enterprise specialist institutions  
  - Alignment of related institutions dealing with small-enterprise issues |
| **J** Leadership and promotion of SMME concerns | - Public leadership, providing direction  
  - Catalytic projects  
  - Piloting of initiatives  
  - Interest promotion |
| **K** Training and capacity building | - Specialist small-enterprise training  
  - Sector-based training  
  - Entrepreneurship training |
| **L** Networking organisations | - Chamber structures  
  - Sector associations  
  - BEE structures  
  - Interfirm, supply chain and cluster networks |
| **M** Provision of finance | - Grants  
  - Loans  
  - Venture capital  
  - Sureties and guarantees |
| **N** Access to infrastructure and utilities | - Transport (passenger and freight)  
  - Utilities: water, electricity, waste  
  - Information and telecommunications  
  - Security  
  - Street lighting  
  - Property |
| **O** Targeted projects | - Sector-specific projects  
  - Competitiveness projects  
  - Technology-enhancement projects  
  - Small-business incubators |
Virtually all the instruments can be made to target the full spectrum of small enterprises or they can be focused on particular groups, like women entrepreneurs, young people, black-owned SMMEs or enterprises in selected growth sectors. As indicated earlier, the integrated strategy places much of the emphasis on micro-enterprises, black-owned small businesses and high-growth sector SMMEs. Section 3 of the document outlines how these instruments are to be used to streamline small-business support within the framework of the integrated strategy.

4.3.1 Improving access to finance

**Planned action**

Complementing and more effectively co-ordinating proactive steps expected from private-sector institutions and public sector co-funded DFIs, the government is currently considering the establishment of a Integrated National Grid for Small Business Financing to operate country-wide in a dual function, viz.

- to provide loan funds and other types of finance currently not (yet) offered by other institutions, and
- to provide co-ordinating functions and support services for the DFIs in order to streamline and integrate their market offerings.

Structured as a public-private partnership such Integrated National Grid should also ensure that these envisaged functions will not “crowd out” the private sector from important areas of financing, but will facilitate the *longer-run* expansion of private-banking services towards all these market segments. Thus, a majority of state-owned institutions has to be willing to accept higher risks in the short and medium term (being able to rely on state subsidisation) and should be mandated to gradually decrease its role in the areas where risks are decreasing.

Such an approach would have the advantages of

- enabling a high degree of targeting of credit provision
- allowing the consolidation of some of the existing programmes
- mobilising private-sector co-funding
- better branding of the state’s involvement in SMME finance
- making a substantial impact on the provision of small-business finance.

**Financial incentives**

Many of the sector-focused or other targeted incentives which have been developed as part of support packages (e.g. export incentives, procurement support, youth programmes) also contain a financial component, since these incentives reduce the need for access-to-finance reforms outlined above.

4.3.2 Improving access to markets

**Current interventions to promote market access**

Efforts have in the past concentrated on three broad areas, viz.

- spreading *information* about domestic (local, regional, national) market opportunities through business-information centres and sector-focused information material,
4.3.3 Skills development

The skills base is poor among entrepreneurs in remote (rural) areas, among those with lower literacy levels, and in some of the high-growth sectors where skills requirements change rapidly.

Steps needed to deal with these needs should be addressed by

- the Setas and public-sector training institutions, including FET colleges and universities,
- business associations active in the respective areas or sectors,
- NGOs or CBOs (working with private-training initiatives) focusing on social advancement in the particular areas,
- mentoring initiatives available in the area/sector.

To facilitate co-operation around these tasks and possibly provide co-funding, Seda or other agencies may further support these initiatives (or provide the stimulus for new ones). In these efforts local business-information contact points should also play a supportive role.

4.3.4 Regulations affecting small business

The 1995 White Paper identified unduly restrictive or inappropriate legislative and regulatory conditions as critical constraints on the growth and development of small businesses. The government is committed to review, monitor and recommend changes to the existing regulatory structure with a view to changing the overall culture of regulation, increasing the co-ordination of efforts and providing national consistency in regulations. It also tries to make compliance easier to small businesses with less complex administrative procedures and paperwork, complemented by more practical assistance.

4.3.5 Business premises and infrastructure

- Small enterprises are highly sensitive to the availability, quality and cost of infrastructure facilities and business premises. This is an area where local, provincial and national government all have key roles to play.

Efforts to enhance existing initiatives in these fields will have to include the following areas:
• A continued roll-out of infrastructure facilities with particular emphasis on townships and rural areas, including roads, telecommunication links, electricity supply, street lighting and business as well as public premises

• Support for an extension of services and utilities and further improvements of the affordability with particular emphasis on townships and rural areas, in the spheres of public and freight transport, postal services, waste removal, security, health, social services and libraries

• Continued use of the Small and Medium Enterprise Development Programme (SMEDP) for cost-sharing between government and individual enterprises

• Co-funding of local industrial-park incubators or “hives” and other small-enterprise-focused facilities in industrial development zones and other spatial development projects. As far as possible these facilities should be linked to mentorships and training support, related to specific sector-development strategies

• The development of new funding schemes for industrial parks in previously disadvantaged areas

• Systematic monitoring and evaluation of progress in all these areas and the cost of faster progress

This section reviews the diversity of actors, and outlines the approach to be taken by the dti and government as a whole to strengthen and guide such co-operation in the years ahead.

5. Streamlining the institutional support framework

This section reviews the diversity of actors, and outlines the approach to be taken by the dti and government as a whole to strengthen and guide such co-operation in the years ahead.

Box 3 below puts into perspective the full range of institutions, agencies and initiatives involved in the supply of services or support to small enterprises. The box has four sides, referring respectively to

• services supplied directly by national-government-linked departments or institutions (A 1 to A 7),
• services supplied by provincial or municipal authorities or initiatives created or funded through them (B 1 to B 5),
• services supplied directly by the private sector, through individual business-development-service suppliers or community efforts (C 1 to C 7),
• services supplied through partnerships between business and support agencies (D 1 to D 4).

In addition there is recognition of the effect international and interregional support schemes could have (A 8).

Ideally one would hope that

• all suppliers of such services or supportive action would be fully aware of what each other player is doing, and how these different services dovetail and could reinforce specific support,
• small-business entrepreneurs would be fully aware of the existence of all these support services and how their own business could utilise them to meet their particular needs,
• there is optimum co-operation between all these service suppliers, with particular emphasis on the complementarity of services with respect to different sectors, geographic areas, types of SMMEs needing support and the degree of formality of the business.

To meet such goals constitutes a major challenge. In fact, this challenge is currently being faced by many countries, both more and less developed. Two fundamental approaches can be pursued to meet those challenges, viz. a private-sector-focused approach (the bottom-up way) and a public-sector (top-down) approach.
### Box 3
An integrated institutional framework for the supply of small-enterprise support

<table>
<thead>
<tr>
<th>National-government support</th>
<th>Combined community and private services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A 1</strong> National Small-Business Advisory Council</td>
<td><strong>D 1</strong> Education, training and research for SMMEs</td>
</tr>
<tr>
<td><strong>A 2</strong> The dti</td>
<td><strong>D 2</strong> NGO-initiated support services</td>
</tr>
<tr>
<td><strong>A 3</strong> Interdepartmental Committee on Small Business</td>
<td><strong>D 3</strong> Corporate services for SMMEs</td>
</tr>
<tr>
<td><strong>A 4</strong> National departments and related agencies with line functions affecting SMMEs</td>
<td><strong>D 4</strong> Communications and media services</td>
</tr>
<tr>
<td><strong>A 5</strong> National Small-Enterprise Development Agency</td>
<td><strong>D 5</strong> Local, regional and provincial support</td>
</tr>
<tr>
<td><strong>A 6</strong> Development-finance institutions DBSA, IDC, NEF, NDA, Land Bank, Samaf, etc.</td>
<td><strong>B 1</strong> Provincial-government departments with line functions affecting SMMEs</td>
</tr>
<tr>
<td><strong>A 7</strong> Parastatals interacting with SMMEs</td>
<td><strong>B 2</strong> Provincial Small-Enterprise Agencies</td>
</tr>
<tr>
<td><strong>B 1</strong> Provincial-government departments with line functions affecting SMMEs</td>
<td><strong>B 3</strong> District municipality initiatives in SMME support</td>
</tr>
<tr>
<td><strong>B 2</strong> Provincial Small-Enterprise Agencies</td>
<td><strong>B 4</strong> Municipality functions affecting SMMEs</td>
</tr>
<tr>
<td><strong>B 3</strong> District municipality initiatives in SMME support</td>
<td><strong>B 5</strong> Local agencies and initiatives to strengthen SMMEs</td>
</tr>
<tr>
<td><strong>B 4</strong> Municipality functions affecting SMMEs</td>
<td><strong>C 1</strong> Community-based support services, incl. savings schemes, loan systems and advice centres</td>
</tr>
<tr>
<td><strong>B 5</strong> Local agencies and initiatives to strengthen SMMEs</td>
<td><strong>C 2</strong> Extended family-based services</td>
</tr>
<tr>
<td><strong>C 1</strong> Community-based support services, incl. savings schemes, loan systems and advice centres</td>
<td><strong>C 3</strong> Sector/trade associations and sector-focused initiatives</td>
</tr>
<tr>
<td><strong>C 2</strong> Extended family-based services</td>
<td><strong>C 4</strong> Business Chambers and area-focused associations</td>
</tr>
<tr>
<td><strong>C 3</strong> Sector/trade associations and sector-focused initiatives</td>
<td><strong>C 5</strong> Private specialised support services</td>
</tr>
<tr>
<td><strong>C 4</strong> Business Chambers and area-focused associations</td>
<td><strong>C 6</strong> Small-enterprise consultants</td>
</tr>
<tr>
<td><strong>C 5</strong> Private specialised support services</td>
<td><strong>C 7</strong> Financial institutions</td>
</tr>
<tr>
<td><strong>C 6</strong> Small-enterprise consultants</td>
<td><strong>C 8</strong> Venture capitalists</td>
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<tr>
<td><strong>C 7</strong> Financial institutions</td>
<td><strong>C 8</strong> Venture capitalists</td>
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<td><strong>C 8</strong> Venture capitalists</td>
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**Need and/or demand for SMME-support services**
5.1 Public-sector involvement: The key players

5.1.1 Local and district authorities (B 3 to B 5)

Since most small enterprises only operate in one place, with their employment, turnover and business premises limited in size, it seems only proper to start this public-sector review of SMME support with local authorities, which can be seen as the bottom or grassroots level of small-business-support services.

South Africa’s 284 municipalities differ widely in area covered, population size, level of economic activities and administrative capacity. In line with this, local authorities differ in their capacity to proactively help local entrepreneurs and SMMEs. Most of the metropolitan authorities nowadays have extended SMME-support services and facilities, whereas many of the municipalities in rural areas have barely any capacity in this field.

5.1.2 Provincial authorities (B 1 and B 2)

Through the Council of Provincial Small Business Directorates the dti is currently trying to strengthen co-operation between national and provincial SMME-support efforts and to find a new approach that is reconcilable with both these trends. These efforts also require close co-operation with organised business as well as industry associations in all the provinces.

5.1.3 Parastatals interacting with SMMEs (A 7)

These organisations (like Eskom, the Transnet Group, Telkom, the CSIR, the SABS and the NPI as well as other parastatals) interact with SMMEs primarily in two ways, viz.

- as suppliers of services to SMMEs, where affordability and the satisfaction of specific needs are key issues (see references to them in section 3),
- as providers of outsourced services to other parastatals, i.e. through the procurement chain.

Most of these parastatals have over the past decade developed sensitivities in both areas, so that top-down involvement from the dti or other bodies seems unnecessary. Yet, in the unfolding of the country-wide grid of SMME-support services there is scope for considerable more proactive involvement by these bodies and closer co-operation between them and other service suppliers.

5.1.4 Development-finance institutions (A 6)

These institutions include the Development Bank of Southern Africa, the Industrial Development Corporation, Khula, the National Empowerment Fund, the Land Bank and other specialised funding agencies (see references in section 3.2.2). In their respective fields these agencies are actively supporting SMMEs and are co-operating with government departments, provincial and local authorities as well as private and non-profit agencies.
5.1.5 National government (A 2 to A 5)

As shown in Box 3 we have to distinguish between a number of bodies:

- The Department of Trade and Industry (A 2), more specifically the Enterprise and Industry Development Division, is the core for SMME support. Inside the dti, the Enterprise Development Unit (EDU), The Enterprise Organisation (Teo) and Trade and Investment South Africa (Tisa) are key delivery agencies, also for small-enterprise support in the respective fields.

- The different other departments/ministries (A 4) each have responsibility for some activities that directly affect SMMEs and the promotion or facilitation of SMME development. More obvious examples are the Departments of Agriculture (small farmers), Housing (small contractors), Mining (small mines) and Tourism (small-scale operators), but also the Department of Labour (labour regulations), the Treasury and Sars (tax rates and tax collection), the Department of Education and several others.

- A new Interdepartmental Committee on Small Business (A 3) is to be established, chaired by the Office of the President, with better co-ordination of support by all government departments the primary goal. The dti will provide executive support functions and the reports will be submitted directly to the director-general of the economic cluster of ministries.

- The new (national) Small Enterprise Development Agency (Seda) (A 5) incorporates Ntsika, Namac, CPPP and some other existing agencies. The new agency does not replace existing interventions by any stakeholders, but seeks to ensure that new and existing public-sector programmes are co-ordinated around a clear long-term vision for the SMME sector. It will also work towards the effective integration of financial and non-financial services for small business. Against that background the primary functions of Seda are
  
  o co-ordination
  o monitoring and evaluation
  o ensuring consistency of service-delivery quality across the implementing agencies
  o programme design and adjustment
  o information management

☞ Seda Business-Development Services will integrate the previous functions of CPPP, Ntsika, Namac and subsidiary Manufacturing Advisory Centres (Mac).

☞ Seda Technology will incorporate the
  ☀ Godisa incubator programme
  ☀ National Technology-Transfer Centre
  ☀ Technology Venture-Capital Fund
  ☀ Technology and Human Resources for Industry Programme (Thrip)
  ☀ Technology Transfer Fund
  ☀ Approval of technology-licence agreements
Seda’s initial business plan which incorporates a first-year budget of R500 million. Apart from the integration and more systematic co-ordination of these different functions and subsidiary bodies, Seda’s main task will be the establishment of a gradually expanding, nation-wide network of information centres.

- Khula Enterprise Finance, the dti’s cornerstone of financial support services is also likely to evolve in the near future, given the establishment of Samaf and prospects of further institutions in the financial sphere (see reference to a small-business bank in section 3). Annexure B at the end of this section summarises the latest strategic plan of Khula.

- An envisaged statutory National Small-Business-Advisory Council (A1) is to bring together experts in the sphere of SMME support in order to help assess progress with the integrated strategy and the planning of further reforms. Its advice to the minister is to relate to:
  - strategies to address identified market failures affecting the small-enterprise sector
  - the impact of current and new legislation on small business
  - national standards pertaining to small-enterprise infrastructure
  - skills development in the small-enterprise sector
  - steps to be taken to improve access for small enterprises into value chains
  - constraints affecting the viability of the small-enterprise sector
  - methods to liaise with the small-enterprise sector and to identify their needs
  - methods to monitor and influence the provision of support services to the small-enterprise sector

The dti will provide executive support to the National Small-Enterprise Advisory Council.

6. Monitoring the Integrated Strategy

The importance of systematic, regular and objective monitoring and evaluation of progress with the overall strategy and its different components is beyond dispute. This last section reflects on the ways this can happen, given the great diversity of strategy partners (from both the public and the private sector), the constantly changing “small-enterprise scene” in South Africa and a dearth of objective performance indicators and reliable statistics.

As in several other spheres of this strategy we have to accept the challenge and incrementally work on the refinement of the task and the co-operation of all the partners.

Finally, government will support and encourage lively public debate about the goals, means and effectiveness of small-enterprise support in South Africa, against the background of South Africa’s urgent, ever-changing, socio-economic challenges. It is trusted that such an open mind will also strengthen public understanding that government is but one “party” in the integrated small-enterprise-development strategy.