



# MSUNDUZI MUNICIPALITY

SMALL, MEDIUM AND MICRO ENTERPRISES DEVELOPMENT STRATEGY 2024

*Sustainable Development and City Enterprises*

*Key Contact:*

Mr. Mthobisi Khumalo

Tel: 033 392 2493

Email: [Mthobisi.khumalo@msunduzi.gov.za](mailto:Mthobisi.khumalo@msunduzi.gov.za)

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Mr. Siphesihle Dladla

Tel: 033 392 2589

Email: [Siphesihle.dladla@msunduzi.gov.za](mailto:Siphesihle.dladla@msunduzi.gov.za)

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# 1. SECTION ONE: INTRODUCTION

## 1.1. BACKGROUND AND PURPOSE OF THE STUDY

The Msunduzi Local Municipality has over the past years referred to the existing Small Enterprise Development Strategy that was adopted in September 2017. The municipality is currently undertaking the IDP and LED strategy review processes to ensure that they reflect the most recent development dynamics. The SMME Development strategy is also required to be included in the current review of strategies for compliance purposes with the MEC letter 2023/2024, which states that the SMME development strategy developed in 2017 is outdated, therefore, it is due for the review process.

The Municipality has embarked on the SMME Development Strategy review processes in order to address comments from the MEC, to make amendments in response to unanticipated circumstances such as Covid-19, civil unrest, National Disaster (floods), Load Shedding and to make the necessary content and process improvements in planning for the economy. The main objective of this strategy is to ease the adverse effects of these challenges on the SMME sector of the municipality.

Small businesses have a major role to play in the South African economy in terms of employment creation, income generation and output growth. They are often the vehicle by which the people with the lowest incomes gain access to economic opportunities and thereby redressing the economic challenges. Business support facilities that service SMMEs have increased the sustainability of SMMEs throughout the country. These facilities include among others business information kiosks, service centres, hives, clusters and incubators.

- By developing this SMME strategy, Msunduzi Local Municipality (MDM) wants to adhere to its constitutional mandates and obligations of promoting socio-economic development in its area of jurisdiction.
- To further its constitutional mandate, MDM Councillors commit themselves to the facilitation and implementation of the strategic actions taking into account budgetary and capacity constraints<sup>1</sup>.
- The development of the SMMEs in the Municipality needs to take place in alignment with the municipality's initiatives of relevance including the integrated development planning (IDP) and the local economic development (LED) Plan.<sup>2</sup>

The purpose of the study is therefore to develop a strategic plan to support sustainable SMME development in Msunduzi Municipality through an integrated system of business support facilities, thus

encouraging economic and employment growth and development throughout the municipality, especially the rural areas.

## 1.2. OBJECTIVES OF THE STUDY

The major objectives of the project include the following:

- To increase local government support for SMME development in Msunduzi;
- To achieve a greater contribution by SMMEs in local economies; and
- The creation of job opportunities to reduce unemployment and poverty.

## 1.3. SCOPE OF THE STUDY

The preparation of the strategy will focus on the development needs of the SMME sector, and identify opportunities within the economy of the Municipality, looking both externally at the broader economic situation of the region, as well as internally at its procurement processes.

- The following tasks will be undertaken:
  - Capture an SMME development vision for the Msunduzi Municipality in consultation with key stakeholder organisations.
  - Provide an analysis of the SMME environment, including strengths, weaknesses, opportunities and threats within the economy in general and municipality in particular.
  - Review the key economic sectors in the municipality and analyse the potential development opportunities in each sector and the most recent trends.
  - Analyse the latest Provincial Growth and Development Plan, the Municipal IDP, and the LED strategy together with the various plans of other national and provincial government departments in respect of promotion of SMME growth and development, to identify possible opportunities.
  - Undertake structured consultations with stakeholder groups to develop key strategies and priority interventions, with the aim of promoting new SMMEs, supporting progression from the informal sector to formal small businesses, and enabling SMMEs to expand, diversify and develop a profile beyond the Municipal boundaries.
  - Make recommendations on the creation of an enabling environment which is conducive to promoting SMME development, including both support and the reduction of regulatory and bureaucratic impediments.
  - Develop an SMME plan that will transform the projects identified and unpacked in the strategy into programmes that can be implemented within prescribed timeframes and

budgets, in order to achieve the targets and objectives set out in the strategy, as well as the realization of the economic vision.

#### 1.4. THE THEORY OF CHANGE OR OUTCOMES APPROACH

The outcomes approach “is designed to ensure that programme and project planners focus on achieving the expected real improvements in the life of all beneficiaries...[it] clarifies what we expect to achieve, how we expect to achieve it and how we will know whether we are achieving it”. The outcomes approach advocates using a logic model which links inputs, activities, outcomes and impacts, which are defined as follows:

Theory of Change Concept	Mapping the Theory of Change to SMME Strategy	Overall Achievement
<b>Impacts</b>	The long-term “developmental result at a societal level that is the logical consequence of achieving specific outcomes	<ul style="list-style-type: none"> <li>• The overall achievement or impact of Msunduzi</li> </ul>
<b>Outcomes</b>	a changed state of being...They describe the effects, benefits or consequences that occur due to the outputs or programmes, processes or activities. The realisation of the outcome has a time factor and can be in either the medium or long-term	
<b>Outputs</b>	These “can be immediate and intermediate... direct products and services generated by the Municipality through processes or activities without specific reference to their ultimate purpose	<ul style="list-style-type: none"> <li>• The relevance of Msunduzi</li> <li>• The effectiveness of Msunduzi</li> </ul>
<b>Activities</b>	a collection of functions (actions, jobs, tasks) that consume inputs and deliver benefits or impacts	<ul style="list-style-type: none"> <li>• The efficiency of Msunduzi</li> </ul>
<b>Inputs</b>	everything that Msunduzi needed to accomplish SMMEs developmental tasks. This could be in terms of finance, human resources, infrastructure etc.	

Theory of Change is essentially a comprehensive description and illustration of how and why a desired change is expected to happen in a particular context. It is focused on mapping out or “filling in” what has been described as the “missing middle” between what a programme or change initiative does (its activities or interventions) and how these lead to desired goals being

achieved.

This theory will assist in understanding the resources to be invested in SMME development in Msunduzi; various activities to be undertaken; the current results, the expected results; and the overall impact of the statutory support. In summary, the Theory of change will assist through the following:

- present the efficiency, effectiveness, relevance and impact of the current strategy;
- Identify appropriate strategies that might be considered towards the sustainability and the strengthening of SMME sector in the Municipality;
- Assisting the Municipality by presenting Smart inputs, attainable activities, measurable outputs, realistic outcomes and achievable impact.

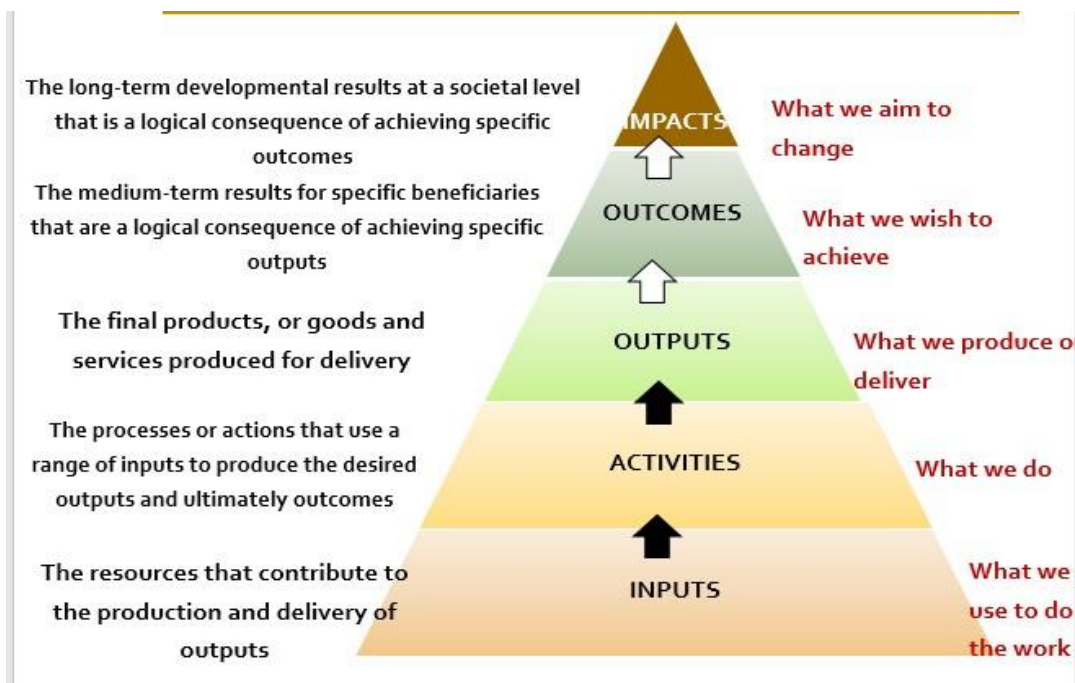


Figure 1 Elements of the Outcomes Approach

## 1.5. PROJECT METHODOLOGY

As part of the methodology followed, the stakeholder engagement was held on 22 & 28 March 2024 with key local stakeholders from the private, non-governmental and public sectors in the development of the SMME strategy. In the implementation of the SMME strategy, partners will be identified for each specific project. The project will include a short- to medium-term implementation plan for identified activities. The SMME strategy will be a living document that should change as circumstances dictate, and will thus be structured so that it can be refined or



reworked to resolve problems when these occur.

The SMME strategy consolidates and adds value to the existing strategies and programmes to facilitate and guide economic development and investment in Msunduzi. The strategy will be based on identified development needs, opportunities and comparative advantages that will unlock the latent economic development potential of the area.

## 1.6. REPORT OUTLINE

This report has the following sections:

1. The first section is an introduction that deals with the administrative part of the document. Here the background, objectives and methodology of the project are presented.
2. The second section deals with the situational analysis of the study and include the background, policy framework, the nature and extent of SMMEs in the municipality are presented. The SWOT analysis draws this section to a conclusion by providing the economic strengths and weaknesses of, opportunities for and threats to the SMMEs in Msunduzi Municipality.
3. The third section presents the strategy framework developed to address all SMME challenges and to grasp all the opportunities discovered during the situational analysis.
4. The fourth section provides the implementation framework which entails the financial plan, institutional plan, communication and marketing plan.

## 2. SMALL BUSINESSES: MACRO-ECONOMIC OUTLOOK

### 2.1. DEFINING SMALL ENTERPRISE

The small enterprise sector plays a crucial role in the national economy. It is vital in developing economies, providing a balance between supply and demand in the job market, creating competition between businesses that leads to the more efficient utilisation of resources, the development of skills and technology, and as a result, the overall development of the economy. Small enterprises are considered to be one of the major sources for employment creation and community growth.

*As identified in the National Small Business Act, No. 102 of 1996, "Small Enterprise" means a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or a number of owners which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy and which can be classified as a micro, a very small, a small or a medium enterprise.*

#### 3.1.1 Micro-enterprise

Within the category of micro-enterprises, there are survivalist enterprises. Survivalist enterprises run with a few paid employees and minimal asset value. The enterprises generate income below the minimum income standard or the poverty line, and their main aim is to provide minimal subsistence means for the unemployed and their families. Most entrepreneurs in this category are involved in hawking, vending and subsistence farming. Micro-enterprises have the potential to absorb unskilled labour, as has been confirmed by the correlation between the unemployment rate and the number of self-employed persons in unregistered, mainly survivalist, enterprises that prevail in informal settlements and rural areas.

#### 3.1.2 Very small enterprises

Very small enterprises employ fewer than 10 paid employees, and in the mining, electricity, manufacturing and construction sectors, fewer than 20. They operate within the formal market and usually have access to modern technology.

### 3.1.3 Small enterprises

Small enterprises have fewer than 50 paid employees and are more established, with more complex business practices. Usually the owner does not manage the enterprise directly and a secondary coordinating mechanism has been put in place. Growth from a small to a medium-sized enterprise requires an accumulation of resources as well as a set of appropriate incentives for enterprise expansion.

### 3.1.4 Medium enterprises

Medium-sized enterprises are enterprises with up to 100 paid employees, although in the mining, electricity and manufacturing sectors, this can be up to 200. Although usually controlled by an owner/manager, the ownership and management structure is more complex. A more complete separation of ownership and management is often the natural barrier between medium and large enterprises.

**From the preceding highlighted definition, it is understood that SMMEs include:**

- All formal small businesses, meaning those registered with the CIPC
- All businesses registered for VAT (but not yet registered with the CIPC)
- All co-operative businesses (primary and secondary)
- All informal businesses, meaning unregistered enterprises
- All non-governmental organisations employing few people
- All state-owned companies employing few people

Using the National Small Business Amendment Act (Act 26 of 2003) as a starting point, the following table summarises the 'qualification criteria' based on employee numbers and turnover for SMMEs. The table below shows various sectors as per the revised schedule 1 of the National Small Enterprises Definition as contained in the National Small Enterprise Act:

Table 1 Classification of SMMEs According to the National Small Business Act 102, 1996

Sector or sub-sectors in accordance with the Standard Industrial Classification	Size or class	Total full-time equivalent of paid employees <i>Less than:</i>	Total annual turnover <i>Less than:</i>
Agriculture	Medium	51 - 250	R 35,0 m
	Small	11 - 50	R 17,0 m
	Micro	0 - 10	R 7,0 m
Mining and Quarrying	Medium	51 - 250	R 30.00
	Small	11 - 50	mR 7.50
	Micro	0 - 10	m
Manufacturing	Medium	51 - 250	R40.00 m
	Small	11 - 50	R10.00 m
	Micro	0 - 10	R 0.15 m
Electricity, Gas and Water	Medium	51 - 250	R40.00 m
	Small	11 - 50	R10.00 m
	Micro	0 - 10	R 0.15 m
Construction	Medium	51 - 250	R20.00 m
	Small	11 - 50	R 5.00 m
	Micro	0 - 10	R 0.15 m
Retail and Motor Trade and Repair Services	Medium	51 - 250	R30.00 m
	Small	11 - 50	R15.00 m
	Micro	0 - 10	R 0.15 m
Wholesale Trade, Commercial Agents and Allied Services	Medium	51 - 250	R50.00 m
	Small	11 - 50	R25.00 m
	Micro	0 - 10	R 0.15 m

Catering, Accommodation and other Trade	Medium	51 - 250	R10.00 m
	Small	11 - 50	R 5.00 m
	Micro	0 - 10	R 0.15 m
Transport, Storage and Communications	Medium	51 - 250	R20.00 m
	Small	11 - 50	R10.00 m
	Micro	0 - 10	R 0.15 m
Finance and Business Services	Medium	51 - 250	R20.00 m
	small	11 - 50	R10.00 m
	Micro	0 - 10	R 0.15 m
Community, Social and Personal Services	Medium	51 - 250	R10.00 m
	Small	11 - 50	R 5.00 m
	Micro	0 - 10	R 0.15 m

Source: The new National Small Enterprise Act thresholds for defining enterprise size classes by sector, using two proxies

## 2.2. THE ROLE OF SMALL ENTERPRISES IN ECONOMIES

In many countries, especially those in Africa and Asia, the micro-enterprise sector absorbs the majority of the working population. The following are statistics that illustrate the key role that micro and small enterprises play in generating overall employment. Firms of five or fewer employees account for half of the non-farm workforce in Latin America, and two-thirds of the non-farm workforce in Africa. Informal sector firms generate three out of every four new, non-farm jobs in Thailand and half of all new jobs in Indonesia. Further, micro and small enterprises comprise more than 97% of all firms in the manufacturing and trade/service sectors (Simmons, 2004).

Micro firms generate 71% of total employment in the trade/service sector in Thailand. In India, small enterprises constitute an important segment of the economy in terms of their contribution to the country's industrial production, exports, employment and creation of an entrepreneurial base. No fewer than 90% of workers in India owe their livelihoods to informal sector employment. These workers contribute 60% of net domestic product and 70% of domestic income (Simmons, 2004).

In Indonesia, firms with five or fewer employees account for almost half of total manufacturing employment, while small enterprises account for an additional 18%. In Korea, small enterprises have a higher share of employment and added value that enables the economy to adjust

smoothly to exogenous shocks and cycle swings (Simmons, 2004; Bakiewicz, 2008).

Politicians, academics and developmental economists in Botswana are of the view that enhancing small business development and promoting entrepreneurship would be a good strategy to grow and promote economic development. From the viewpoint of economic development, small businesses create almost half of new jobs in the economy, and it is assumed that they are good jobs. Estimates from the Botswana Institute of Development Policy Analysis (BIDPA, 2007) put the SMME contribution to employment at 32%, the majority of which is in the micro sector. The BIDPA further found that SMMEs contribute up to 75% of private sector employment and about 20% of national output (GDP) (Nkwe, 2012).

More than half of the economically active population in the Philippines is employed in micro and small enterprises, while Mexico looks to micro-enterprises for 32 % of its gross domestic product and 64 % of its total employment. Approximately 49 % of GDP in Peru and 70 % in Nigeria and Egypt come from the micro-dominated informal economy (Simmons, 2004; OECD, 2004).

In Ukraine, 2.6 million businesses and 87% of all businesses are self-employed individuals who produce, distribute, and/or sell goods in the local marketplace. In Honduras, micro-firms account for 30,000 of 40,000 horticultural firms that emerged in the wake of Hurricane Mitch and in Bangladesh, more than 90% of the firms engaged in the \$350 million shrimp export business are micro-businesses (Simmons, 2004; Alam *et al.* 2006).

### 2.3. FACTORS INFLUENCING SMMES PERFORMANCE

The active promotion of SMMEs depends on the interaction of a wide range of actors in an equally wide range of support areas at national, provincial as well as local levels. It ranges from self-help activities of groups of small enterprises and the abolition of regulatory obstacles for more effective co-operation between small and bigger enterprises. Major national factors that influence SMMEs performance include: legal framework; regulatory conditions; access to information and advice; access to marketing and procurement; access to finance; the physical infrastructure; training in entrepreneurship, skills and management; industrial relations and the labour environment; access to appropriate technology; encouraging joint ventures; capacity-building and institutional strengthening; and differential taxation and other financial incentives.

### 3.3.1 Creating an Enabling Legal Framework

In order to formally recognize the importance given to the small-enterprise sector in the process of economic reconstruction and development, and to facilitate policy implementation in different areas, the government is committed to passing a number of enabling acts. The experience from other (semi) developed countries in Europe, Asia and Latin America shows that properly designed acts can play a positive role, as long as the purpose and principles are clear and phasing-out dates are set for affirmative changes. It is too early at this stage to detail the number of key acts needed to create an enabling legal framework. Besides, in some cases changing market behaviour in anticipation of legal steps may obviate formal legislation. The following areas, however, warrant serious attention.

### 3.3.2 Streamlining Regulatory Conditions

Inappropriate or unduly restrictive legislative and regulatory conditions are often viewed as critical constraints on the access of small enterprises into the business sector and as obstacles to their growth. Since government at national, provincial, sub-regional and local level is responsible for the legislative and regulatory framework and its ongoing adjustment, it is also its role to assure the appropriateness of these rules and regulations for the small-business sector.

All over the world, and certainly also in South Africa, there is discussion and frequently disagreement about the proper degree of regulation and deregulation in the business scene. Unduly strict regulations often harm small and, in particular, emergent enterprises and benefit the larger, established ones, whereas less regulation may lead to aggressive competition between market entrants, to the neglect of worker interests, or to health hazards and environmental destruction.

### 3.3.3 Access to Information and Advice

Lack of access to appropriate, relevant and understandable information and advice is one of the most important problems of small enterprises, in particular micro-enterprises, survivalists and small start-up enterprises. Due to past discrimination and lack of opportunities, this problem is most severe among black entrepreneurs. Some progress has been made with the preparation of information material relevant for small enterprises and the dissemination of information and advice. Yet, to date the number of enterprises effectively reached remains small, compared to the vast number of people involved in self-employment in both urban and rural areas.

### 3.3.4 Access to Marketing and Procurement

Small enterprises usually regard market constraints and the inability to sell their products and services as one of the most serious obstacles to the establishment of businesses and growth beyond mere subsistence level. This perception is paralleled by many studies nationally and internationally, which view market access as a critical factor in business growth, in particular in the case of entrepreneurs from disadvantaged communities.

Responsibility for steps to overcome this constraint falls upon many different groups: individual entrepreneurs and groups of small businesses, which have to compete with others for the same clients; local government and business associations, who should reconsider regulations hindering market access of newcomers; the established business community, who should practise what they preach by opening up competition rather than controlling markets; and public-sector departments as well as big enterprises, who should re-orientate procurement towards small-enterprise suppliers and subcontractors.

### 3.3.5 Access to Finance

In surveys among small enterprises, access to finance comes out as one of the most urgently felt needs. This remains true even though other problem areas (like marketing, technical skills, poor product quality, weak management, etc.) often aggravate the financial position of small enterprises and hamper their access to funds.

The financial needs of different types of SMMEs vary widely, with access problems particularly severe in rural areas, among start-up micro-enterprises and among those owned or controlled by women as well as other formerly disempowered groups, and in certain higher-risk business categories.

### 3.3.6 The Physical Infrastructure

The development and financing of business and industrial premises (shops, offices, factories, market stands, hawker shelter, etc.) and infrastructure facilities, including the supply of electricity, water, telecommunication connections, sewage, street lights, parking facilities, etc., is usually seen as the responsibility of either the private sector or local authorities, rather than the government. Yet, due to the past neglect of the needs of black townships and emergent enterprises, a serious backlog of even basic facilities has emerged in both rural and urban area and has been identified in the RDP as one of the areas deserving special attention. Here we refer to the supply of electricity



to businesses, basic services and the road infrastructure in commercial and industrial areas, facilities for fresh produce and other markets, industrial incubator structures, telecommunications, postal delivery services and appropriate business zoning and planning processes.

### 3.3.7 Training in Entrepreneurship, Skills and Management

The acquisition of relevant vocational, technical and business skills is generally regarded as one of the critical factors for success in small enterprises. In addition, literacy and entrepreneurial awareness are seen as particularly important to enable people to advance from survivalist activities into larger and better earning enterprises. With the rapid expansion in the range and number of small enterprises all over the country, South Africa faces a daunting challenge in the sphere of small-business-orientated education and training. Responsibility for education, training and experience transfers rests on a wide range of institutions, including the central and provincial tiers of government, NGOs, parastatals and the private sector. This also applies to the sphere of entrepreneurship sensitising, the training in skills relevant to small enterprises in different sectors and industries, and the acquisition of management experience by small-business owners and staff.

### 3.3.8 Industrial Relations and the Labour Environment

The relationship between labour and small enterprise is complex and open to frequent misunderstanding. At one level, among survivalist activities and the majority of micro-enterprises there is little difference between the worker and the enterprise; earnings generated by the enterprise, net of direct expenses for material and other inputs, are identical with the remuneration of the operator, who is usually also the owner and the only worker. In fact, the majority of these micro-enterprises employ no outside labour; at best they engage other family members and relatives, with individual rewards entirely dependent on earnings and the needs of the household. Any improvement in the business will improve net income and the earnings of the household. With respect to small and medium enterprises there is widespread belief that the relationship between labour and enterprise is adversarial, i.e. Owners/operators want to keep labour's remuneration as low as possible in order to be able to compete with larger enterprises.

### 3.3.9 Access to Appropriate Technology

Just like training, finance and business premises, technology is often seen as an important factor influencing the success of small enterprises, but is not always accessible to them. This applies to both ends of the technology spectrum, viz. sophisticated technology needed for the competitiveness of small enterprises in the modern manufacturing and services sectors, and

“appropriate” technology for small enterprises operating in the labour-intensive, low-skill spheres. Both these areas deserve more attention and may justify some government support.

### 3.3.10 Encouraging Joint Ventures

The needs of small and medium enterprises are often so complex that even a comprehensive range of support services cannot do justice to all the requirements. The most effective way to acquire experience and skills, enter new markets, structure additional financing and meet market competition is quite often a joint venture with an experienced local or foreign partner. This can happen among small numbers of co-operative partners, it can be a black/white partnership, a big business/small enterprise link-up, a franchise relationship or some three-pronged foreign/local venture. In other developed countries, such joint ventures are far more prevalent than in South Africa, where racial segmentation, oligopolistic exclusiveness and sanctions, as well as disinvestment, have prevented such developments in the past. Lack of experience and the effect of economic stagnation have also strengthened distrust around joint ventures in the past.

### 3.3.11 Capacity-Building and Institutional Strengthening

As in other areas of the socioeconomic development process, organised business has an important role to play in the strengthening of small business interests. This relates as much to business organisations operating at a national and sectoral level, as it applies to those focusing on the provincial and local level. Of particular concern are those organisations that represent the interests of emergent small, medium and micro-enterprises. Compared to the more developed countries, South African business organisations are financially weak, and most of them have a very limited capacity to actually support and strengthen small businesses. A high degree of fragmentation further weakens these institutions, with the legacy of apartheid all-pervasive.

### 3.3.12 Differential Taxation and Other Financial Incentives

Over many years, representations have been made for the differential treatment of small enterprises in order to reduce their tax burden and facilitate the reinvestment of small enterprise profits, which are often the only basis for new investments or the expansion of existing small enterprises.

To sum up, this sub-section detailed SMME in terms of definition, SMMEs best cases and factors influencing SMME performance. The National Small Business Act, No. 102 of 1996, defines it as a separate and distinct business entity, including cooperative enterprises and non-

governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy and which can be classified as a micro-, a very small, a small or a medium enterprise.

Worldwide, SMMEs play a major role in the economy in terms of employment creation, income generation and output growth. They are also often the vehicle by which the lowest-income people in our society gain access to economic opportunities.

Factors influencing SMMEs performance encompass: legal framework; regulatory conditions; access to information and advice; access to marketing and procurement; access to finance; physical infrastructure; training in entrepreneurship, skills and management; industrial relations and the labour environment; access to appropriate technology; encouraging joint ventures; capacity-building and institutional strengthening; and differential taxation and other financial incentives.

#### 2.4. UNIVERSAL SMME NEEDS

The needs of SMMEs worldwide are a result of the various constraints that businesses are currently facing (Simmons, 2004). In other words, needs are the opposite side of the coin to the challenges that SMMEs are facing and include the following:

- Easy access to markets and market opportunities;
- Comfortable access to finance and, especially, grants. This reduces SMMEs' reliance on friends or non-banking financial agencies with unfavourable terms;
- Access to land and business premises;
- Access to business management skills;
- Access to human resources skills;
- Access to financial or bookkeeping skills;
- Access to technical skills related to specific sectors;
- Access to IT and computer-related skills;
- Access to mentorship programmes;
- Access to information and advisory services;
- Access to private-public partnerships for information and experience sharing;
- Access to partnerships with large businesses for market opportunities;
- Access to public procurement and tenders; and
- Access to business registration processes

### 3. SMME POLICY FRAMEWORK

Government has implemented various policies, strategies and programmes aimed at overcoming economic imbalances and underdevelopment facing the country. These include but not limited to:

#### 3.1. NATIONAL STRATEGY FOR THE DEVELOPMENT AND PROMOTION OF SMALL BUSINESS IN SOUTH AFRICA

The National Strategy for the Development of Small, Medium and Micro-Enterprises (SMMEs) includes four major Acts: White Paper on the Development and Promotion of SMMEs; National SMMEs Act 102 of 1996; National SMMEs Amendment Bill, 2003; and National SMMEs Amendment Act 29 of 2004.

The main objective of the SMMEs national strategy is to regulate, stimulate and promote small business activities in South Africa. Key objectives of the National Small-Business Strategy are to:

- Create an enabling environment for small enterprises;
- Facilitate greater education about income, wealth and earning opportunities;
- Address the legacy of apartheid-based disempowerment of black business;
- Support the advancement of women in all business sectors;
- Create long-term jobs;
- Stimulate sector-focused economic growth;
- Strengthen cohesion between small enterprises;
- Level the playing fields between bigger and small business as well as between rural and urban businesses; and
- Assist small businesses to comply with the challenges of an internationally competitive economy.

#### 3.2. INTEGRATED SMALL ENTERPRISE DEVELOPMENT STRATEGY (ISED)

The ISED, developed in 2005, is the overall SMME development strategy of the national government. The strategy aims for a South African economy that can sustainably meet the material needs of all its citizens, can reward entrepreneurs that successfully recognise and pursue business opportunities and can establish vibrant and competitive small enterprises that grow in both size and success. In particular, it aims to provide access to support and development services to previously disadvantaged persons in order to integrate them into the core of the South African

economy, with access to local, national, African and international markets.

The main objectives of the ISEDS include:

- To create an environment that reduces the disparities between urban and rural enterprises;
- To create sustainable long-term jobs in the small enterprise sector;
- To 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;
- To prepare small businesses to comply with the challenges of an internationally competitive economy; and
- To improve the access to various services, including finance, for SMMEs.

### 3.3. THE NATIONAL LOCAL ECONOMIC DEVELOPMENT (LED) FRAMEWORK

The objectives of the LED framework include the following:

- To launch a radical battle against poverty, inequality and unemployment - with a particular focus on the youth - and to enhance the quality of life for all citizens through the development of innovative, inclusive and competitive local economies.
- To support the potential of local economies to grow and develop the national economy.
- To raise greater awareness of the significance of regions, metropolitan municipalities and localities as focal points in generating national prosperity.
- To intensify the support for local economies in realising and building their economic potential, diversity, levels of employment and the creation of decent work for communities.
- To strengthen intergovernmental coordination for planning of inclusive economic development between government and non-governmental sectors.
- To facilitate the adoption and adaptation of innovation systems and economies of technical change.

LED is a multi-stakeholder process often led by government in bringing together actors and interested parties in the planning, facilitation and implementation. This Framework draws together what has been learnt about LED in South Africa as well as good international practices to provide processes for strategic coordination between different stakeholders. There are six core policy pillars that will influence the design, development and implementation of LED over the next ten years:

- Building diverse and innovation-driven local economies;
- Developing inclusive economies;
- Developing learning and skilful economies;
- Enterprise development and support;
- Economic governance and infrastructure; and
- Strengthening local systems of innovation.

### 3.4. BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT 53 OF 2003

The objective of Broad-Based Black Economic Empowerment (BBBEE) Act is to substantially increase the number of black people who have ownership and control of new and existing enterprises and the number of black people in executive and senior management positions of enterprises.

In the Act, "Black People" refers to Africans, Coloureds and Indians. "Broad-Based Black Economic Empowerment" means the economic empowerment of all black people, including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to:

- Increasing the number of black people who manage, own and control enterprises and productive assets;
- Facilitating the ownership and management of enterprises and productive assets by communities, workers, co-operatives and other collective enterprises;
- Human resources and skills development;
- Achieving equitable representation in all occupational categories and levels in the workforce;
- Preferential procurement; and
- Investment in enterprises that are owned or managed by black people.

The relevance of BBBEE is that it aims to empower communities, women and enterprises in rural areas with entrepreneurship and other skills. The BBBEE strategy also provides an economic framework to increase the number of SMMEs owned and controlled by previously disadvantaged individuals (PDIIs).

### 3.5. THE LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT 32 OF 2000

The Municipal Systems Act obliges municipal councils to consult the local community about municipal services. Communities should have a say in the way in which services are delivered (e.g.

by the municipal administration or through a service agreement); the level of services (e.g. VIP latrines or waterborne sanitation); the quality of services (e.g. how quickly the municipality processes planning applications) and the range of services which are provided (e.g. whether the municipal council should provide recycling facilities).

Municipalities must fulfil these duties as far as possible, taking account of the budget and capacity they have available. Members of the local community have the right to participate in the decision-making processes of the municipality. They have the right to use and enjoy public facilities, and the right to access to municipal services. They also have the right to submit recommendations, complaints or representations to the municipality, and to expect prompt responses from the municipality.

Members of the local community have the right to be informed of decisions of the municipal council, and to expect the council to disclose information about its business and finances. They have the right to attend meetings of the municipal council and its committees, and to demand that the council acts in a transparent and impartial way.

The Municipal Systems Act is important since it gives every community member the right to use and enjoy public facilities, and the right to access the municipal services and opportunities that are available. Through this Act, SMMEs and service providers have been given the right to access services and to lay complaints whenever they are not satisfied with whatever goes on in the delivery of services in the municipal area.

### 3.6. PUBLIC FINANCE MANAGEMENT ACT 1 OF 1999 (PFMA)

The Public Finance Management Act (PFMA) 1 of 1999 (as amended by Act 29 of 1999) is one of the most important pieces of legislation passed by the first democratic government in South Africa. The Act promotes the objective of good financial management in order to maximise service delivery through the effective and efficient use of limited resources.

The key objectives of the Act include:

- To modernise the system of financial management in the public sector;
- To enable public sector managers to manage, but at the same time be held more accountable;
- To ensure the timely provision of quality information; and
- To eliminate waste and corruption in the use of public assets.

The Act, which came into effect on 1 April 2000, gives effect to Sections 213 and 215 to 219 of the Constitution of the Republic of South Africa, 1996 for the national and provincial spheres of government. These sections require national legislation to establish a national treasury, to introduce uniform treasury norms and standards, to prescribe measures to ensure transparency and expenditure control in all spheres of government and to set in place the operational procedures for borrowing, guarantees, procurement and oversight over the various national and provincial revenue funds.

The PFMA adopts an approach to financial management, which focuses on outputs and responsibilities rather than being a rule-driven approach. The Act is part of a broader strategy for improving financial management in the public sector.

The key relevance of the Public Finance Management Act to SMMEs is that it requires the district and municipalities to improve their financial management through the elimination of waste, as well as the elimination of corruption in the use of public assets (for instance, during the procurement of goods, services and works that are supplied by the local SMMEs).

### 3.7. MUNICIPAL FINANCE MANAGEMENT ACT 56 OF 2003

The object of this Act is to secure sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities by establishing norms and standards and other requirements for:

- Ensuring transparency, accountability and appropriate lines of responsibility in the fiscal and financial affairs of municipalities and municipal entities;
- The management of revenues, expenditures, assets and liabilities of municipalities and municipal entities and the handling of their financial dealings;
- Budgetary and financial planning processes and the coordination of those processes;
- Borrowing;
- The handling of financial problems in municipalities;
- Supply chain management; and
- Other financial matters.

The relevance of the Municipal Finance Management Act to SMMEs is that it requires the local authorities to develop supply chain policies that set various thresholds for the procurement of



goods, services and works (which mainly are supplied by local SMMEs).

### 3.8. COMPANIES ACT 71 OF 2008

The process to develop a new Companies Act began in earnest over five years ago by utilising the Department of Trade and Industry's policy document titled *South African Company Law for the 21st Century: Guidelines for Corporate Law Reform* (May 2004). The ultimate goal of the reform was to ensure that the regulatory framework for enterprises (of all types and sizes) promoted growth, employment, innovation, stability, good governance, confidence and international competitiveness. The main parts of the Act include:

- Structural arrangements;
- Decriminalisation and depolarisation;
- Transparency and accountability;
- Transactions and takeovers;
- Corporate governance; and
- The concept of business rescue.

The Act proposes the establishment of one new institution and the transformation of three existing company law entities, which together will provide for a more predictable and de-politicised regulatory and enforcement system. Under the Companies Act 61 of 1973, regulatory responsibility is variously assigned to the Minister, the Registrar, the Securities Regulation Panel (SRP) and, most recently, the Financial Reporting Standards Council (FRSC). In practice, many of the functions of the Minister and the Registrar have, for a long time, been exercised by the Companies and Intellectual Property Registration Office (CIPRO), within the dti.

The new Act provides for the migration of CIPRO into a newly established organ of state, with significantly expanded functions and powers, to be known as the Companies and Intellectual Property Commission CIPC ("the Commission").

In addition, in order to provide a flexible scheme that balances accountability and transparency with a lightened regulatory burden, the Act provides for certain common requirements of all companies, together with a more demanding disclosure and transparency regime.

The Act also replaces the existing regime of judicial administration of failing companies with a modern business rescue regime, largely self-administered by the company, under independent supervision within constraints set out in the Act, and subject to court intervention at any time on application by any of the stakeholders.

The relevance of the Companies Act to SMMEs:

- The new Companies Act reduces the regulatory and red tape burdens that were encountered by SMMEs; and
- With the new concept of rescuing of businesses rather than judicial management of failing businesses, SMMEs can now operate without fear of an economic crisis.

### 3.9. NATIONAL YOUTH ENTERPRISE DEVELOPMENT STRATEGY (YEDS)

The Youth Enterprise Development Strategy has been formulated to guide government and non-government development agencies and the private sector in South Africa in their efforts to promote enterprises that are owned and managed by young women and men, while also building and strengthening a culture of entrepreneurship amongst young people. The purpose of the Youth Enterprise Strategy is to:

- Identify the linkages that can be made with existing national policies influencing youth enterprise opportunities (including the draft National Small Business Strategy);
- Identify the linkages that can be made with existing programmes and institutions influencing youth enterprise opportunities;
- Present a framework of services, programmes and instruments that can be used by a range of actors in support of youth enterprises;
- Describe the role of key actors in youth enterprise promotion and propose roles for other potential actors where necessary; and
- To speak with one voice and provide a consistent message regarding the priorities and directions for youth enterprise promotion.

### 3.10. STRATEGIC FRAMEWORK ON GENDER AND WOMEN'S ECONOMIC EMPOWERMENT

This framework provides guidance, focus, and specific recommendations for the support required to ensure women's full participation in the South African economy. Its objectives are:

- To challenge the direct and indirect barriers in enterprise, industry and trade which prevent women from having equal access to and control over economic resources;
- To facilitate women's equal access to economic and productive resources by strengthening their capacity and networks;
- To increase women's ease of access to finance;

- To work towards gender parity in all enterprise, industry and trade structures; and
- To ensure that the government budget benefits women and men equitably and that specific resources are allocated to help overcome the particular disadvantages faced by women.

### 3.11. PREFERENTIAL PROCUREMENT POLICY FRAMEWORK

Preferential procurement is one of the tools that is used to transform the socio-economic landscape in South Africa. The Preferential Procurement Policy Framework Act and the regulations issued in terms of the Act set out a framework for the implementation of a preferential procurement policy. In terms of Section 2(1) of the Act, an organ of state must determine its preferential procurement policy and implement it within the framework prescribed in the Act.

The main purpose of the Act is to enhance the participation of historically disadvantaged individuals (HDIs) and small, micro and medium-sized enterprises (SMMEs) in the public sector procurement system. The 2017 Act has been amended, most of the regulations were omitted from Preferential Procurement Regulations 2022 and the following have been added to PPR 2022:

Regulation	Reason for addition
a) Allocation of preference points based on specific goals chosen by an organ of state.	Section 2(1)(b)(i) and (ii) state that 10 or 20 points may be allocated for specific goals as contemplated in paragraph (d). Therefore, in aligning the regulations with the Act, preference points must be allocated in terms of the specific goals as required by the Act.
b) Application of preference point system for tenders to generate income or to dispose of or lease assets.	It is now prescribed that the preference point system is applicable to tenders for income generating contracts and that the prescribed thresholds and formulae must be applied in tenders for income-generating contracts, including disposal and leasing of assets
c) The regulations pertaining to remedies have been limited to what is in line with Section 2(1)(g) of the Act.	It was decided that the remedies provided in terms of the PPR 2017 may have exceeded what the Minister may prescribe in terms of Section 5 of the Act. Consequently, the process of restricting suppliers should be dealt with in terms of the norms and standards issued under the PFMA or a Circular in terms of the MFMA for MFMA-compliant institutions.

It is envisaged that the complete implementation of these regulations will enhance the involvement of black businesses in the public tendering system and will contribute to the upliftment of disadvantaged communities. It will further assist in the inclusion of the informal business sector in the mainstream of the economy.

### 3.12. CONSTRUCTION INDUSTRY DEVELOPMENT BOARD (CIDB)

The objectives of the CIDB include:

- To promote the contribution of the construction industry in meeting national construction demand and in advancing: (i) national, social and economic development objectives; (ii) industry performance, efficiency and competitiveness; and (iii) improved value to clients;
- To provide strategic leadership to construction industry stakeholders to stimulate sustainable growth, reform and improvement of the construction sector;
- To determine and establish best practice that promotes: (i) improved industry stability; (ii) improved industry performance, efficiency and effectiveness; (iii) procurement and delivery management reform; (iv) improved public sector delivery management; (v) national, social and economic objectives (including: growth of the emerging sector, labour absorption in the construction industry, improved labour relations, and positive safety, health and environmental outcomes); and (vi) human resources development in the construction industry;
- To promote best practice through the development and implementation of appropriate programmes and measures aimed at best practice and improved performance of public and private sector clients, contractors and other participants in the construction delivery process;
- To promote uniform application of policy with regard to the construction industry throughout all spheres of government;
- To promote, establish or endorse uniform standards and ethical standards that regulate the actions, practices and procedures of parties engaged in construction contracts;
- To promote sustainable growth of the construction industry and the participation of the emerging sector therein;
- To promote appropriate research on any matter related to the construction industry and its development;
- To implement policy on construction industry development; and
- To advise the Minister of Public Works on policy and programmes which impact on construction industry growth and development.

The relevance of the CIDB to SMMEs is that the CIDB helps emerging and existing SMMEs in the construction sector to grow sustainably by meeting national and local construction demand and requirements that include, among other things, advancing the social and economic development.

### 3.13. PROVINCIAL GROWTH AND DEVELOPMENT STRATEGY (PGDS)

This PGDS provides KwaZulu-Natal with a reasoned strategic framework for accelerated and shared economic growth through catalytic and developmental interventions, within a coherent equitable spatial development architecture, putting people first, particularly the poor and vulnerable, and building sustainable communities, livelihoods and living environments.

Attention is given to the provision of infrastructure and services, restoring the natural resources, public sector leadership, delivery and accountability, ensuring that these changes are responded to with resilience, innovation and adaptability. This will lay the foundations for attracting and instilling confidence from potential investors and developing social compacts that seek to address the inter-connectedness of the Provincial challenges in a holistic, sustainable manner, whilst nurturing a populous that is productive, healthy and socially cohesive.

The PGDS aligns itself to the Millennium Sustainable Goals (MSGs), the New Growth Path (NGP), the National Development Plan (NDP), as well as various other national policies and strategies. It identifies seven strategic goals, all of which have a direct bearing on economic development.

They are:

- Goal 1: Job Creation
- Goal 2: Human Resource Development
- Goal 3: Human & Community Development
- Goal 4: Strategic Infrastructure
- Goal 5: Environmental Sustainability
- Goal 6: Governance and Policy
- Goal 7: Spatial Equity

Strategic Goals 1, Job Creation, deals directly with local economic development, and is of particular importance to the purposes of the current analysis. The key strategic objectives within this goal are:

- Unleashing the agricultural sector
- Enhancing sectoral development through trade and investment

- Improving the efficiency of government-led job creation programmes
- Promoting SMME and entrepreneurial development
- Developing the knowledge base to enhance the knowledge economy.

### 3.14. KZN SMALL ENTERPRISE DEVELOPMENT STRATEGY

The purpose of the Small Enterprise Development Strategy is to formulate a provincial wide framework that will assist in coordinating, orientating and guiding all small enterprise development programmes and related activities in the province of KwaZulu-Natal. Through this strategy, all stakeholders will be able to align their programmes and actions and therefore support and add value to the development of emerging small enterprises.

The key objective of the strategy is the implementation of a comprehensive and integrated programme for the development and growth of small enterprises in the province. This will be achieved by:

- Developing entrepreneurship skills;
- Facilitating easy access to local and international markets;
- Facilitating access to finance;
- Providing relevant and effective training to small enterprise operators, and
- Facilitating a mentoring and incubation programme for all small enterprises in KZN.

### 3.15. MSUNDUZI INTEGRATED DEVELOPMENT PLAN (IDP)

The Municipal's IDP sets out a development plan for the area for the next five years and it does so by taking into account all sectors, namely physical, social, economic and environmental, to ensure truly integrated development.

The IDP is informed by extensive community participation to maintain the local authority's aim of providing services to its people according to their needs. This includes creating a, environment conducive to the development and growth of SMMEs. The IDP allocates resources both financial and human to projects that need to be implemented in the municipality. It does this over a five-year forecast and is updated on an annual basis.

### 3.16. MSUNDUZI LOCAL ECONOMIC DEVELOPMENT STRATEGY (LED)

The LED Strategy is a framework which aims to integrate and co-ordinate activities and decisions made by development agencies within the area. The LED Strategy also provide a matrix to assist

with the prioritisation and selection of projects within the various sectors thereby enabling strategic and focused decision making. An understanding of LED is generally followed by the following two approaches:

The “economic need” approach, which is essentially poverty alleviation driven and tends to focus on micro enterprise development, coupled with self-employment. On the other hand, the “opportunity driven” approach tends to look at a wider range of LED strategies which include micro-enterprise development and investment.

## 4. SMME STAKEHOLDERS

### 4.1. THE DEPARTMENT OF TRADE AND INDUSTRY

SMME development is a core focus area of **the dti**, through development finance institutions, SEDA, regulatory institutions, technologies, innovations and standards institutions and programmes. **the dti** has many strategic goals for SMME development, including, amongst others, the following:

- Increasing the contribution of SMMEs to the national economy;
- Reducing the rate of failure in these enterprises;
- Maximising job creation;
- Increasing competitiveness and promoting development through sectoral targeting.

**the dti** has a range of programmes that support SMME development, including financial assistance, credit risk sharing, investment incentives and funding business support services, to name but a few.

In terms of investment support, **the dti** offers a number of incentives and programmes to provide additional motivation to potential investors to choose South Africa as an investment location.

These include the:

- Clothing and Textile Competitiveness Improvement Programme (CTCIP),
- Production Incentive (PI),
- Automotive Investment Scheme (AIS),
- Enterprise Investment Programme (EIP),
- Black Business Supplier Development Programme (BBSDP),
- Critical Infrastructure Programme (CIP),
- Business Process Outsourcing and Offshoring (BPO and O),
- Sector Specific Assistance Scheme (SSAS),
- The Co-operative Incentive Scheme (CIS), and
- Film Production Incentives (FPI).

Although TISA is a division of **the dti**, mandated to undertake trade and investment promotion on a national level, there are various other departments and institutions that play a role in the overall



SMME development process. These are briefly discussed below.

#### 4.2. OTHER NATIONAL DEPARTMENTS AND INSTITUTIONS

Although most other national departments are not mandated to support SMME development, there are a number of objectives that the various departments need to fulfil in order to assist in creating an enabling business environment. These include:

- Making provision for infrastructure that is required to support domestic and foreign businesses;
- Creating policy, legislation, and regulatory frameworks; and
- Providing education and skills development and training to ensure that the work force has sufficient capacity to meet the requirements of entrepreneurs.

Entrepreneurs often make decisions based on the business environment of a location, and therefore the role of the other national departments must not be overlooked.

With regards to tourism, the national tourism agency, "South African Tourism", undertakes marketing and promotion of South Africa as a tourist destination, and therefore has an important role to play with regards to SMME development related to the Tourism Sector.

Additionally, the Department of Foreign Affairs and the High Commissioners in the various South African embassies located abroad also play a role in investment promotion and facilitation. This relates to ensuring strong public relations, image building in foreign nations, and facilitation of certain regulatory processes in the specific foreign nation.

#### 4.3. FINANCIAL INSTITUTIONS

Financial institutions, such as the Industrial Development Corporation (IDC), Khula Finance, and The Development Bank of South Africa (DBSA), also have a role to play in creating an enabling business environment. These institutions, although also not active in investment promotion or facilitation, offer funding and other financial services to potential businesses which enhances the investment climate of South Africa, and provides alternative financing options for businesses other than commercial banks.

#### 4.4. BUSINESS CHAMBERS

The overarching business chamber in South Africa is the South African Chamber of Commerce and Industry (SACCI). The objective of SACCI is to actively protect and promote the interests of

business. There are also a range of specialised chambers and forums such as the Minara Chamber (Muslim Businesses), the Black Management Forum, the Chambers of Commerce and Industry South Africa (CHAMSA), The National African Federated Chamber of Commerce (NAFCOC), Afrikaanse Handelsinstituut, and The Foundation for African Business and Consumer Services (FABCOS). All these chambers have a role to play in the South African business arena, given that they are the voice of business in the country and assist in creating an enabling environment for businesses.

#### 4.5. LOCAL STAKEHOLDERS

At a local level, there are also a number of important role-players, although their role and mandate in business development is negligible in many instances. The role-players include the provincial departments, the district and local municipalities, the local development agencies, as well as local business chambers. Local stakeholders fulfil many roles in supporting small businesses including, among others, the following:

- Facilitation of joint ventures and business linkages between small and big business;
- The provision of relevant, reliable information to investors and traders;
- Assistance with applications for investment incentives and export marketing incentives;
- Assistance to foreign investors with applications for business permits;
- Negotiation of local government incentives on behalf of businesses;
- Provision of project support and aftercare services;
- Addressing international trade enquiries and challenges;
- Assisting businesses to locate suitable premises and to secure project and operational financing; and
- Assistance with access to industrial development zones (IDZ) and spatial development initiatives.

#### 4.6. FUNDING OPPORTUNITIES

The Municipality facilitates linkages to available funding opportunities, and will:

- Identify and inform SMME's of funding opportunities;
- Compile a funding guideline for SMMEs and
- Link SMMEs to relevant funding opportunities

## 5. MSUNDUZI MUNICIPALITY - SNAPSHOT

The figure below provides a snapshot of the demographic and economic status quo of Msunduzi Local Municipality for 2022. These figures are derived from statistics based on the Census 2022 (for demographic overview) and Regional Standardised 2023 datapoints (for economic overview).

### 5.1. DEMOGRAPHIC OVERVIEW

This section presents a demographic overview of the Msunduzi Local Municipality.

Table 2: Demographic Profile of Msunduzi LM, Umgungundlovu DM, Kwazulu Natal Province

Indicator	Msunduzi	uMgungundlovu	KwaZulu Natal
Area (km <sup>2</sup> )	634,0 km <sup>2</sup>	9 512,9 km <sup>2</sup>	94 361,3 km <sup>2</sup>
population	817 725	1 235 715	12 423 907
Population density	1 290 km <sup>2</sup>	130 km <sup>2</sup>	132 km <sup>2</sup>
Number of Households	213 727	307 842	2 853 741
Household Density	337 km <sup>2</sup>	32 km <sup>2</sup>	30 km <sup>2</sup>
Household Density	3,8	4,0	4,4

### 5.2. ECONOMIC OVERVIEW

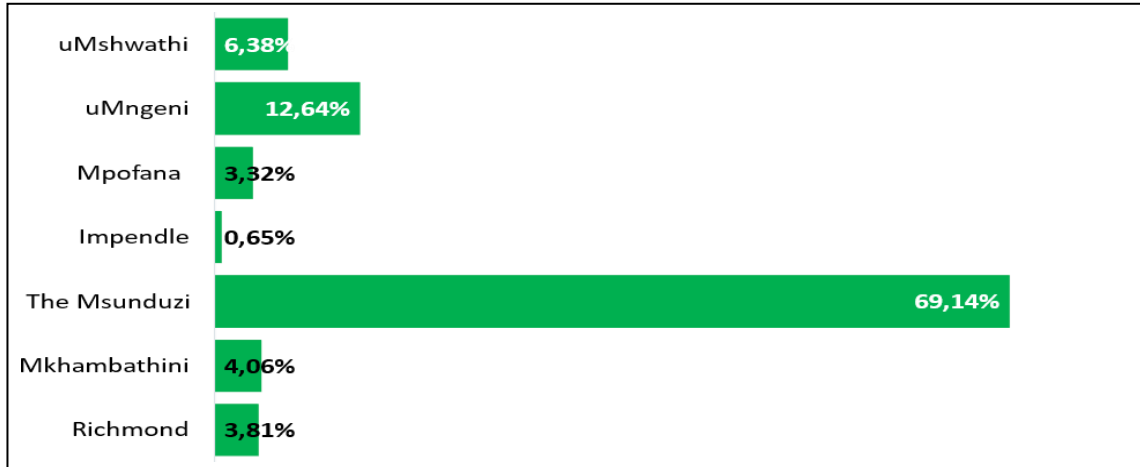
The analysis of the economic characteristics and patterns within the Msunduzi Local Municipality lays the groundwork for identification of its relative strengths and weaknesses in an economic context, as well as the potential economic prospects that can be harnessed by Msunduzi for the betterment of the local population.

In this chapter, a comprehensive outline of the current trends observed in the local economy and various economic sectors operating within the borders of the Msunduzi is provided. The findings presented herein will serve as the basis for conducting the economic potential assessment and identifying specific local economic development projects and initiatives.

### 5.3. REGIONAL ECONOMIC CONTRIBUTION

The figure below depicts the economic contribution of Msunduzi Local Municipality to uMgungundlovu District.

**Figure XX: Msunduzi Local Municipality Regional Economic contribution in GVA terms, 2022**

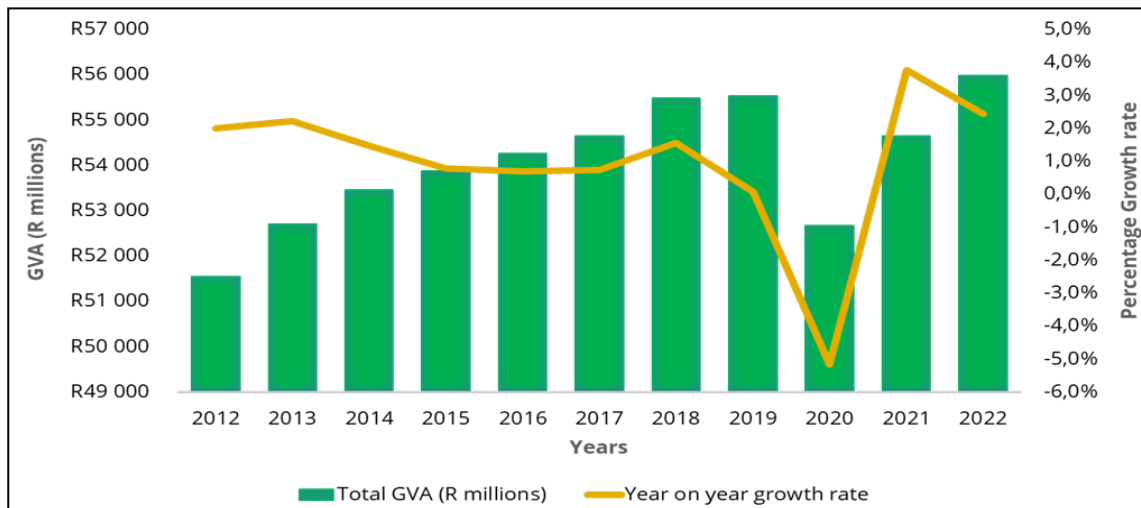


Source: Quantec Standardised Regional Data, 2023

Msunduzi is the most developed economy of all the municipalities in the District and is the major contributor to the District GVA. Msunduzi Municipality contributed 8.2% to the provincial economy and 69.1% to the District’s economy, in GVA terms.

The figure below depicts Msunduzi’s GVA and CAGR between 2012 and 2022.

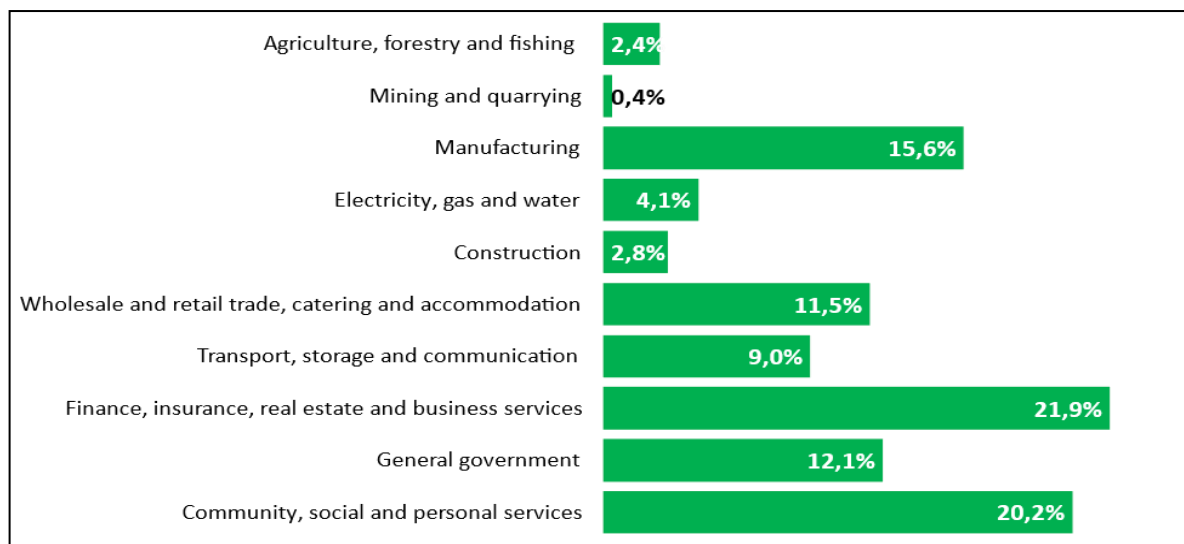
**Figure XX: Total GVA (R millions) and Percentage growth rate in Msunduzi, 2012 - 2022**



Source: Quantec Standardised Regional Data, 2023

The economy of Msunduzi has been growing at an CAGR of 0.8%, this is slightly lower than the provincial and the District's CAGR of 1% and 1.3% respectively. The economy of Msunduzi experienced a significant decline between 2019 and 2020, this can be attributed to impact of the COVID-19 pandemic to the national and global economy. However, the economy has since increased above pre-pandemic levels.

The figure below depicts the economic structure of Msunduzi Local Municipality for the year 2022.



**Figure XX: Msunduzi Local Municipality Economic Structure, 2022** Source: Quantec Standardised Regional Data, 2023

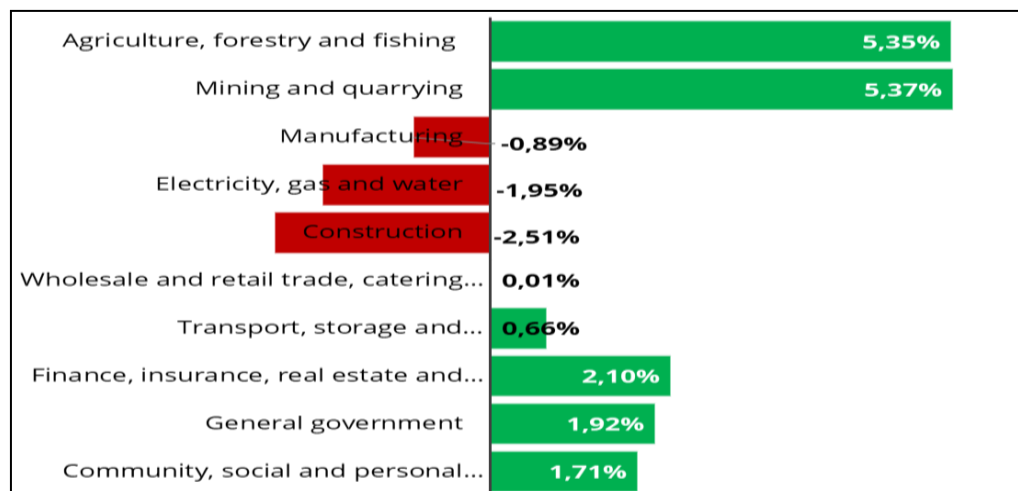
As the largest contributor to the District municipality, Msunduzi functions as the main service sector for the District and this is evident from the economic structure of this municipality. The largest contributing sector in the municipality is the Finance, and business services sector accounting for 21.9% of the total municipal economy. Other major economic contributors in Msunduzi include:

- Community, social and personal services (20.2%)
- Manufacturing (15.6%)
- General Government services (12.1%)

Despite having the least contribution to the municipality's GVA, the agriculture and mining sector have exhibited the most rapid growth in GVA terms between 2012 and 2022 at 5.35% and 5.37% respectively. Broad sector decline is noted in the construction industry and the utilities sector.

Interestingly, the manufacturing sector in the municipality also contracted over the 10 year period as shown in the figure below.

**Figure XX: Compound Annual Growth rate per sector (2012 - 2022)**



Source: Quantec Standardised Regional Data, 2023

## 6. SWOT ANALYSIS

The following analysis of strengths, weaknesses, opportunities and threats is derived from the needs and challenges which SMMEs and their service providers face in the Municipality and are as follows:

<b>Strengths</b>
<ul style="list-style-type: none"><li>○ Significant growing contribution to local economies by SMMEs, following national trends</li><li>○ Growing support and commitment to SMME development from the Municipality by technical, supply chain and other departments</li><li>○ Expansion and development of infrastructure in urban areas of the Municipality</li><li>○ LED units with relevant development strategies</li><li>○ SMMEs skills Training Workshops</li><li>○ E-Licensing roll-out (KZN Automated Business Licensing)</li></ul>
<b>Weaknesses</b>
<ul style="list-style-type: none"><li>○ Limited business support unit in the area, with SEDA having only a periodic presence in other areas outside Pietermaritzburg</li><li>○ Lack of a sound database of SMMEs and SMME service providers' in the Municipality</li><li>○ Weak SMME support network in rural areas (this leaves SMMEs vulnerable with limited ability to grow)</li><li>○ Limited budgetary support for SMME development in municipality</li><li>○ Lack of sector specific SMME programmes in the Municipality</li><li>○ SMMEs lack access to markets, raw materials, finance, business premises and land (these are worse in the rural areas)</li><li>○ Limited space available for industrial expansion</li><li>○ Skills shortages, including business skills, human resources skills, business management skills, financial or bookkeeping skills, IT skills and technical or sector specific skills</li><li>○ Lack of access to mentorship</li><li>○ Limited access to information and advisory services (for urban SMMEs) and lack of access to information and advisory services for rural SMMEs</li><li>○ Lack of exposure or market visibility</li><li>○ Issue of Red tapes as identified by COGTA</li><li>○ Issue of immigrants and vagrants in the city</li></ul>

### **Opportunities**

- Direct access to the export market for local SMMEs
- Opportunities exist in different LED units to recruit more LED advisors
- Tender portal – Trade World
- Skills transfer programme
- Opportunity to create strong partnerships with SEDTA, PMB Chamber of Commerce and Industry and other bodies
- Investments in agro-processing establishments in rural economies
- There is an opportunity for urban SMMEs to learn from current large corporates
- There is an opportunity for SMMEs and their service providers in Msunduzi to replicate the national and provincial SMME Programmes at the local level
- Operation of rural support strategies and plans such as the Bulk buying Programme and RASET to deepen the rural value chains

### **Threats**

- Commercial land is difficult to access and lack of economic infrastructure
- Lack of understanding of the tax process leading many entrepreneurs to avoid starting businesses; and limited entrepreneurial basic skills and knowledge of how to operate a business
- Local and provincial government too focused on establishing / attracting large investment into Pietermaritzburg
- Increasing and high competition from national and international firms in the urban areas
- The high crime rate, especially in the CBD, discourages new business ventures and contribute to the deterioration of the CBD
- The impact of the on-going Global financial crisis
- Unstable electricity (Load Shedding) and water supplies affect SMMEs
- Unforeseen circumstances and natural disaster i.e Covid, Floods and Unrest

Through an examination of the SWOT analysis of Msunduzi Municipality, strategies will be developed which build on the strengths, overcome the weaknesses, grasp the opportunities and mitigate against the threats in the SMME sector.



## 7. STRATEGIC FRAMEWORK

In the previous Section of this report, the existing SMME sector in the study area was assessed. In the conclusion of the Situational Analysis Section, a breakdown of the Msunduzi's SMME sector in terms of strengths, weaknesses, opportunities and threats (SWOT) was presented.

The current section deals with the formulation of a strategic framework and interventions that are necessary to turn around the current situation of SMMEs in Msunduzi Municipality. This will entail the development of the following:

- A vision for the development of SMMEs;
- The formulation of strategies to achieve the vision; and
- The unpacking of the strategies into implementable projects and programmes.

### 7.1. VISION

A vision is a point of reference to keep the community focused on the important issues and heading in the right direction. A vision provides an opportunity for the community and relevant stakeholders to think in a broad and general terms about the future.

Worth noting is that the vision for the Msunduzi SMME Strategy is aligned to the broader vision of the Msunduzi Integrated Development Plan and LED Strategy. The proposed overall vision for the Msunduzi SMME strategy is therefore:

***By 2030 to have energetic SMMEs in Msunduzi that create sustainable jobs, provide decent and affordable services, and to contribute to the economic growth of the Municipality***

### 7.2. GOALS

In order to implement the vision as outlined above, and based on the realities and analysis of the SMME sector in Msunduzi Municipality, goals need to be developed and achieved. The outcomes of the goals can be achieved through specific strategies.

Therefore, taking into account that the major issue is to develop the SMME sector in Msunduzi through the bridging of the gap between SMMEs already well established and emerging ones, the project's goals include the following:

- The creation of an enabling institutional environment for SMME growth,
- Developing SMMEs in Msunduzi.

### Goal 1: The creation of an enabling institutional environment for SMME growth

The Municipality has a number of SMME institutions and stakeholders including SEDA, PMB Chamber of Commerce and Industry, EDTEA (One Stop Shop), Municipal LED Unit, and the Technical and Supply Chain Management Departments. Regardless of the existence of these institutions, the following challenges continue to hinder efficient service delivery to SMMEs:

- There is limited collaboration between service providers and the lack of a service providers' database in the Municipality makes it difficult to control who is providing what to SMMEs in the Municipality.
- There is limited interaction between service providers and SMMEs. Some services providers use cell phone text messages and others newspapers to communicate with SMMEs, which seem good but a proper set up channel of communication between various service providers and SMMEs is lacking.
- LED units in the Municipality lack sufficient budget dedicated to SMMEs, infrastructure and staff.
- SEDA uMgungundlovu serves all municipalities including uMshwathi, Impendle, uMngeni, Richmond, Mpofana, and Mkhambathini. This puts the SEDA uMgungundlovu under pressure in terms of budget as well as human resources.
- Finally, there are inequalities in service provision between rural and urban areas of the Municipality. The majority of SMME service providers and stakeholders are concentrated in the urban areas of Msunduzi (Pietermaritzburg). A service that an SMME may access at a walking distance in the urban areas is a real challenge for an SMME in rural part of the Municipality.

In this context, the proposed activity will be the creation of a favourable institutional environment in Msunduzi that allows local SMMEs to grow.

### Goal 2: Developing SMMEs in Msunduzi

SMMEs in Msunduzi face a number of challenges that need to be alleviated. These challenges are more severe especially for SMMEs operating in the rural areas of the Municipality and include the following:

- There are few and small market opportunities in the rural areas. Consequently rural SMMEs are obliged to relocate to Pietermaritzburg or sometimes face the closure of their businesses.

- Challenges related to limited access to raw materials include high transport cost, high cost of raw materials and it is time consuming to get raw materials.
- Rural SMMEs need to travel to the PMB if they want access to the limited financial services available.
- SMMEs in rural areas have a real challenge to access business premises. Business premises are not available and those that exist are too expensive (for rental purposes).
- The majority of agricultural SMMEs are in the rural areas hence they face the full effect of the lack of access to land.
- IT, business management, bookkeeping and other technical skills are real challenges to SMMEs in the Municipality, but this situation is worse in the rural areas since there is a limited number of available trainers and service providers. To bring these service providers from the urban to the rural areas is also problematic.
- SMMEs in the rural areas face the challenge of exposure as they do not have the same opportunities that their counterparts in urban areas have. For instance, if a SMME fair is to be organised in Msunduzi for instance, it will take place in PMB.
- Among the major challenges that SMMEs face in the Municipality are mentorship and access to information and advisory services.
- Furthermore, digital transformation can be one of the key challenges for SMMEs, particularly if they lack the necessary resources and expertise SMMEs must adapt to digital technologies to stay competitive.

Therefore, the suggested activity will be to facilitate and make available various services to local SMMEs with more emphasis on the rural areas.

### 7.3. STRATEGIES

The previous points of this section presented the vision and goals of the Msunduzi SMME sector. This point provides details of the developed strategies, which will further be unpacked into projects/activities in the implementation plan. It should be indicated that strategies deal with the aspects or challenges faced by SMMEs in both urban and rural areas of the Municipality. Strategies developed include the following:

1. Strengthening the partnership among SMME service providers in the Municipality;
2. Improving the public provision of services to SMME in the Municipality;
3. Facilitate access to SMMEs and support services including:
  - access to raw materials;
  - access to finance;
  - access to land and business premises;
  - access to skills;
  - access to markets and market exposure;
  - access to digital innovation
  - access to mentorship, information and advisory services;

#### Strategy 1: Strengthening the partnerships among SMME service Providers in Msunduzi

There is limited co-operation among SMME stakeholders and institutions in the Municipality for the development, management, marketing and growth of SMMEs. For instance, the PMB Chamber of Commerce and Industry, UMDM SEDA, EDTEA Business Support (One Stop Shop), Municipal LED Unit, etc that all provide almost the same services to SMMEs but in an uncoordinated manner since there is a lack of collaboration. As a result, there may be a duplication of services.

Also, the Municipality so far does not have a well-maintained SMME database or an indication of economic performance indicators of the SMME sector. In fact, each service provider deals with his/her own group of SMMEs. For instance, the PMB Chamber of Commerce and Industry has its own SMME database. The Msunduzi Supply Chain Management Department also has its own SMME database. SEDA UMDM, EDTEA One Stop Shop each have their own a SMME databases. This is an indication of how the SMME sector in the Municipality is uncoordinated.

It should be indicated that the SMME sector does not operate in a vacuum and collaboration

among stakeholders is crucial since it helps them to pool their efforts to change and develop the sector, to eliminate barriers, and to increase opportunities for success.

The project therefore is to establish a coordinated stakeholders' forum in the Municipality for all SMME stakeholders to share their services provided to SMMEs for the improvement of the sector.

### Strategy 2: To improve the public provision of services to SMME in the Municipality

The SMME sector makes an important contribution to the economic and social life of many people in Msunduzi Municipality. Therefore, there is a need for a number of institutional support measures and services to be undertaken at the Municipality.

Key activities include the filling up of all vacant posts in the LED Business Unit; provision of an effective budget for the promotion of small businesses; and the provision of extensive SMME development related trainings (SMME coaching, facilitation, mentorship and advisory services) to the current business Unit staff.

### Strategy 3: Facilitate access of support services to SMMEs

#### **Access to raw materials**

SMMEs in Msunduzi have to pay relatively higher transportation costs for their inputs/raw materials when these inputs/raw materials have to be sourced from Durban or Gauteng, given the small quantities they buy.

#### **Access to finance**

The financial needs of different types of SMMEs vary widely, with access problems particularly severe in rural areas, among start-up micro-enterprises and among those owned or controlled by women as well as other formerly disempowered groups, and in certain higher-risk business categories

#### **Access to land and business premises**

Access to land and business premises is a real challenge for SMMEs in the Municipality, especially for those operating in the agricultural sector. In urban areas, the number of business premises are limited and expensive when rented. The majority of agricultural SMMEs are in the rural areas and hence face the full effect of this challenge.

### **Access to skills**

The acquisition of relevant vocational, technical and business skills is generally regarded as one of the critical factors for success in small enterprises. In addition, literacy and entrepreneurial awareness are seen as particularly important to enable people to advance from survivalist activities into larger and better-earning enterprises. The lack of business skills such as business management, customer care, human resources skills, financial skills, technical skills, IT and computer-related skills constitute a major threat to SMMEs and impede them to become active participants in the economy of the Municipality. If not adequately addressed, this lack of skills will continue to threaten the further growth of the sector.

### **Access to markets and market exposure**

Small enterprises usually regard market constraints and the inability to sell their products and services as one of the most serious obstacles to the establishment of businesses and growth beyond the mere subsistence level. This perception is paralleled by many studies nationally and internationally, which view market access as a critical factor in business growth, in particular in the case of entrepreneurs from disadvantaged communities. Event such as the SMME fair is among the key actions that expose SMMEs and make them visible in the market.

### **Access to digital innovation**

The 4IR has rapidly gathered pace towards becoming an integral part of how society functions. Knowledge and ICT skills will be critical to South Africa to unlock future opportunities. Upskilling is essential to ensure economic survival and social upliftment. A critical responsibility falls on government for continuous, targeted training and re-training initiatives. Municipality should work to assist workers and communities with the changes required to be part of the 4IR.

### **Access to mentorship, information and advisory services**

Lack of access to appropriate and relevant information is one of the most important problems of small enterprises and particularly in micro-survivalist black enterprises. In Msunduzi, stakeholders and institutions that deal with advisory services are concentrated in the urban areas and have difficulties to cope with all Municipal-wide SMMEs. As a result, some SMMEs, specifically those in rural areas, have limited access to such services.

Based on the above, key tasks are the following:

- The task is to facilitate the cooperation and joint ventures for emerging SMMEs to share some

costs.

- EDTEA one stop shop and Msunduzi business unit need to improve the facilitation processes for SMMEs to easily access all available sources of funds.
- EDTEA one stop shop and Msunduzi business Unit need to facilitate easy access to land for SMME development.
- EDTEA One Stop Shop, Msunduzi Business Unit and FET Colleges will need to facilitate access to the following training for SMMEs: business management, customer care, human resources, financial skills, technical skills, IT and computer-related skills
- Msunduzi business unit with other stakeholders to organise a small SMME fair like an SMME flea market twice a year mainly in rural areas of the Municipality where SMMEs can access market opportunities and meet with larger businesses to explore outsourcing opportunities;
- Msunduzi business unit to facilitate the participation of SMMEs in provincial/ national/ international initiatives that are being held to expose businesses;
- Msunduzi business unit to develop and rollout a mentorship programme to assist struggling SMMEs in the Municipality;
- Msunduzi business unit to facilitate the establishment of a manufacturing hive for emerging and small-scale manufacturers in the Municipality;
- Msunduzi business unit to facilitate and attract more collectors to participate as small businesses in the Kerbside Recycling Programme
- Msunduzi business unit to identify 3 sites in townships and develop feasibility assessments for local manufacturing hives;
- Support Cogta in setting up the Msunduzi Leather Hub;
- With the support of Small Business Growth Enterprise to undertake the audit of municipal public procurement spend on SMMEs on yearly basis.
- Facilitate access for small businesses to the following ten set aside products from the DTI:
  - advertising, media and communication;

- interior and exterior cleaning services and cleaning product supplies;
  - clothing and textiles;
  - computer equipment and consumable supplies;
  - interior and exterior furniture and décor;
  - events co-ordination and management;
  - maintenance, repair, construction and office space;
  - travel co-ordination and shuttle services;
  - food, perishables and supplies; and
  - stationery supplies and printing.
- To lobby for the revision of the bottlenecks caused by the current supply chain management regulations in line with the principles of the radical economic transformation

#### 7.4. ECONOMIC RECOVERY PLAN

The recovery plan provides targeted support to industries and sectors severely impacted by economic downturns or crises, effectively complementing the efforts of the LED Strategy for sustainable growth.

The Municipality has assisted qualifying businesses to gain essential service status so that they could operate during the lockdown. In every crisis, there is an opportunity, and the Msunduzi Municipality is actively working to identify and exploit new sectoral opportunities that are emerging. Below is a rough sketch of the areas covered by Msunduzi Economic Recovery with the following core deliverables:

- Supporting enterprises
- Safeguarding jobs
- Caring for livelihoods

The strategic objectives of Economic Development Sub-unit as set out in the National Key Performance Areas is to; reduce unemployment, increase economic activity and ensure optimal land usage of the Msunduzi Municipality.

The most significant contribution that the Unit has made and continues to make in terms of Economic Recovery plan is to ensure the availability of zoned and serviced land for the expansion of the activities of the various sectors.

The Sub-unit using various strategic documents as guides, to dispose strategically located plots to



assist in effectively utilizing the strategic, unused or underutilized and underdeveloped industrial sites in the city, to develop a dynamic, industrial competitive regional economy that will contribute to inclusive economic growth and development, employment and equity.

The sub-unit has further embarked on a project to investigate key aspects as a part of the recovery plan. These include enhancing business retention efforts, lowering the costs of doing business and transacting within the City to making it easier for expansion and investment to resume.

The sub-unit identified projects for implementation, these included the Camps Drift Desilting project, the Promenade 1 (road upgrade), the Old Edendale Road Upgrade, the Civic Zone, the Youth Enterprise Park and Manaye. The aforementioned projects were identified as crucial projects in stimulating inclusive economic growth and development, attracting local, national and international investment and creating sustainable job opportunities.

#### 8.4.1 MUNICIPAL EMPLOYMENT INITIATIVE

The Msunduzi Municipality was initially identified for MEI support by EDTEA as one of the extended twelve pilot projects where the concept was further tested during the 2022/23 financial year. Msunduzi also applied for additional financial support from EDTEA when the pilot phase was completed and Local Municipalities were able to formally apply to EDTEA for MEI support during the 2023/24 financial year.

The need and Opportunity were identified for EDTEA to provide the Municipality with financial and technical support to develop enhance and implement the MEI in attempt to address the challenges SMME sector is currently facing. This support from EDTEA contributes towards the creation of a more capable local state in KZN that enhance its LED mandate to the benefit their citizens as required and prescribed by National and Provincial Development priorities.

The Economic Recovery Plan places renewed emphasis on decisive interventions to foster accelerated and inclusive economic growth, alleviate poverty, enhance service delivery, and address historical inequalities such as spatial distortions and inefficiencies. Moreover, it seeks to generate public interest and mobilize action towards agreed future outcomes, serving as a platform for development discourse.

## 8. MSUNDUZI REDTAPE REDUCTION

### 8.1. EASE OF DOING BUSINESS/RED TAPE REDUCTION AS A STRATEGIC INTERVENTION AREA

The role of municipality is to create an enabling environment within which development can occur. In doing so, there are many legislative requirements, policies and frameworks which dictate and/or provide guidance to their responsibilities. Whilst regulations and procedures are necessary, they can sometime become hindrances in achieving the goals and objectives for which they have been formulated. COGTA has assisted the Local Economic Development (LED) with the development of action plan (strategy) with the identified core elements that restrict business growth and ease of doing business, which are referred to as the seven (7) indicators to address red tape issues within the municipality as a strategic intervention.

### 9.2 KEY THREATS OR CONSTRAINTS UNDER EASE OF DOING BUSINESS/RED TAPE REDUCTION

The seven indicators outlined below have distinct symptoms and have been identified as common areas where Red Tape is experienced with the local sphere of government and poses as key threats or constraints in ease of doing business. The role of business in the Municipal space is an area of interest where business regulation and processes must be able to foster growth in support of employment and income-generating activities. To this effect, LED ensures that the below threats to businesses are minimized.

#### MSUNDUZI MUNICIPALITY'S REDTAPE ACTION PLAN

**INDICATOR 1** Lengthy and inefficient supply chain management processes (which ultimately affects the 30-day payment system to SMMEs).

Key Challenge Ineffective and inefficient supply chain management processes and controls which result in municipal under-expenditure, which undermines service delivery. This results in irregular, wasteful expenditure and corruption. Ultimately the time stipulated to pay service providers is more than the legislated 30-day maximum period which impacts on business cash flow, sustainability and unemployment.

#### **INDICATOR 2 Percentage spend on Procurement of local SMMEs**

Key Challenge Municipalities do not have SMME policies or regulations in place to promote SMME development or give preference to local suppliers of businesses

#### **INDICATOR 3 Municipal Building Plan Approvals**

Key Challenge The national building regulations regarding building plan approval time

frames are not being adhered to in municipalities.

**INDICATOR 4 Business Registrations and Permits**

Key Challenge The timeframe of 21 days to approve applications and permits are not adhered to in many municipalities.

**INDICATOR 5 Enforcement of Municipal By-laws**

Key Challenge Several municipal policies, regulations and by-laws are often outdated, and/or their costs exceed their benefits because of the unintended impacts they have on businesses or because of the way in which they are, or are not, implemented and enforced, resulting in unnecessary costs, delays, lost business and job losses

**INDICATOR 6 Complaints Notifications System**

Key Challenge There is either no known channel or means for residents or businesses to submit service delivery complaints to the municipality, OR when complaints are submitted, the municipality does not provide service-specific time frames by which complainants can expect a response from the municipality.

**INDICATOR 7 Communication of Information**

Key Challenge Lack of or poor communication systems, processes and channels resulting in difficulty in accessing municipal information relevant to residents and/or businesses.

**9.3 INTERVENTIONS/ACTIONS TO THE CHALLENGES: EASE OF DOING BUSINESS/ RED TAPE REDUCTION**

**INDICATOR 1 Lengthy and inefficient supply chain management processes (which ultimately affects the 30-day payment system to SMMEs).**

Key Challenge Ineffective and inefficient supply chain management processes and controls which result in municipal under-expenditure, which undermines service delivery. This results in irregular, wasteful expenditure and corruption. Ultimately the time stipulated to pay service providers is more than the legislated 30-day maximum period which impacts on business cash flow, sustainability and unemployment.

Outcome of Workshop The Municipality ensures that all payments are processed within 30 days as per MFMA

conducted and tracking of progress to date

The municipality have two payment runs (15 and 30 every month) and urgent payment runs are approved when necessary

The municipality may have challenges to meet 30 days' deadline due to cash flow challenges and that all payments must be approved by the Accounting Officer

**INDICATOR 2 Percentage spend on Procurement of local SMMEs**

Key Challenge

Municipalities do not have SMME policies or regulations in place to promote SMME development or give preference to local suppliers of businesses

Outcome of Workshop conducted and tracking of progress to date

SCM allows fair treatment of all businesses when procuring goods and service.

A Preferential Policy which includes SMMEs has been adopted by Council  
The Msunduzi SCM Policy allows empowerment of SMMEs as per section 4 and 9 of PPPFA.

Section 4 of PPPFA allows Prequalification Criteria to advance certain designated groups for preferential procurement that targets the following;

A tenderer having a stipulated minimum BBBEE status level of contributor or an EME or QSE

A tenderer subcontracting a minimum of 30% to service provider which atleast 51% owned by EME or QSE: black people who are youth, black people who are women , people with disabilities, black people living in rural or underdeveloped areas or townships

**INDICATOR 3 Municipal Building Plan Approvals**

Key Challenge

The national building regulations regarding building plan approval time frames are not being adhered to in municipalities.

Outcome of Workshop conducted and tracking of

- 2013 - Plan Approval committee was formed to streamline the plan approval process.

- progress to date
- 2014 - Building Control Unit started using the Engage- Building Plan Management Software to manage Building Plan Approval Process and Building Inspectorate Process
  - Finalization into implementation of a fully electronic online Plan Approval Process
  - On- line plan Management System;
    - Applications will be received online from anywhere in the country.
    - Seamless end to end process.
    - Credentials are verified against 3<sup>rd</sup> Party organization e.g. Home Affairs and SACAP
    - Fully digital process no need to submit hardcopies
    - Applicants can see stage-flow process and timeframes
    - Fully integrated system with Land Survey and Town Planning.

**INDICATOR 4 Business Licensing/ Registrations and Permits**

Key Challenge                      The timeframe of 21 days to approve applications and permits are not adhered to in many municipalities.

Outcome of Workshop conducted and tracking of progress to date                      The municipality has initiated a system in place to track applications- the automated "E-licensing" initiated by EDTEA; whereby applicants are able to track their applications and businesses who wish to apply for a business license can access application forms and apply online.

For a business license to be approved, it needs to go through the following sub units for approval within 30 days; Environmental Health, Town Planning & Building Control.

Main challenge is that 10% of applicants not being approved within 21 days is due to lack of required information.

The Licensing unit is therefore busy implementing awareness campaigns to different wards to inform businesses of requirements and procedures when applying for a business license.

There is proper control for licensing processes, emails are sent to applicant, if there is no response, the applicant is contacted via telephone.

**INDICATOR 5 Enforcement of Municipal By-laws**

Key Challenge Several municipal policies, regulations and by-laws are often outdated, and/or their costs exceed their benefits because of the unintended impacts they have on businesses or because of the way in which they are, or are not, implemented and enforced, resulting in unnecessary costs, delays, lost business and job losses

Outcome of Workshop The municipality revisit offenders. This is done through engaging security services for assistance for such visitations with the goal to execute.

conducted and tracking of progress to date There are current bylaws in place and currently there is workshopping of those bylaws.

The Municipality is in the process of training more peace officers for effective enforcements

**INDICATOR 6 Complaints Notifications System**

Key Challenge There is either no known channel or means for residents or businesses to submit service delivery complaints to the municipality, OR when complaints are submitted, the municipality does not provide service-specific time frames by which complainants can expect a response from the municipality.

Outcome of Workshop The municipality has employed 20 more call centre agents for effectiveness and efficiency as the Municipality receives a number of calls every day.

conducted and tracking of progress To date The average waiting time is 10 minutes and it is closely monitored as it is important to assist every customer thoroughly and be able to refer them where necessary for further assistance.

**INDICATOR 7 Communication of Information**

Key Challenge Lack of or poor communication systems, processes and channels resulting in difficulty in accessing municipal information relevant to residents and/or businesses

Outcome of Workshop and tracking of Msunduzi municipality’s website is updated consistently. The municipality uses more than one channel of communication which includes Facebook, Twitter and WhatsApp Groups for provincial, district and local to enhance

progress To date communication.

The municipality has different WhatsApp group of ward Councilors where matters are addressed and attended to certain wards.

The ABM offices use loud hailing to inform and update the community of important information. Loud hailing is mostly used in rural and township areas to accommodate community members who do not have access to the internet.

## 9. IMPLEMENTATION FRAMEWORK

This Implementation section follows the preceding strategy formulation section that provided a strategic framework and interventions necessary to improve the current SMME sector in Msunduzi. The strategy formulation section developed a vision and goals taking into consideration the projects within the area; current economic trends of the Municipality, stakeholder linkages and the Municipal's project implementation capability. In the conclusion of the strategic framework, key anchor projects were suggested which have specific initiatives to give effect to the development of the SMME sector in Msunduzi. It should be indicated that these projects are presented below:

1. To establish a coordinated stakeholder's forum in the Municipality for all SMME stakeholders to share their services provided to SMMEs for the improvement of the sector.
2. To fill up all vacant posts in the LED Business Unit; provision of an effective budget for the promotion of small businesses;
3. To provide extensive SMME development related trainings (SMME coaching, facilitation, mentorship and advisory services) to the current business Unit staff.
4. To facilitate the establishment of cooperatives and joint ventures so emerging SMMEs can share some costs.
5. EDTEA one stop shop and Msunduzi business unit to facilitate easy access all available sources of funds for SMME development.
6. EDTEA one stop shop and Msunduzi business unit to facilitate easy access to land for SMME development.
7. EDTEA One Stop Shop, Msunduzi business unit and FET Colleges to facilitate SMMEs access to: business management, customer care, human resources, financial skills, technical skills, IT and computer-related skills

8. Msunduzi business unit with other stakeholders to organise a small SMME fair like an SMME flea market twice a year mainly in rural areas of the Municipality where SMMEs can access market opportunities and meet with larger businesses to explore outsourcing opportunities;
9. Msunduzi business unit to facilitate the participation of SMMEs in provincial/ national/ international initiatives that are being held to expose businesses;
- 10.** Msunduzi business unit to develop and rollout a mentorship programme to assist struggling SMMEs in the Municipality.
11. Msunduzi business unit to facilitate the establishment of a manufacturing hive for emerging and small-scale manufacturers in the Municipality;
12. Msunduzi business unit to in partnership with the waste management services sun unit, to revise and extend the Waste Management Small Business Development Programme beyond its 2017 deadline.
13. Msunduzi business unit to facilitate and attract more collectors to participate as small businesses in the Kerbside Recycling Programme;
14. Msunduzi business unit to identify 3 sites in townships and develop feasibility assessments for local manufacturing hives;
- 15 Support Cogta in setting up the Msunduzi Leather Hub;
- 16 With the support of Small Business Growth Enterprise to undertake the audit of municipal public procurement spend on SMMEs on yearly basis
- 17 Facilitate access to the ten set aside products from the DTI:
  - advertising, media and communication;
  - interior and exterior cleaning services and cleaning product supplies;
  - clothing and textiles;
  - computer equipment and consumable supplies;
  - interior and exterior furniture and décor;
  - events co-ordination and management;
  - maintenance, repair, construction and office space;
  - travel co-ordination and shuttle services;
  - food, perishables and supplies; and
  - stationery supplies and printing.

The implementation framework section is made of a number of sub-sections including: the implementation plan and financial plan.



## 9.1. IMPLEMENTATION PLAN

The Project Implementation Plan provides a time-based perspective of the projects and activities relating to the SMME sector proposed for implementation. The following table displays the project number, the project / activity name, and the proposed start and end date. The Gantt chart starts from 2024 as a number of projects should be initiated immediately and then the five years is broken down into blocks of six months.

It should be noted that:

- Where activities did not have a defined end date the end of the five-year term was used as the end date,
- Where a project will be undertaken within a specific six-month period and have a shorter timeframe (i.e. two months) the full six-month block was filled up; and
- A large number of projects start out in the early parts of the five-year term and the potential for achieving this should be reconsidered based on resources, including human capacity and funds, in Msunduzi Municipality.

Table 11: The Project Implementation Plan

No	Projects/Activities	2024	2025	2026	2027	2028
1	To establish a coordinated stakeholders' forum in the Municipality for all SMME stakeholders to share their services provided to SMMEs for the improvement of the sector.					
2	To fill up all vacant posts in the LED Business Unit; provision of an effective budget for the promotion of small businesses;					
3	To provide extensive SMME development related trainings (SMME coaching, facilitation, mentorship and advisory services) to the current business Unit staff.					
4	To facilitate the cooperation and joint ventures for emerging SMMEs to share some costs.					
5	Msunduzi business unit and EDTEA one stop shop to facilitate easy access all available sources of funds for SMME development.					
6	Msunduzi business unit and EDTEA one stop shop to facilitate easy access to land for SMME development.					
7	Msunduzi business unit, EDTEA one stop shop and FET Colleges to facilitate SMMEs access to: business management, customer care, human resources, financial skills, technical skills, IT and computer-related skills					
8	Msunduzi business unit with other stakeholders to organise a small SMME fair like an SMME flea market twice a year mainly in rural areas of the Municipality where SMMEs can access market opportunities and meet with larger businesses to explore outsourcing opportunities;					
9	Msunduzi business unit to facilitate the participation of SMMEs in provincial/ national/ international initiatives that are being held to expose businesses;					

No	Projects/Activities	2024	2025	2026	2027	2028
10	Msunduzi business unit to develop and rollout a mentorship programme to assist struggling SMMEs in the Municipality.					
11	Msunduzi business unit to facilitate the establishment of a manufacturing hive for emerging and small-scale manufacturers in the Municipality;					
12	Msunduzi business unit to in partnership with the waste management services sun unit, to revise and extend the Waste Management Small Business Development Programme beyond its 2017 deadline.					
13	Msunduzi business unit to facilitate and attract more collectors to participate as small businesses in the Kerbside Recycling Programme;					
14	Msunduzi business unit to identify 3 sites in townships and develop feasibility assessments for local manufacturing hives;					
15	Support Cogta in setting up the Msunduzi Leather Hub.					
16	With the support of Small Business Growth Enterprise to undertake the audit of municipal public procurement spend on SMMEs on yearly basis					
17	Facilitate access for small businesses to the ten set aside products from the DTI:					
18	To lobby for the revision of the bottlenecks caused by the current supply chain management regulations in line with the principles of radical economic transformation					
19	Source funds for implementation of project/programme in support Small Enterprises					
20	Enforcement of municipal bylaws to deal with foreign nationals and vagrants in City					
21	Develop and Implement Red Tape Reduction Programmes					

## 9.2. FINANCIAL PLAN

The Financial Plan reflected in the following table provides an overview of capital and operational budget requirements per institution or service provider over a certain period. The budgets indicated in the table are indicative only. Detail cost estimates can only be made once feasibility studies for the actions have been undertaken that includes the conceptualisation of the designs of the facilities and actions.

Table 12: The Project Financial Plan

No	Description / Type of facility	Nature of the project	Motivation cost	Annual cost
1	To establish a coordinated stakeholders forum in the Municipality for all SMME stakeholders to share their services provided to SMMEs for the improvement of the sector.	Institutional Project	R1 000 for refreshments during the meeting	R3 000 for three meetings p.a.
2	To fill up all vacant posts in the LED Business Unit; provision of an effective budget for the promotion of small businesses;	Institutional Project	R0 since it will be internally undertaken by the Municipal HR	R0
3	To provide extensive SMME development related trainings (SMME coaching, facilitation, mentorship and advisory services) to the current business Unit staff.	Facilitation Project	R3 000 per course	This will be determined by the number of staff in the business unit
4	To facilitate the cooperation and joint ventures for emerging SMMEs to share some costs.	Facilitation Project	R0. This will be part of day-to-day functions of EDTEA One Stop Shop officials and Msunduzi Business Unit	R0
5	Msunduzi business unit and EDTEA one stop shop to facilitate easy access all available sources of funds for SMME development.	Facilitation Project	R0. This will be part of day-to-day functions of EDTEA One Stop Shop officials and Msunduzi Business Unit	R0
6	Msunduzi business unit and EDTEA one stop shop to facilitate easy access to land for SMME development.	Facilitation Project	R0. This will be part of day-to-day functions of EDTEA One Stop Shop officials and Msunduzi Business Unit	R0

No	Description / Type of facility	Nature of the project	Motivation cost	Annual cost
7	Msunduzi business unit, EDTEA one stop shop and FET Colleges to facilitate SMMEs access to: business management, customer care, human resources, financial skills, technical skills, IT and computer-related skills	Facilitation Project	R3 000 per course per SMME	This will be determined by the number of SMMEs to be trained
8	Msunduzi business unit with other stakeholders to organise a small SMME fair like an SMME flea market twice a year mainly in rural areas of the Municipality where SMMEs can access market opportunities and meet with larger businesses to explore outsourcing opportunities;	Capital project	R50 000 per fair and in most cases, 50% of the budget comes from sponsors	This will make R100 000 p.a.
9	Msunduzi business unit to facilitate the participation of SMMEs in provincial/ national/ international initiatives that are being held to expose businesses;	Facilitation Project	R0. This will be part of day-to-day functions of EDTEA One Stop Shop officials and Msunduzi Business Unit	R0
10	Msunduzi business unit to develop and rollout a mentorship programme to assist struggling SMMEs in the Municipality.	Capital project	R 150 000 to develop the programme R 100 000/ Mentor coaching up to 20 SMMEs	R150 000 per mentor coaching up to 20 SMMEs

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No	Description / Type of facility	Nature of the project	Motivation cost	Annual cost
11	Msunduzi business unit to facilitate the establishment of a manufacturing hive for emerging and small-scale manufacturers in the Municipality;	Facilitation Project	R0. This will be part of day-to-day functions of EDTEA One Stop Shop officials and Msunduzi Business Unit	R0
12	Msunduzi business unit to in partnership with the waste management services sun unit, to revise and extend the Waste Management Small Business Development Programme beyond its 2017 deadline.	Facilitation Project	R0. This will be part of day-to-day functions of EDTEA One Stop Shop officials and Msunduzi Business Unit	R0
13	Msunduzi business unit to facilitate and attract more collectors to participate as small businesses in the Kerbside Recycling Programme;	Facilitation Project	R0. This will be part of day-to-day functions of EDTEA One Stop Shop officials and Msunduzi Business Unit	R0
14	Msunduzi business unit to identify 3 sites in townships and develop feasibility assessments for local manufacturing hives;	Facilitation Project	R0. This will be part of day-to-day functions of EDTEA One Stop Shop officials and Msunduzi Business Unit	R0
15	Support Cogta in setting up the Msunduzi Leather Hub.	Capital Project	R1 m for the feasibility study and the identification of a building that accommodates 20 SMMEs	R250 000 for the annual cost to run the Hive

No	Description / Type of facility	Nature of the project	Motivation cost	Annual cost
16	With the support of Small Business Growth Enterprise to undertake the audit of municipal public procurement spend on SMMEs on yearly basis	Facilitation Project	R 250 000	R 250 000
17	Facilitate access for small businesses to the ten set aside products from the DTI:	Facilitation Project	R0. This will be part of day-to-day functions of Msunduzi Business Unit	R 0
18	To lobby for the revision of the bottlenecks caused by the current supply chain management regulations in line with the principles of radical economic transformation	Facilitation Project	R0. This will be part of day-to-day functions of Msunduzi Business Unit	R 0