

MPUMALANGA PROVINCIAL GOVERNMENT



DEPARTMENT OF ECONOMIC DEVELOPMENT AND PLANNING

REVISED SMME DEVELOPMENT STRATEGY

**“Small, Micro and Medium Enterprises:
Harnessing Regional Strengths and
Confronting the Changes”**

“Creating SMMES that grow with continuity”

March 2008

By:



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FOREWORD: MEC PADAYACHEE

Small and Medium Enterprises have been a major part of Economic development in Mpumalanga. The promotion and development of SMMEs remains an important priority for the Mpumalanga Provincial Government.

“As part of its objective of enterprise development, the department will continue to implement programmes to support the growth of small, medium and micro enterprises (SMMEs) within the parameters of the Integrated Small Enterprise Development Strategy that was approved by Cabinet in 2005.” - Budget Vote address by the Deputy Minister of Trade and Industry, Elizabeth Thabethe published: 30 May 2007.

We therefore present the revised Mpumalanga SMME Development Strategy to the people of Mpumalanga. In coming up with this strategy a long and exhaustive process was followed whereby the relevant provincial SMME stakeholders were consulted.

This strategy aims to recognise the evolving of SMME support interventions as documented in the SMME Strategy for Mpumalanga developed in 1997. Since then there has been legislative and institutional changes that necessitated this review to align the SMME Strategy to said developments.

The Strategy aims to assist with the collaboration of programmes of SMME development in Mpumalanga at all levels of government and within the private sector to achieve set goals.

Whereas the Provincial government and in particular the Department of Economic Development and Planning will take the lead in the implementation of this strategy, the strategy encourages the private sector to come on board to actively promote, support and develop SMMEs.

This Strategy has been designed within the provisions of National Small Business Act No.102 of 1996 and the Amended Act of 2004 and the 2005 Department of Trade and Industry Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises.

I therefore thank the team from the department for a job well done. This was a long process and we therefore thank them for their showing tenacity and we do understand that SMMEs operate under challenging circumstances.

I would like to express gratitude to the Consultant, Hubveni Consulting (PTY) Ltd in conceptualising the process, facilitating the process and consulting with the stakeholders to further interrogate the relevant issues that assisted in leading to the revised strategy. We thank them for exercising patience in the drafting and redrafting until the final document was produced.

I wish to thank all the stakeholders that participated in the different consultative processes and for adding value to the process. Let us continue working together to ensure that we achieve the objectives of the revised Mpumalanga SMME Strategy. This will help in job creation and the development of the people of Mpumalanga.

Honourable CNM Padayachee
MEC for Economic Development and Planning
Mpumalanga Province

INTRODUCTORY REMARKS THE HEAD OF THE DEPARTMENT OF ECONOMIC DEVELOPMENT AND PLANNING

The Small business sector is increasingly acknowledged throughout the world for its role in job creation, penetrating new markets and generally expanding economies in creative and innovative ways. We need not lose sight of the fact that most of the large businesses started small at some stage of their business life cycle.

The SMME Sector has been identified by government as having considerable potential for contributing to job creation, wealth creation and the promoting of equality in South Africa.

The last few years have seen several reviews and assessments of South Africa's public sector support strategies for the SMME sector. This has highlighted the need for the Mpumalanga Provincial Government to revise the strategy aimed at promoting the small business sector in an attempt to seek consensus with key stakeholders for SMME Development for the next ten years.

The Mpumalanga SMME Strategy under revision was adopted in 1997 and since then there has been a lot of changes that took place in the SMME sector. It is for those changes that the province embarked on this exercise which led to this revised SMME Strategy.

The principal purpose for this review was to review the current provincial SMME Strategy to assist the Government and Stakeholders to enhance SMME support to address economic and social needs of the society.

This reviewed SMME Strategy gives direction to the province in terms of promotion, development and support of SMMEs. The revised strategy is aligned to the relevant National and Provincial policies, regulations and prescript. At the provincial level the revised Strategy takes into account the Provincial Growth and Development Strategy agreements and relevant Provincial policies and Strategies.

This Strategy document is a product of wide-ranging consultation with stakeholders in SMME promotion and development and is informed by research that was done on the international perspective as well. It has been produced to provide guidance to Provincial Government and stakeholders in their attempt to develop the SMME sector, as well as to inform policy so as to ensure a stronger role for SMME development as a vehicle to achieve national economic objectives.

The department commits to continue to play a facilitative and regulatory role while motivating for stakeholder participation to ensure the implementation of the SMME strategy and the achievement of the said objectives.

I would like to express gratitude to Hubyeni Consulting, the Consultants who were instrumental in developing this Provincial SMME Strategy. I also would like to thank members of the team from my department for the stellar role they played throughout the duration of this project.

The time for Action is now, Ke nako!

Mr Lemmy Mdluli

Acting Head: Department of Economic Development and Planning, Mpumalanga Province

ACKNOWLEDGEMENTS

This project was commissioned by Mpumalanga Provincial Government Department of Economic Development And Planning.

A Project team led by Hubyeni Consulting conducted all the phases of the project which was research based, consultative and involved field work as well. The project team conducted the envisioning, the planning, the actual research and analysis, consultations, workshops and eventually produced the revised Mpumalanga SMME Strategy.

The project team would like to thank all the companies, organisations, individuals and the different government departments and municipalities who participated in the research and consultation either through interviews or through the telephonic and electronic survey as well as through attending the selected workshops held. At the time when the sector is growing it is hard to take time to speak to researchers. Your willingness to do so has made this review possible and for this we thank you.

Hubyeni Consulting would also like to thank the following people, who participated as mentioned above, conducted the research, performed the analysis of the data, wrote or quality assured the content or otherwise assisted the research team:

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- Ehlanzeni District Municipality
- Nkangala District Municipality
- Gert Sibande District Municipality

Hubyeni Consulting would like to thank all the stakeholders
mentioned hereunder who participated. We thank in particular all
the stakeholders who took time off to make a contribution to this
project.

ABBREVIATIONS

ASGISA	Accelerated and Shared Growth Initiative of South Africa
BEE	Black Economic Empowerment
BBBEE	Broad Based Black Economic Empowerment
CIPRO	Companies and Intellectual Property Registration Office
dti	Department of Trade and Industry
DBSA	Development Bank of Southern Africa
EPWP	Expanded Public Works Programme
EXPO	Exposition
FASA	Franchise Association of Southern Africa
GDP	Gross Domestic Product
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HDI	Historically Disadvantaged Individuals
HOD	Head of Department
IDC	Industrial Development Corporation
LED	Local Economic Development
MEC	Member of Executive Council
MEGA	Mpumalanga Economic Growth Agency
MRDP	Mpumalanga Rural Development Programme
NAMAC	National Manufacturing Advisory Centre

NEF	National Empowerment Fund
NGO	Non Governmental Organisation
PDI	Previously Disadvantaged Individuals
PGDS	Provincial Growth and Development Strategy
SA	The Republic of South Africa
SAWEN	South African Women Entrepreneurs
Seda	Small Enterprise Development Agency
SMME	Small Medium and Micro Enterprises
TOR	Terms of Reference
TWIB	Technology for Women in Business (TWIB)
UYF	Umsobomvu Youth Fund

EXECUTIVE SUMMARY

1. BACKGROUND

The role of the SMME Sector and its potential in contributing to national objectives of job creation, income and wealth generation, Black Economic Empowerment as well as overall growth of the economy has been acknowledged by government.

Since government released various papers, policy documents and strategies culminating in National Small Business Act No.102 of 1996 and the Amended Act of 2004. The department of trade and industry (dti) recently released the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises.

The province of Mpumalanga has also been very instrumental in its endeavour to create an environment for SMMEs in the province. Mpumalanga was the first province in 1997 to adopt a Small Business Strategy in line with the White Paper and the National Small Business Act. It is this strategy document that is now under review.

2. LITERATURE REVIEW

The applicable legislation was thoroughly examined and the relevant sections and provisions are outlined in this document in as far as they influenced this revised strategy.

The progression of SMME promotion and development since 1995 was also analysed and as such the following applicable legislation, strategies and documents among others were considered:

- 1995 White Paper on National Strategy for the development and promotion of Small business in South Africa;
- The 1997 Strategy for Small Business Development in Mpumalanga;
- National Small Business Act No.102 of 1996 and the Amended Act of 2004;
- Integrated strategy on the promotion of Entrepreneurship and Small Enterprises;
- Trends in SMME Development (2000 -2006)
- Annual Small Business Review of 2004.

Literature review was performed and in particular the consultant focussed on finding information on

- SMME contribution to GDP;
- Mpumalanga Economic Sector and SMME Profile Analysis;
- Mpumalanga Provincial Growth and Development Strategies Agreements on SMME Development;
- National Strategy for the Development and Support of Franchising in South Africa;

3. POLICY AND IMPLEMENTATION APPROACHES

The support programme recommends the initiation of a provincially co-ordinated approach programme to stimulate the growth and development of the SMME sector in Mpumalanga. It emphasizes a partnership driven approach in the deployment of support measures prescribed involving government, non-government as well as private sector role players. In addition it emphasises the need for suitable institutions that will be responsible for the roll-out of the support programs both at provincial and at municipality (district and local) level. The SMME Support Programmes recommended will focus on the following areas

- Research on the Regulatory Impact to SMME development;
- Develop Provincial Economic Sector Strategies;
- Develop District SMME Support Strategies;
- Create Targeted SMME funds;
- Develop marketing material with SMME Service Providers and strengthen SEDA and other Service Providers;

- Host Provincial SMME Expos and Outgoing Selling Missions;
- Develop a Policy on SMME Procurement Quotas and also SMME targeted products for targeted Procurement;
- Develop targeted programmes for youth, women and the disabled in partnership with relevant institutions;
- Establish a Provincial Small Enterprise Advisory Council;
- Develop an ongoing Marketing and Awareness drive for SMME support;
- Create SMME incubators with MEGA's dormant infrastructure and premises;
- Enhance the SMME Technology Programme through strengthening existing programmes;
- The development of Industrial Parks in the major regions of Mpumalanga;

4. MONITORING AND EVALUATION

The department recognises that some of the stakeholders affected by this Strategy might have established their own performance-monitoring mechanisms and those will be recognised. It is recommended that said monitoring and evaluation tools be revised to include the spirit and the recommendations of this Strategy. However, as part of its mandate, the Mpumalanga Department of Economic Development and Planning will have to design a monitoring and evaluation system and tools in order to track progress.

CHAPTER ONE

INTRODUCTION AND BACKGROUND

1. Purpose of this Review

SMME development and entrepreneurship are a crucial priority for the Mpumalanga Provincial Government in line with National Government imperatives and the agreements of the Provincial Growth and Development Strategy (PGDS).

The South African Government stated that the primary objective of the National SMME Strategy was to create an enabling environment for small enterprises. Its National Strategy for the Development and Promotion of Small business in South Africa released in 1995 presented an elaborate policy and strategy framework for small business promotion. The said paper articulated the Governments rationale for small business promotion as follows:

“Small, medium and micro-enterprises (SMMEs) represent an important vehicle to address the challenges of Job creation, economic growth and equity in our country. Throughout the world, one finds that SMMEs are playing a critical role in absorbing labour, penetrating new markets and generally expanding economies in creative and innovative ways. We are of the opinion that -with the appropriate enabling environment- SMMEs in this country can follow these examples and make an indelible mark on this economy. The stimulation of SMMEs must be seen as part of an integrated way to take this economy onto a higher road – one in which our economy is diversified, productivity is enhanced, investment is stimulated and entrepreneurship flourishes.”

The last few years have seen several reviews and assessments of South Africa's public sector support strategies for the SMME sector. This has highlighted the need for the Mpumalanga Provincial Government to revise the strategy aimed at promoting the small business sector in an attempt to seek consensus with key stakeholders for SMME Development for the next ten years.

The Mpumalanga SMME Strategy under revision was adopted in 1997 and since then there has been a lot of changes that took place in the SMME Sector. It is for those changes that the province embarked on this exercise which led to this revised SMME Strategy.

The principal purpose for this review was to review the current provincial SMME Strategy to assist the Government and Stakeholders to enhance SMME support to address economic and social needs of the society.

The reviewed SMME Strategy gives direction to the Province in terms of promotion, development and support of SMMEs. The revised strategy is aimed at aligning the relevant national and provincial policies, regulations and prescripts. At the same time the strategy takes cognisance of the Provincial Growth and Development Strategy and relevant provincial policies.

2. Summary of the brief and Deliverables

The key deliverable is the consolidation of inputs received from stakeholder consultations incorporating inputs of the current strategy. In this review the revised strategy, policy and implementation approaches were addresses focusing on the following:

- Enabling small business access to markets through governmental procurement opportunities.
- Enabling small business access to finance through government quasi-retail intervention instruments.
- Improving the status of priority focus areas, rural, youth, disabled and women through focused interventions.
- Mapping out the government business support overlay in a manner that seeks to define the role of all spheres of government in the strategic joint implementation of the Integrated Small Enterprise Strategy.
- Mapping organised business overlay in a manner that seeks to define the strategic role of Organised Business in the implementation of The Provincial SMME Strategy and the required support from Government for Organised Business to take charge of its role.
- Seeking to see if there is a need to establish A Provincial Small Business Advisory Council to effectively play a role for monitoring the implementation of the revised Mpumalanga SMME strategy.

Whilst seeking for innovative strategic approaches to address the above mentioned deliverables, an analysis of the following strategies and legislations is a key deliverable for incorporation into the revised Mpumalanga SMME Strategy.

- Broad-Based Black Economic Empowerment applicable legislation and Strategies;
- Co-operative legislation and strategies;
- Provincial Growth and Development Strategy;
- Government SMME support strategy through government procurement;
- Expanded Public Works Programme;
- ASGISA.

3. Methodology And Approach

The process of developing this strategy entailed an inclusive consensus driven approach. The methodology that was followed within this process entailed the following

- A steering committee was formed consisting of members from various stakeholder groups in particular, government, SMME support organisations, private sector organisations and organised business.
- Terms of reference were formulated which served as the mandate for the project team which consisted of officials from the department of Economic Development and Planning and the Consultant, Hubyeni Consulting (Pty) Ltd.

- The committee held a number of working sessions from which a document was produced highlighting key issues and problem areas pertinent to SMME promotion and development in Mpumalanga. The document was used as a means of stimulating debate and engaging all interested parties on the major issues affecting SMME promotion and development in the province Mpumalanga.
- A Project Plan was formulated to drive the process whilst identifying the challenges.
- A consultation process was then undertaken which took the form of Workshops and invitations for inputs and comments on the above discussion document. The Workshops were held in all the three regions of Mpumalanga namely Ehlanzeni, Nkangala and Gert Sibande.
- Through this process substantial amount of inputs and feedback was obtained from interested parties on among other things, priority sectors, constraints faced by SMMEs and regulatory challenges facing the SMME sector. These were thoroughly examined and formed the basis of the final strategy developed by the Consultant which is outlined in this document.
- Certain stakeholders have been consulted on a one on one basis and others by means of a questionnaire sent to them;
- Internet research and desk top review was conducted and the results of information and ideas on various enterprise development initiatives available locally and globally were collated.

The above mentioned processes were run in parallel with the primary interviewing of key researchers, policymakers and businesses engaged in enterprise development activities.

CHAPTER TWO LITERATURE REVIEW

1. South African SMME Legislative Sector

1.1 Background and Context

Since 1994, with the advent of a new democratic era, government took measures to ensure that small business development became a key policy focus. At that time the new government was facing major challenges of inequality and unemployment in the country. Research conducted showed that all over the world Small Medium and Micro Enterprises (SMMEs) were playing a critical role in absorbing labour, penetrating new markets and generally expanding economies in creative and innovative ways. The new government then felt that, with appropriate enabling environment, SMMEs in South Africa can follow these examples in an endeavour to create self employment opportunities.

In March 1995 government released its *White Paper on National Strategy for the development and promotion of small business in South Africa*. This was the first time a comprehensive Policy and Strategy on small business development was formulated in South Africa. The White Paper identified the following constraints facing small businesses at the time:

- Legal and regulatory environment;
- Access to markets;
- Access to finance;
- Access to affordable business premises;

- Access to quality business infrastructure in poor areas;
- Lack of skills and managerial expertise;
- Access to appropriate technology; and
- The tax burden.

Some of these challenges still face small enterprises today despite a range of support services that government, private sectors and all other stakeholders have put in place since 1995.

The province of Mpumalanga has also been very instrumental in its endeavour to create an environment for SMMEs in the province. Mpumalanga was the first province in 1997 to adopt a Small Business Strategy in line with the White Paper and the National Small Business Act. It is this strategy document that is now under review to take into consideration all other activities in SMME development that have taken place since 1997.

1.2 National Small Business Act No.102 of 1996 and the Amended Act of 2004

After the introduction of the White Paper on Small Business Development and Promotion in 1995, government introduced the National Small Business Act No.102 of 1996. The Act was meant to:

- To provide for an extended definition of what SMMEs are;
- To provide a legal and regulatory environment for SMMEs in South Africa;
- To provide for the establishment of the National Small Business Council as a voice of small business in South Africa;
- To provide for the establishment of Ntsika Enterprise Promotion Agency non-financial support to SMMEs; and
- To provide guidelines for organs of state in order to promote small business in South Africa.

The National Small Business Act No 102 of 1996 has since been amended to the now Small Business Amendment Act of 2004. The reason for the amendment was that the two institutions that were established through the Act no longer exist. The National Small Business Council was officially disbanded by government in around the year 2000. Ntsika Enterprise Promotion Agency was also merged with National Manufacturing Advisory Centre Programme (NAMAC) to form the Small Enterprise Development Agency (SEDA). The objectives of the Small Business Amendment Act of 2004 are now as follows:

- To amend the National Small Business Act No102 of 1996;
- To repeal all provisions pertaining to Ntsika Enterprise Promotion Agency;
- To provide for the establishment of the Small Enterprise Development Agency;
- To make provision for the incorporation of the Ntsika Enterprise Promotion Agency, the National Manufacturing Advisory Centre and any other designated institution into the Agency to be established; and
- To provide for the necessary transitional arrangements to this effect.

The amended Act of 2004 is now the recognised legislation regulating small business activities in the country. It is on the basis of the changes in legislative environment that the review of the Mpumalanga SMME strategy is necessary. The institutional arrangements that now exist in SEDA as opposed to Ntsika and Local Business Service Centres (LBSCs) for instance.

1.3 Integrated Strategy on the Promotion of Entrepreneurship & Small Enterprises

Since the introduction of the White Paper on Small Business in 1995, government has implemented a range of support interventions for small business development. A range of institutions, support programmes and projects have come and gone some with success and some with none. The work of SMME promotion has evolved since then and government at all level is playing a crucial role in creating and enabling environment.

The Integrated Strategy Framework on Promotion of Entrepreneurship and Small Enterprise by the **dti** is a response to the lessons learnt over 12 years of promotion and supporting small businesses. Fundamental to this strategy is that government now wants to lead the efforts of increasing the level of entrepreneurship through support to small enterprise creation.

“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-enterprise development, and the inculcation of a more co-operative approach among a growing number of partners both within and outside government. In this context, the main institutional reforms set out in the strategy include the recent establishment of the Small Enterprise Development Agency” (National Strategy, page 3).

The National Strategy is based on the following three strategic pillars:

- Increase supply for financial and non-financial support service;
- Creating demand for small enterprise products and services;
- Reduce small enterprise regulatory constraints.

These are the pillars that should underpin the revised Mpumalanga SMME strategy. More emphasis is also placed on empowerment and supporting SMMEs owned by the youth, women and the disabled. Broadly speaking the National Strategy suggests specific programmes that must be adopted across government in order to promote and drive entrepreneurship through small enterprise support, and these programmes are:

- Fostering entrepreneurship culture and increasing enterprise creation rate;
- Establishing a dedicated network of SMME finance;
- Create demand for small enterprise products and services;
- Strengthening local network for small enterprise development support services;
- Improving small enterprise competencies and delivery capacity;
- Strengthening Enterprise Networks;
- Providing necessary support incentives;
- Improving regulatory environment;
- Entrepreneurship and small enterprise research.

1.4 National Strategy for the Development and Support of Franchising in South Africa

The growth and increasing popularity of the franchise sector both globally and in South Africa has highlighted the potential of the sector to contribute to Job creation, wealth and income generation and the overall growth of the SMME sector.

The Franchise sector is becoming a significant contributor to the economy of South Africa. Franchising offers a broad range of opportunities for contributing to the PGDS which amongst others are listed below

- Franchising offers continuous training and skills transfer to franchisees and their employees in business management, operations management and other areas;
- Franchising offers an opportunity to stimulate entrepreneurship by offering new entrants and existing participants proven winning formulae;
- Franchising offers a vehicle for contributing to the achievements of BEE objectives particularly through the stimulation of low-cost of entry franchise opportunities;
- The continued support and backup provided by the franchisor coupled with the fact that the business concept is tried and tested offer new business owners a greater likelihood of success.

2. SMMEs contribution to the GDP

Research conducted by SEDA in 2006 on the “Review of Trends on Entrepreneurship and the Contribution of Small Enterprises to the Economy of South Africa, 2000-2006” shows the following about SMMEs contribution to the GDP.

Aside from the job-creation effect of SMMEs their impact on aggregate value added (i.e. their contribution to the Gross Domestic Product) is also usually viewed as a critical indicator of the significance of this sector. Based on a complex set of assumptions, the study indicates the following shares (A to C).

A	Micro-enterprises	8-10% of total GDP with a slight decline 2000-2006
B	Very small enterprises	9-11% relatively constant
C	Small enterprises “medium or large” enterprises	10-13% relatively constant

Source: Trends in SMME Development 2000-2006

Depending on these assumptions the contribution of SMMEs to the GDP thus varies between about 27 and 34 per cent, i.e. around one-third of the total, with larger enterprises in total contributing 40 to 50 per cent. Data collated for this study shows that:

- In the agriculture sector the contribution of small and micro-enterprises is about 40 per cent and fairly stable with approximately R18 billion value added in 2006;

- In the manufacturing sector contribution of the SMME sector's value-added share is also about 40 per cent and stable, with gross value added of about R100 billion in 2006;
- In the rapidly expanding construction sector SMMEs contribute a far larger share of about 55 per cent to the value added, amounting to about R23 billion in 2006;
- In the trade sector the share of (very) small and micro-enterprises is also about 50 per cent (about 55% in 2006), with the micro-enterprise share larger than in the other sectors, and with total SMME value added about R120 billion in 2006;
- In the transport and communications sector the SMME share is about 43 per cent (R61 billion in 2006) with the micro-segment also increasing fast;
- In financial and business services the output of small and micro-enterprises was about R140 billion in 2006, which constitutes a share of 41 per cent;
- In community and personal services the small and micro-enterprise share is also high at 62 per cent, but its GDP output is only about R50 billion.

3. Mpumalanga Economic, Sector and SMME Profile

3.1 Mpumalanga Economic Profile

Statistics SA GDP data of third quarter in 2006 revealed that Mpumalanga's contribution to the South African economy was fifth overall in 2005 at 6.7% of GDP behind Gauteng, KZN, Western Cape and the Eastern Cape. Mpumalanga itself recorded an average annual growth rate of 3.6% in the 5 years between 2000 and 2005. From 1997 to 2005, Ehlanzeni and Gert Sibande together with the province have exhibited an overall accelerating growth trend whilst Nkangala showed a slow down over the period.

The review of the Mpumalanga Profile document dated March 2007 shows vital economic statistics about the province of Mpumalanga. This data is vital in understanding the areas of growth in the province and perhaps where more effort should be targeted for SMME development. Firstly, the table below gives the general overview of the province.

2005 Estimates	South Africa	Mpumalanga	Gert Sibande	Nkangala	Ehlanzeni
Population Growth rate (%)	1.1%	1.5%	1.3%	1.4%	1.6%
People in poverty (%)	47%	48.7%	54.8%	42.5%	49.7%
Unemployment Rate (%)	39%	37%	39.4%	36.3%	36%
GDP	5%	4.3%	3.9%	4.4%	4.6%
Exports as % of GDP	22.6%	6%	3.6%	8.1%	5.6%
Total Trade as % of GDP	46%	7.9%	7.6%	8.7%	7.1%

Source: Mpumalanga Economic Profile, Vol.2, March 2007

The recent incorporation of Bushbuckridge into Ehlanzeni District Municipality means that the District now accommodates 43% of the province's population, up from the previous 30%. The population is concentrated in Municipalities that are mainly rural in nature. Besides Govan Mbeki and Emalahleni Municipalities, the population is concentrated in the areas where the former homelands of Kwa-Ndebele, Kangwane and Lebowa. These were the areas that were previously neglected by the former government policy of apartheid. Poverty is more pronounced in the former homeland areas which are characterised by high levels of unemployment and low levels of infrastructure for economic development.

This analysis is critical for SMME programmes and support. The information already available about the profile of the province need to be used to make decisions on where support should be concentrated and what kind of support is required. There is also a big need for collaboration between Local, District and the Department of Economic Development in implementing this strategy.

3.2 Mpumalanga Economic Sector Profile

This section highlights, in broad terms, the sectors that drive the economy of Mpumalanga. It is not meant to give detail of each as we believe this should be done as part of this SMME strategy implementation. The following have been identified as sectors that are key to Mpumalanga in terms of economic growth, job creation and the fight towards the eradication of poverty:

- Tourism;
- Agriculture & Forestry;
- Mining & Quarrying;
- Manufacturing; and
- Electricity.

The District concentration and distribution of these sectors provides valuable information for what kind of SMMEs need to be promoted in each District. The Mpumalanga Economic Profile of March 2007 revealed the following about sector concentration in each District:

- Ehlanzeni District Municipality has a comparative advantage in Agriculture, Construction, Trade and Community Services;
- Nkangala District Municipality has a comparative advantage in mining and electricity;
- Gert Sibande exhibits a similar profile to that of the province in that it has a comparative advantage in agriculture, mining, manufacturing and electricity.

The sector concentration and understanding of comparative advantage of each District will assist the Department to guide all Districts in developing SMME development and promotion programmes. It is also this understanding that would avoid wasting of resources in promoting SMME activities that do not fall within the competitive advantage of the areas. Key to the development of SMMEs is the actual development of sector strategies that drive the Mpumalanga economy.

As part of implementation of this strategy, the Department needs to develop specific sector strategies for each sector identified above and in line with the National Industrial Policy of the **dti**.

3.3 Informal Retail Sector

Micro and small businesses are significant because of the contribution and positive economic impact informal trading makes to the survival and livelihoods of traders, many of who are poor, unemployed in the formal sector, women and youth. The sector is vast and widespread in several sections of various communities, townships and informal settlements and among especially the poor and disadvantaged sections of the province.

Nationally, it is noted that informal retailing is dominant in the informal economy of the national SMME economy generally.

About 191,000 informal businesses are in Mpumalanga and most are women, youths and the HDIs. Main groupings of informal traders include:

- hawkers or street traders;
- spazas; and
- general dealers.

Key Challenges of Spazas

- Insufficient and limited range of stock;
- Transport-related problems in terms of difficult and costly transportation of goods from suppliers to shops;
- Lack of safe and adequate storage;
- Environmental problems, especially related to rain and pest control;
- Theft and security issues.

3.4 Mpumalanga SMME Strategy of 1997 and Profile

In 1997, just 2 years after the White Paper on Small Business and 1 year after the National Small Business Act No 102 of 1996 was promulgated, Mpumalanga Province adopted its Small Business Development Strategy. It effectively became the first province to adopt such a strategy. The essential directions of that strategy were aligned closely with those of the 1995 National White Paper on Small Business Development and its core aims stated as:

- Creating more employment;
- Contributing to the dynamisation of the economy;
- Empowering previously disadvantaged segments of society;

- Providing a basic social net for the unemployed, poor and destitute.

Central to the strategy though was the creation of the proper support infrastructure for government to support SMMEs. The creation of an SMME desk was through that strategy amongst others. To date a lot has happened both at national government level and at provincial government level. The most unfortunate thing though is that the province still uses the 1997 SMME strategy and hence the review. In his State of the Province Address on the 23 February 2007 the Premier noted the following:

“We have been falling behind on a few goals in the economic sector, including small and medium enterprise support programmes, economic sector strategy development, trade and investment promotion and monitoring, broad-based black economic empowerment, and cultivating regional economic linkages”.

The Department of Economic Development and Planning responded to this call by calling for proposals to review the provincial SMME Strategy. It is hoped that the SMME Strategy document of 2008 will address the economic goals of province, address challenges faced by SMMEs – some which have not changed since 1997, foster linkages with other stakeholders, develop specific sector strategies and provide the necessary capacity to implementing agencies of provincial government to deliver services to SMMEs.

A study commissioned by SEDA in 2005 on the Annual Review of Small Business in South Africa chose Mpumalanga as a case study. The following conclusions were derived from interviews held with emerging entrepreneurs in the Tourism and Manufacturing sector.

The Tourism SMME sector of Mpumalanga interviews concluded that:

- The development of the tourism SMME economy is taking place within a context of the differential roles and patterns of international versus domestic tourism flows in the province;
- Long-haul international tourism is the leading driver of the provincial tourism economy and furnishes a range of opportunities for SMME development;
- The importance of opportunities for SMME development in relation to patterns of domestic and regional tourism flows must not be overlooked;
- The tourism economy is dominated numerically by SMMEs, the majority of which are owned by white entrepreneurs, a segment of whom would fall into the categorisation of 'lifestyle entrepreneurs';
- Since 1993 a surge has occurred in the establishment of new tourism SMMEs across Mpumalanga, especially for accommodation provision;
- Amongst the new entrepreneurs in the Mpumalanga tourism economy is a small group of black tourism entrepreneurs, many of whom are targets of national and provincial government support programmes;

- Using indicators of occupancy and entrepreneurs' own acknowledgement of recent business performance, the tourism SMME economy has been found to be in a relatively healthy condition;
- One critical policy issue for tourism relates to the shortage of labour with adequate skills in the tourism and hospitality sector;
- As tourism is a marketing-intensive sector, improved and enhanced marketing of Mpumalanga's tourism products is essential.

The Manufacturing SMME sector of Mpumalanga interviews concluded that:

- The Mpumalanga manufacturing economy is large-firm dominant;
- SMMEs represent over 92% of enterprises but only contribute an estimated 35% of manufacturing employment;
- The largest geographical clusters are in Witbank-Middelburg and the most significant sectoral clusters are in fabricated metals and food;
- The SMME economy is overwhelmingly the domain of white-owned enterprise many of which are long-established family businesses;
- The enterprises and entrepreneurs in the established SMME economy exhibit a mature profile, with the average age of manufacturing entrepreneur over 50 years;
- There is an emerging, more youthful black-owned manufacturing economy with participation across a range of

production activities, although a concentration occurs in metal-working and furniture;

- Unlike tourism, lifestyle entrepreneurship is not a feature of the SMME manufacturing economy, as most businesses are founded for opportunistic reasons;
- Within the emergent manufacturing economy, there is a segment of businesses which has been established out of circumstances of necessity;
- Several contrasts exist between the profile of and operational challenges that confront established and emerging entrepreneurs;
- Using various indices of business performance, the recent and current state of the SMME manufacturing economy must be rated as very satisfactory;
- A number of significant challenges surround the future development of the SMME manufacturing economy. The most important relate to labour skills and human resource development, improvement in demand conditions, safety and security, labour regulation and continued assistance to the group of emergent manufacturers.

4. Mpumalanga PGDS Agreements on SMME Development

The Provincial Growth and Development Summit (PGDS) is the overall strategic framework of the Mpumalanga Provincial Government. It sets the tone for growth and development in the Province by setting the broad strategic policy goals and objectives that the Province seeks to achieve by 2014. It is a vehicle to develop consensus amongst stakeholders and to develop programmes that align to the National, Provincial and Local Government strategies. At a PGDS Summit held at Aventura, Badplaas in February 2005, the following were commitments made by stakeholders on the development and support for SMMEs in Mpumalanga:

All stakeholders agree to increase access by small enterprise to physical, commercial and professional infrastructure by establishing business, co-operatives and labour support nodes, especially in townships and rural areas. It is agreed that constituencies will:

- improve awareness of and understanding of regulatory changes in the promotion of small business;
- Government will identify and amend regulations within the control of provincial and local government that may be unduly contributing towards the cost of doing business and undermining SMME development, (including hawkers and micro enterprises);

- Given the agricultural nature of the province, government will monitor land reform and resettlement support in Mpumalanga, including effectiveness of CASP and LRAD (strengthen);
- Labour will ensure that the interests of workers in small enterprises are represented in relevant forums.
- Business will identify those inputs and downstream activities in their value chains that are currently either imported or done internally by big business that could easily be moved to local SMMEs;
- Community organizations agree on importance and role of SMMEs. It is agreed that constituencies will improve awareness of and understanding of regulatory changes in the promotion of small business;
- Mpumalanga community groups agree to develop programs to assist in and promote training about tender procedures.

In the area of Procurement, which is always linked to SMME development, the following commitments were made by the same stakeholders:

- Government will actively promote the use of provincially based businesses in govt contracts;
- Govt will set a procurement target for targeted groups (women, youth and disabled);
- Labour agrees that, together with its stakeholders, it will promote the Proudly South African campaign;

- Business will develop a program to increase the awareness of opportunities presented by government procurement in Mpumalanga and the requirements;
- Business commits to the Proudly South African campaign and to the use of provincially based business in procurement;
- Community organizations agree that, together with other stakeholders, it will promote the Proudly South African campaign;
- The youth in particular commit to launch and support a strong campaign aimed at consumer awareness on local content;
- The youth agree to mobilise emerging youth companies and co-operatives to access government procurement opportunities and achieve greater market access.

CHAPTER THREE PROVINCIAL CONSULTATIONS

1. Challenges faced by SMMEs in Mpumalanga

Challenges facing SMME in the country are common and they range from access to services to finance issues. As part of the review of the existing SMME strategy, Hubyeni Consulting conducted consultations with SMMEs in all Districts of the province during September to November 2007. The following were challenges and constraints identified by SMMEs themselves during those consultations:

- Lack of access to appropriate SMME information;
- Lack of access to market and appropriate market linkages;
- Lack of access to finance;
- Lack of skill and training of SMMEs;
- Lack of appropriate communication channels;
- Lack of feasibility study and proper research to support business plans;
- Lack of access to work premises and infrastructure.

2. Key Stakeholder Inputs

The key input from the stakeholders per focus area are summarised as follows:

2.1 Key Challenges Facing SMME Development in Mpumalanga

- Uncoordinated, weak and or non-existent policy frameworks resulting in critical internal constraints to the growth of the sector;
- inadequate business and technical expertise;
- access to markets and suitable infrastructure;
- inadequate availability and access to capital (finances);
- Access to well researched and status information on the sector also remains a critical challenge that thwarts proper planning and coordination of various support intervention.

2.2 General lack of access to information :

- Lack of appropriate research;
- consulting and other support services for SMMEs are not sufficient;
- Information on opportunities that SMMEs can take advantage of is not readily available;
- Lack of useful local information that can assist SMME business to adequately provide services.

2.3 Lack of appropriate communication channels for

- networking to share and learn from experiences of other successful SMME business experiences,
- marketing and advertising.

2.4 Lack of access to market and appropriate market linkages.

- SMMEs lack information about target markets of operation;
- are confronted with huge entry barriers by way of racial favouritism in existing established markets;
- do not get the opportunity to learn from the workings of a particular market or do not have the capacity to operate in that market (in the case of most black SMMEs);
- Preferential access to provincial government procurement opportunities are few and in most cases not accessed because of absence of required expertise in certain cases;
- There is also a need to establish a database of capable SMMEs from various sectors that can be given preference for government procurement opportunities.

2.5 Lack of access to finance.

- There is need for funding institutions and government to partner to evolve appropriate financing models that meet the specific requirements of SMMEs;
- SMMEs do not have the necessary and required asset collaterals required by most banks;
- In most cases SMMEs do not understand qualifying criteria required to access funds from financing institutions;
- There is need for the establishment of dedicated microfinance and SMME banks to address this challenge.

2.6 Lack of Skills Development and Training

- There is a high level of illiteracy within the province which makes it essential to have appropriate sector specific skills development initiatives. There is a notable absence and effectiveness thereof of such initiatives in most sectors within the province;
- Though there are some mentorship programs, they are not sufficient, most are ineffective, there are access problems with the programs and are not generally serving the needs of SMMEs. There is need for incubation in most sectors to groom budding entrepreneurs;

- Various business support initiatives are not properly targeted either at the right level (small or micro or medium enterprise) to suit the needs of the business or are not sector specific enough to address knowledge gaps of SMME.

2.7 Lack of feasibility study and proper research to support business plans.

- SMMEs do not have the capacity to conduct proper market research to support the planning and development of their businesses and this result in the failure of most businesses;
- There is also lack of credible researched information with a focus on the province and that is useful to the needs of local entrepreneurs and is adequately informed by local dynamics.

2.8 Lack of access to marketing of products and services

- limited access to markets;
- high prices and limited access to inputs;
- inadequate access to business opportunities;
- insufficient (or non-existent) networking between SMMEs and large business enterprises, and
- insufficient networking amongst SMMEs themselves.

2.9 Lack of access to appropriate technology and infrastructure

- access to appropriate infrastructure, and appropriate technology acquisition, its rightful application and enhancement are further critical barriers to the province's SMME development;
- Critical infrastructure recognised as priority needs for the SMME economy, include
 - ❖ Telecommunications;
 - ❖ industrial premises;
 - ❖ incubators; and
 - ❖ affordable business premises.

CHAPTER FOUR

PROPOSED APPROACH TO SMME SUPPORT

The construction of the mission, vision, guiding principles and objectives for SMME development in Mpumalanga is derived from the review of the following documents: the SMME Strategy of 1997, the PGDS summary and the dti's National Strategy. They are meant to provide a fresh approach to SMME development in Mpumalanga but also take into cognisance existing provincial and national SMME programmes.

1. Catchphrase for the Revised Mpumalanga SMME Strategy

“Small, Micro and Medium Enterprises: Harnessing Regional Strengths and Confronting the Changes.” “Creating SMMES that grow with continuity.”

2. Mission for SMME Development in Mpumalanga

To have a competitive SMME sector that improves the quality of life for all people in the province.

3. Vision for SMME Development in Mpumalanga

To coordinate support and integration of economic opportunities for SMMEs in the province for employment creation and empowerment.

4. Guiding Principles for SMME Development in Mpumalanga

The guiding principles that underpin the National Strategy on the Promotion of Entrepreneurship and Small Enterprises shall also guide this new SMME strategy for the province. These principles are:

- *Entrepreneurship and small business promotion is a shared competency:* The task of promoting entrepreneurship and small business cuts across a wide range of policy areas; therefore, by nature will involve several departments at provincial level. It also cuts across all spheres of provincial government, with strategies, institutions and programmes at municipal levels. Lastly, it goes beyond the public sector and its agencies, and encompasses the private sector and its organisations, educational institutions and non-governmental organisations. Therefore the task needs to be effectively decentralised.
- *The strategy must cover the entire entrepreneurship continuum:* As an integrator of policies, institutions and programmes, the strategy seeks to ensure that adequate support and delivery mechanisms exist across the entire entrepreneurship continuum from pre-start-up to start-up, business survival, growth and expansion, and turnaround of ailing businesses.
- *The strategy attends to special foci:* Special foci identified in the various strategies include special target groups (youth, women and the disabled), special geographic areas (poor areas and areas with high unemployment)

and special sectors (growth sectors as identified in the Mpumalanga Economic Profile, March 2007) and new enterprise organisational forms (such as co-operatives). Fortunately a strategy on co-operatives development exists in the Mpumalanga and its needs to integrate with this strategy.

5. Objectives for SMME Development in Mpumalanga

The following objectives shall provide for the new approach towards SMME development in the province. Some are still relevant as they were in 1997 but new and fresh ideas have been brought up as lessons are being learnt over the years. The National Strategy also provides some guidance. The following are the proposed objectives for SMME promotion in Mpumalanga:

- Ease the regulatory and compliance burden for small enterprises, through analysing provincial and municipal by-laws that might negatively impact on small enterprises;
- To diversify the existing SMME development base through unlocking downstream opportunities in the Agriculture & Forestry, Mining & Quarrying, Tourism, Manufacturing and Electricity. This could be achieved through the development of sector strategies;
- Facilitate the development of District Municipalities SMME strategy that aligned to this SMME strategy and the District Municipalities comparative advantage;
- Enhancing increased and improved access to finance for SMMEs in the province;

- Enhancing increased and improved access to business development support for SMMEs in all regions of the province;
- Facilitate access to markets for SMMEs in Mpumalanga, countrywide and internationally through marketing SMMEs in growth sectors as identified above;
- Facilitate small enterprise access procurement opportunities and tenders, especially government tenders, through quotas and effective monitoring;
- Effectively improving access to services for SMMEs owned by youth, women and the disabled through strategic partnerships with relevant organisations;
- Improving integration and communication with provincial stakeholders in government, private sector, communities and labour through the establishment of a Provincial Small Enterprise Advisory Council;
- Improving SMME's access to relevant information through existing provincial SMME support institutions;
- Facilitate the provision of affordable business infrastructure and work premises through converting "unused buildings" into business incubators and work premises;
- Build on the existing Incubation Centres and establish a pilot Incubation centres that will include Discounted leases, Mentorship, Shadow Management and Management;
- Develop a Provincial Franchising Strategy;

- The Achievement of BBBEE objectives as they relate to SMME Development;
- Facilitate the use of technology by SMMEs to enhance their business activities;
- Develop and Coordinate Appropriate Research Strategy for SMMES;
- Develop And Facilitate Training Programs for SMMEs and Stakeholders;
- Develop a clear monitoring and Evaluation System that permeates to all stakeholders including municipalities for this strategy.

6. Strategic Priority Groups, Sectors and Regions

The following strategic priorities will form the main focus of this SMME strategy:

- Special Target Groups (youth, women and the disabled);
- Special Geographic Areas (Ehlanzeni, Gert Sibande and Nkangala);
- Provincial Competitive Economic Sectors (Mining & Quarrying, Agriculture & Forestry, Tourism and Manufacturing)
- Other new enterprise organisational forms (such as co-operatives)

CHAPTER FIVE

STRATEGIC ACTIONS AND PROGRAMMES

1. Tools for SMME Growth

Worldwide it is recognised that the following are tools for SMME Growth

- Public Sector Procurement
- Funding
- Policy Review
- Business Development Services
- Technology Transfer and Information
- Market and Trade Assistance
- Networks
- Infrastructure Support

The objectives, Action plans and programmes for the revised Mpumalanga SMME Strategy are informed by the above mentioned tools with due regard to the peculiarities of the Province of Mpumalanga.

2. Action Plans

Objective 1:

Ease the regulatory and compliance burden for small enterprises, through analysing provincial and municipal by-laws that might negatively impact on small enterprises.

Action Plans:

1. Commission Research on the Regulations at provincial and municipality level impacting on SMME development. Partner with the **dti** for guidance.

Objective 2:

To diversify the existing SMME development base through unlocking downstream opportunities in the Agriculture & Forestry, Mining & Quarrying, Tourism, Manufacturing and Electricity. This could be achieved through the development of economic sector strategies.

Action Plans:

1. Commission Consultants to develop Sector Strategies in line with the Industrial Policy Action Plan of the **dti**. Partner with the **dti** for guidance.
2. The Consultants can look at profiling and cataloguing opportunities in the above mentioned sectors.

Objective 3:

Facilitate the development of District Municipalities SMME strategy that aligned to this SMME strategy and the District Municipalities comparative advantage.

Action Plans:

1. Commission Consultants to develop SMME Strategies for District Municipalities in line with this strategy and the competitive economic sectors of the Districts. Partner with Development Bank of South Africa for financing the development of the District SMME Strategies on behalf of Municipalities.

Objective 4:

Enhancing increased and improved access to finance for SMMEs in the province.

Action Plans:

1. Create a targeted funding product for micro-enterprises requiring funding under R100 000;
2. Create a targeted funding product for small enterprises requiring funding up to R250 000;
3. Create a provincial fund to finance SMMEs up to R5 million;
4. Capacitate Mpumalanga Economic Growth Agency (MEGA) to increase access to finance to SMMEs in line with the above.
5. Alternatively move the unit for SMME Finance out of MEGA to form Mpumalanga SMME Bank with particular focus on SMME Finance.

6. Recommitment and Monitoring of Current Financiers. Form an SMME Finance Committee including all the stakeholders and the department

- Banks – Standard, First Rand, ABSA, Nedbank
- Khula
- Development Finance- Mega, NEF & IDC
- Venture Capital (Business Partners)

Objective 5:

Enhancing increased and improved access to business development support for SMMEs in all regions of the province.

Action Plans:

1. Develop on an annual basis a Catalogue of all SMME Service Providers and their offerings to SMMEs in the province, i.e., amongst others SEDA, MEGA, Consultants and Corporations.
2. Capacitate SEDA offices at local level to be efficient in helping SMMEs.
3. Capacitate SMME Consultants throughout the province to improve the quality of their advice and work.

Objective 6:

Facilitate access to markets for SMMEs in Mpumalanga, countrywide and internationally through marketing SMMEs in growth sectors as identified above.

Action Plans:

1. Declare an Entrepreneurship month to focus all stakeholders on Entrepreneurship during that month which will be followed by specified activities.
2. Organise and host Provincial SMME Expos for SMMEs and Co-operatives products on an annual basis at provincial level.
3. During the entrepreneurship month arrange Expos at differing weeks at each of the three districts of the province plus Bushbuckridge.
4. Organise outgoing selling missions to targeted international countries in order to market products produced by SMMEs in the province internationally.
5. Partner with the **dti** to access the Export and Marketing Assistance Incentive Scheme for SMMEs and Co-operatives in the province.
6. Profile and Catalogue Opportunities on an annual basis culminating in the release of the Catalogue at the annual provincial expo.

Objective 7:

Facilitate small enterprise access procurement opportunities and tenders, especially government tenders, through quotas and effective monitoring.

Action Plans:

1. Develop and adopt a policy for a minimum of 30% of all procurement opportunities to SMMEs in the province, Provincial Treasury to manage this process.
2. Identify products, in line with the national programme of the **dti**, that are produced by SMMEs and Co-operatives in the province and use provincial government buying power to procure these products from SMMEs and Co-operatives.
3. Create a reporting system of all provincial government departments SMME procurement activities to the Department of Economic Development and Planning; this is to be done in order to track progress of SMME's access to tender opportunities. The reporting system can be called the SMME procurement monitor.

Objective 8:

Effectively improving access to services for SMMEs owned by youth, women and the disabled through strategic partnerships with relevant organisations;

Action Plans:

1. Develop a clear partnership and programme with Umsobomvu Youth Fund in the province with clear targets for funding on youth and Women Owned businesses
2. Develop a clear partnership programme with South African Women Entrepreneurs Network in the province with clear targets for funding and supporting businesses owned by women and people with disabilities.

Objective 9:

Improving integration and communication with provincial stakeholders in government, private sector, communities and labour through the establishment of a Provincial Small Enterprise Advisory Council.

Action Plans:

1. Establish a Provincial Small Business Council with stakeholders from government, business, labour and communities to be co-ordinated by the Department of Economic Development and Planning.
2. Develop a clear business plan for the Small Business Council and monitor the contribution of all stakeholders towards SMME promotion and also the implementation of the PGDS Agreements.

Objective 10:

Improving SMME's access to relevant information through existing provincial SMME support institutions.

Action Plans:

1. Arrange Information Workshops Seminars in all the districts and at local level to cover amongst others the following topics
 - Franchising
 - Manufacturing
 - Co-Operatives
 - Tourism
 - BEE
 - Motivational
2. Arrange with community radio stations for slots to discuss support to SMMEs.
3. Capacitate all MPCCs, SEDA offices, Local Municipalities, Taxi Ranks, MEGA offices with relevant information on where to access SMME support;
4. Develop a provincial portal of information in a website with all relevant SMME information and where to access support at local level.
5. Develop a Call Centre for information dissemination as a toll free number.
6. Partner with Stake Holders to produce a bi monthly publication on SMME.

Objective 11:

Facilitate the provision of affordable business infrastructure and work premises through converting “unused buildings” into business incubators and work premises.

Action Plans:

1. Work with Municipalities and MEGA to take stock of all the premises, buildings that are ‘White Elephants’ across the province.
2. Develop a clear plan of refurbishing them and creating work premises for SMMEs or incubators just like is suggested in the Co-operatives Strategy.
3. Encourage Private Sector to also assist SMMEs in providing working premises for SMMEs and Co-operatives.
4. Develop with consultants to build from the current concept of industrial parks.

Objective 12:

Build on the Existing Incubation Centres and establish a pilot one to cover Discounted Leases, Mentorship, Shadow Management and Management

Action Plans:

1. Work with consultants to develop and review An Incubation Programme

Objective 13:

Facilitate the use of technology by SMMEs to enhance their business activities.

Action Plans:

1. Partner with the **dti** programme on Technology for Women in Business (TWIB) in order to enhance the use of technology for women entrepreneurs.
2. Strengthen the SEDA Technology Programme in the province by co-financing of more Technology Centres in the province.

Objective 14:

Develop a clear monitoring and Evaluation System that permeates to all stakeholders including municipalities for this strategy.

Action Plans:

1. A clear system of monitoring this strategy together with co-operatives strategy needs to be developed by the Department and agreed upon by all stakeholders, with targets and outputs.
2. The roles of stakeholders will have to be agreed upon through the stakeholders plans towards SMME development
3. Guidelines for all monitoring and how reporting will be done will also have to be agreed upon.

Objective 15:

Develop and Coordinate Appropriate Research Strategy for SMME

Action Plans:

1. Commission Consultants to perform a State of Enterprise Research in the province. Said research to be produced on a two yearly basis.
2. Commission a project for the Establishment of a provincial SMME Database.

Objective 16:

Develop a Provincial Franchising strategy as franchising is a way to fast track SMME development worldwide

Action Plans:

1. Commission Consultants to draft A Provincial Franchising Strategy.

Objective 17:

Develop and Facilitate Training Programs for SMMEs and Stakeholders

Action Plans:

1. Develop Training Programmes with service providers and educational institutions in the following areas.

- Management
- Effective utilisation of community resources
- Market trends for retail, service and eating and drinking industries
- Consumer's expectations
- Provincial and Local Government Expectation
- Labour issues, Employment environment at SMMEs
- Measures of securing and developing Personnel
- Response to Energy and Environmental issues
- Subcontracting
- Pricing
- Co-Operation in R&D
- Terms and Conditions of transactions

Objective 18:

The achievement of BBBEE objectives as they relate to Enterprise Development and Preferential Procurement

Action Plans:

1. Ensure that the BBBEE Strategy to be developed is clear on the SMME Development goals such as

- Realising significant increase in the number of black people who have ownership and control of existing and new enterprises;
- Realising significant increase in the number of black people who have ownership and control of existing and new enterprises in the priority sectors of the provincial economy;
- Realising significant increase in the number of new black enterprises;
- Increasing the proportion of ownership and management of economic activities vested in community enterprises and co-operatives

CHAPTER SIX

EXISTING PROVINCIAL INSTITUTIONAL FRAMEWORK

This strategy does not propose a creation of new institutions for its implementation. Since 1997 government has put in place a range of institutions and support services targeted at SMME development. It is these institutions that are expected to deliver to the objectives stated above. Below are the different institutions and their roles in the implementation of this Strategy.

1. Role of the Department of Economic Development and Planning

The Department is the engine for economic development in the province. Its main responsibility is the facilitation of all economic development activities in Mpumalanga. It does so by:

- Creating an enabling environment through policy formulation, strategy and designing implementation plans;
- Co-ordinating with existing stakeholders at provincial level for programme implementation;
- Conducting ongoing research and knowledge management;
- Monitoring, evaluation and reporting on all economic development activities.

It is the department that has commissioned this work on behalf of the province, and it also is the responsibility of this department to galvanise all other provincial stakeholders towards implementation.

2. Role of Provincial Government Departments

SMME development is not only the responsibility of the Department of Economic Development and Planning, it is also the responsibility of other provincial government departments. This is largely because SMME development should be promoted in all sectors of the economy and so cuts across mandates of other departments. The objective of developing economic sector strategies is important so that each relevant sector department can understand its role in SMME development. Again it is the responsibility of each department, once sector strategies have been developed, to identify areas where they can put resources to assist SMME and the Department of Economic Development and Planning will monitor all of these activities.

3. Role of Municipalities (District and Local)

This is the first point of call for help for SMMEs because they operate at local level. Municipalities need to gear themselves with proper information to guide SMMEs. The objective suggested in this strategy of developing SMME Strategies for District Municipalities is to assist in this process. This revised strategy takes into cognisance at least 10 years of SMME development activities in the province and the infrastructure that government has put into place needs to be utilised effectively.

We see Municipalities playing a big role in creating trading spaces for SMMEs. They need to procure activities from SMMEs in their localities. They need to ease the Regulatory burden of SMMEs and they need to be able to advise SMMEs of available services. All these and others are key roles that Municipalities can play but all this should be part of Municipalities SMME Development Strategies still to be developed and aligned to this strategy.

4. Role of Small Enterprise Development Agency

The Small Enterprise Development Agency (seda) was established in December 2004 in terms of the National Small Business Amendment Act. The mandate of seda is to design and implement a standard national delivery network that must uniformly apply throughout the country. Its role includes the support and promotion of co-operative enterprises, particularly those located in rural areas. The work of seda is carried out in line with the Department of Trade and Industry's Integrated Small Enterprise Development Strategy, which aims to:

- Strengthen support for SMMEs' access to finance;
- Create an enabling regulatory environment;
- Expand market opportunities for specific categories of small enterprises;
- Localise small business support through a grid of seda-coordinated information and advice access points;
- Initiate a national entrepreneurship drive and expand education and training for small business;

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

In terms of this strategy, seda's delivery network must reach all regions of the country and integrate government-funded small enterprise support across all tiers of government. The current outreach of seda in Mpumalanga is as follows:

- Seda Provincial Office (Nelspruit)
- Seda Nelspruit Branch (Ehlanzeni)
- Seda Witbank Branch (Nkangala)
- Seda Malelane Branch (Nkomazi)
- Seda Secunda Branch (Gert Sibande)
- Seda Busbuckridge Branch

Regarding business infrastructure facilities, the strategy expects that the integrated strategy has to link up closely with current local economic development (LED) efforts in all municipalities and therefore seda also has Enterprise Information Centres in the following areas in the province:

- Dr SJ Moroka / Siyabuswa
- Ehlanzeni / Nelspruit
- Emalahleni / Witbank
- Highlands / Belfast
- Mbombela / Nelspruit
- Middelburg
- Msukaligwa / Ermelo
- Nkangala
- Nkomazi / Malelane

- Thaba Chweu / Lydenburg
- Thembisile / Empumalanga
- Umjindi /Barberton

This entire infrastructure is important in SMME support at local level and this strategy will put heavy reliance on its efficiency. The Department will have to create strong relations with both seda and Municipalities to ensure that SMMEs on the ground receive proper advice and support.

5. Role of Mpumalanga Economic Growth Agency

In terms of Section 3(1) of the Act, the legal mandate of MEGA incorporates the following broad objectives:

- To promote trade and investment;
- To support enterprise development;
- To provide funding in respect of approved enterprise development focusing on HDIs within the province; and
- To focus on project management, development and management of immovable property.

MEGA's vision is to be the leading catalyst for integrated economic development solutions through partnerships in Mpumalanga".

MEGA is very important in the province as a catalyst for SMME development. It is therefore critical to ensure that MEGA is geared towards financing and supporting SMME development in the province. It is almost certain that without MEGA, SMMEs in the province are doomed to fail.

There may be a case of moving the SMME support and finance section of Mega outside to be autonomous and perhaps establish A Mpumalanga Small Business Development Agency.

CHAPTER SEVEN

MONITORING AND EVALUATION

Monitoring is a continuing function and its primary objective is to provide early indications of progress, or lack thereof, in the achievement of the objectives as set out in this SMME Strategy. It helps to identify and assess potential successes and challenges and provides the basis for corrective action to improve implementation and to obtain quality results. Given that the formulation of this strategy takes place in the context of existing and well-established institutions and support programmes, the Department recognises that these entities might have established their own performance-monitoring mechanisms and those will be recognised. However, as part of its mandate, the Department will have to design a monitoring and evaluation system and tools in order to track progress.

Primary to what needs to be monitored is the attainment of objectives as set out in this document. Clear indicators and key performance indicators will have to be set out for each objective in order for the department to know exactly what to monitor. Reports that the Department needs to present to the legislature on SMME development will be drawn from these monitoring reports. The most important vehicle to drive the implementation of this strategy is the proposed Provincial Small Enterprise Advisory Council.

Evaluation is a periodic activity that helps institutions to check if their programmes are reaching the desired impact. It is mainly conducted once or twice a year on programmes rather than on the strategy. This activity is better conducted in partnership with the relevant programme stakeholder and beneficiaries. The Department will conduct periodic evaluation of programmes in partnership with other provincial stakeholders that are implementing programmes like Municipalities, MEGA, seda, etc.

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