



SMME SECTOR PLAN

Prepared for



ALFRED NZO
DISTRICT MUNICIPALITY

2012

PLACE OF UNITY IN DIVERSITY

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1 INTRODUCTION

1.1 PROJECT BACKGROUND

Alfred Nzo District Municipality (ANDM) is faced with numerous socio-economic and other developmental challenges. According to the municipality's IDP 2011, the region is characterized by high levels of poverty, unemployment, low levels education and lack of skills. The district is also faced with challenges that relate to an under-developed SMME sector, which is not able to significantly and positively contribute to economic growth and development and the creation of sustainable jobs for the residents of the district.

Due to low levels of development prevailing within the Small, Medium and Micro Enterprise (SMME) sector in ADNM, the district municipality commissioned Gabhisa Planning and Investments (GPI) to develop an SMME Sector Plan. The plan is envisaged to provide a guide in terms of the various types of programmes that may be implemented in order to stimulate economic growth within the SMME sector of the district. The plan is intended to cover all the four local municipalities found within ANDM, namely:

- ⇒ Umzimvubu Local Municipality;
- ⇒ Matatiel Local Municipality ;
- ⇒ Mbizana Local Municipality and;
- ⇒ Ntabankulu Local Municipality.



Figure 1: District Locality Plan

1.2 AIMS AND SCOPE OF WORK

The overall objective of the study is to stimulate economic growth and development where the SMME sector will take the lead in provision of decent and sustainable employment. Following was the scope of work:

- ⇒ Development of a profile of the ANDM SMME sector;
- ⇒ Conduct a needs analysis for ANDM SMMEs;
- ⇒ Development of SMME database for all ANDM SMMEs;
- ⇒ Development of Strategic Development Framework coupled with an Implementation Plan for the development of the SMMEs in ANDM;
- ⇒ Provide for a monitoring and evaluation framework for the implementation of the SMME Sector Plan;
- ⇒ Identification of the existing and the necessary institutional arrangement for the development of SMMEs in ANDM;

⇒ Consideration and documentation of any infrastructure impediments for the SMME development.

1.3 APPROACH AND METHODOLOGY

To achieve the aforementioned scope of work the team adopted the following methodology and approach:

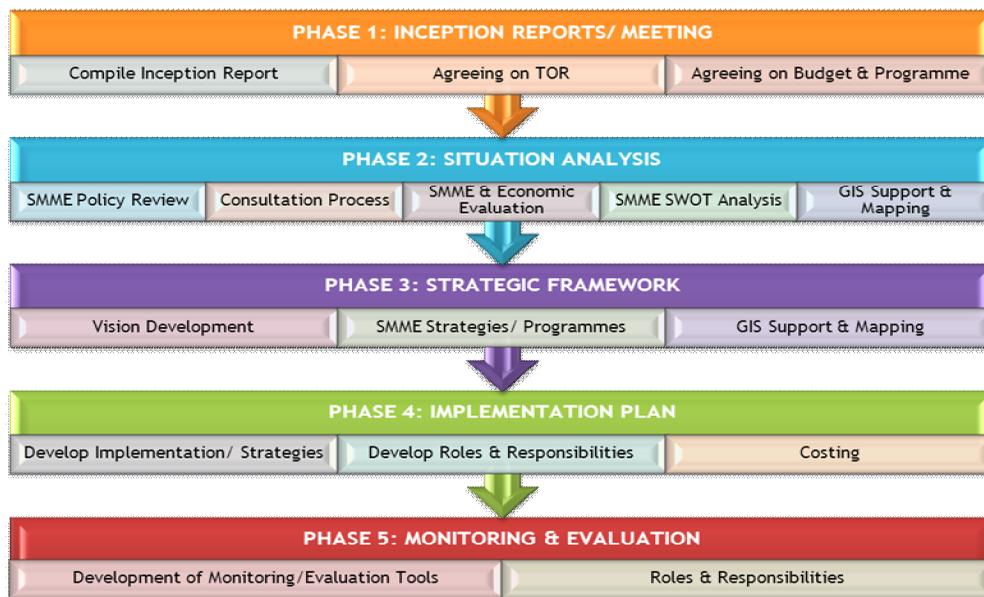


Figure 2: Process outline

2 POLICY AND STATUTORY ISSUES

It is important to understand and develop a Small, Medium and Micro Enterprise (SMME) Sector Plan that is in line with the appropriate policy framework so that the District Municipality can guide or develop the SMMEs within the correct parameters of government focus.

This section provides a summary context for both relevant government policy as well as essential regulatory issues in the SMME Sector.

2.1 A SHORT CONTEXTUALISATION OF SMMES

Various SMME policies note that this sector makes an important contribution to job creation. Thousands more people work from their houses. Common activities are child minding, cooking, manufacturing, and repair work. The majority are likely to be women. There are still strong negative perceptions of SMMEs traders.

Efforts to support the SMMEs are to a large extent fragmented and uncoordinated. The procedures surrounding licensing and permits for street vendors, as an example, are complex, cumbersome, and costly. Even where facilities are provided, the lack of planning about location, security issues, infrastructure, and also the lack of a consistent site allocation policy, means that valuable assets, built by the municipality are being wasted, or are not being used to their best potential. Also, there is limited consultation and participation in developing some of the facilities due to poor organization and representation of SMMEs. In addition, there are often tensions around the status of foreigners seeking to run their businesses in local areas. Relations between formal and informal business people, and between their associations, are not always cordial.

Many people associate street traders with the high crime rate, and with littering. Many of the workers, such as street traders, themselves generate work along a chain of supply and distribution. A great deal of money flows through the SMMEs, and between the formal and informal ends of the economy.

Shopping in SMME outlets is extremely convenient for thousands of commuters and residents. Whether buying mealies and fruit in town, or buying paraffin and candles from spaza shops in residential areas, the SMME operators offer a pro-poor, convenient service to many of citizens.

Home based work is convenient for many women and men, and has increased rapidly in recent years. While most of this work remains invisible, and often generates small incomes, many women find it convenient to be able to combine work and child-caring, and caring for the home.

2.2 EVOLUTION OF SMME POLICY FRAMEWORK IN SOUTH AFRICA

Over the years a number of institutions have developed a limited, often fragmented range of small business-support policies and programmes, some operating in competition with each other, and virtually all of them racially and gender-biased. Following are some of the institutions /agencies that specialized in SMME-support before the new dispensation (1994):

- ⇒ The Small Business Development Corporation (SBDC) which was the first government initiative that established in the early 1980s to support small firms;
- ⇒ **Development Bank of Southern Africa (DBSA)** was established in 1983 to perform an economic development function within the constitutional dispensation which was then transformed during the constitutional and economic dispensation of The Republic of South Africa, 1993 (Act No. 200 of 1993), necessitated the transformation of the role and function of the Development Bank of Southern Africa in order to promote economic development and growth in the Southern African region;

After the new dispensation, the democratic government in 1995 initiated The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa. This was the first major effort by the government to design a policy framework that targeted the entire spectrum of the small enterprise sector.

Below is a range of policies that affect the SMMEs. Of importance is the role and the responsibility of government in the support and development of SMMEs.

2.2.1 THE CONSTITUTION OF SOUTH AFRICA (SA)

Chapter 7 Section 152 (1) of The Constitution of the Republic of South Africa points out the following as objectives of the local government:

- ⇒ To provide democratic and accountable government for local communities;
- ⇒ To ensure the provision of services to communities in a sustainable manner;
- ⇒ **To promote social and economic development;**
- ⇒ To promote a safe and healthy environment; and
- ⇒ To encourage the involvement of communities and community organizations in the matters of local government.

2.2.2 THE WHITE PAPER ON NATIONAL STRATEGY FOR THE DEVELOPMENT AND PROMOTION OF SMALL BUSINESS IN SOUTH AFRICA 1998

The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (1998) recognizes that the small business sector plays an important if not critical role in the economic and social development of a country.

Following are objectives of the white paper:

- ⇒ Create an enabling environment for small enterprises;
- ⇒ Facilitate greater equalization of income, wealth and economic opportunities;
- ⇒ Creating long-term jobs (upgrade the skill level of SMME operators, strengthen the use of appropriate, modern technologies and boost the capacity);
- ⇒ Address the legacy of apartheid-based disempowerment of black business;
- ⇒ Support the advancement of women in all business sectors Stimulating economic growth;
- ⇒ Strengthening the cohesion between small enterprises (networking, thus collective efficiency to compete with bigger firms);
- ⇒ Stimulate sector-focused economic growth;

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- ⇒ Level the playing fields between bigger and small playing fields between bigger and small business as well as between rural and urban businesses;
 - ⇒ Prepare small businesses to comply with the challenges of an internationally competitive economy.

The White Paper identifies the following as constraints on the SMMEs:

- ⇒ The legal and regulatory environment confronting SMMEs;
- ⇒ Access to markets;
- ⇒ Finance and business premises (at affordable rentals);
- ⇒ The acquisition of skills and managerial expertise;
- ⇒ Access to appropriate technology;
- ⇒ The quality of the business infrastructure in poverty areas and;
- ⇒ Tax burden;
- ⇒ SMMEs in rural areas and women are taken as the more vulnerable groups of establishing SMMEs.

The White Paper stresses that support strategies should primarily help the survivalist enterprises a large percentage of whom are women to get out of this sector. Given the large number of people involved in survivalist activities, this constitutes a vast challenge, which has to be tackled within the broader context of the initial policy of Reconstruction and Development. This statement strongly relates to the current situation of Alfred Nzo District Municipal area where a great number of this sector is found. The development of the SMME Sector Plan is a starting point and it responds to this call.

The White Paper has characterized SMME's as follows;

Survivalist enterprises are activities by people unable to find a paid job or get into an economic sector of their choice. Income generated from these activities usually falls far short of even a minimum income standard, with little capital invested, virtually no skills training in the particular field and only limited opportunities for growth into a viable business. Poverty and the attempt to survive are the main characteristics of this category of enterprises.

Micro-enterprises are very small businesses, often involving only the owner, some family member(s) and at the most one or two paid employees. They usually lack 'formality' in terms of business licenses, value-added tax (VAT) registration, formal business premises, operating permits and accounting procedures. Most of them have a limited capital base and only rudimentary technical or business skills among their operators. However, many micro-enterprises advance into viable small businesses. Earning levels of micro-enterprises differ widely, depending on the particular sector, the growth phase of the business and access to relevant support.

Small enterprises constitute the bulk of the established businesses, with employment ranging between five and about 50. The enterprises will usually be owner-managed or directly controlled by the owner- community. They are likely to operate from business or industrial premises, be tax-registered and meet other formal registration requirements. Classification in terms of assets and turnover is difficult, given the wide differences in various business sectors like retailing, manufacturing, professional services and construction.

Medium enterprises constitute a category difficult to demarcate vis-a-vis the "small" and "big" business categories. It is still viewed as basically owner/manager-controlled, though the shareholding or community control base could be more complex. The employment of 200 and capital assets (excluding property) of about R5 million are often seen as the upper limit. In terms of this White Paper we are concerned with medium-sized enterprises which face

2.2.3 THE NATIONAL GROWTH PATH (2009)

The National Growth Path (NGP) of 2009 highlights that the Government is committed to forging a consensus and leading the way by:

- ⇒ Identifying areas where employment creation is possible on a large scale as a result of substantial changes in conditions in South Africa and globally;
- ⇒ Developing a policy package to facilitate employment creation in these areas, above all through;
 - ⇒ A comprehensive drive to enhance both social equity and competitiveness;
 - ⇒ Systemic changes to mobilize domestic investment around activities that can create sustainable employment; and
 - ⇒ Strong social dialogue to focus all stakeholders on encouraging growth in employment-creating activities.

In achieving this, the government amongst other decisions, must prioritize its own efforts and resources more rigorously to support employment creation and equity; business must take on the challenge of investing in new areas; and business and labor together must work with government to address inefficiencies and constraints across the economy and partner to create new decent work opportunities.

As a first step, NGP seeks to prioritize efforts to support employment creation in the following key sectors:

- ⇒ Infrastructure;
- ⇒ The agricultural value chain;
- ⇒ The mining value chain;
- ⇒ The green economy;

- ⇒ Manufacturing sectors, which are included in Industrial Policy Action Plan (IPAP) 2, and;
- ⇒ Tourism and certain high-level services.

The NGP identified the following as the job drivers:

- ⇒ Substantial public investment in infrastructure;
- ⇒ Targeting more labour-absorbing activities across the main economic sectors the agricultural and mining value chains, manufacturing and services;
- ⇒ Taking advantage of new opportunities in the knowledge and green economies;
- ⇒ Leveraging social capital in the social economy and the public services;
- ⇒ **Fostering rural development and regional integration.**

2.2.4 THE INDUSTRIAL POLICY ACTION PLAN (IPAP) 2012/2013 TO 2014/2015

IPAP2012/2013 TO 2014/2015 (popularly known as IPAP20) seeks to scale up key interventions over a rolling three-year period, with a 10-year outlook on desired economic outcomes. Priority reforms include:

- ⇒ Amendment of procurement regulations to designate key sectors for domestic production in relation to public procurement, particularly in relation to public infrastructure expenditure;
- ⇒ Re-orientation of the IDC to provide appropriate financing instruments for priority IPAP and National Growth Path sectors;
- ⇒ Announcement of the Manufacturing Competitiveness Enhancement Programme (MCEP) aimed at upgrading value-adding and labor-intensive manufacturing sectors;
- ⇒ In December 2011 the Minister of Trade and Industry designated the following industries for local procurement :
 - ⇒ Buses;
 - ⇒ Rolling Stock;

-
- ⇒ Power Pylons;
 - ⇒ Canned Vegetables;
 - ⇒ Clothing, Textiles, Leather and Footwear; and
 - ⇒ Set Top Boxes

Funding of R102 billion over the next five years has been earmarked by the IDC for IPAP and NGP sectors, as follows:

- ⇒ R10 billion Job Creation Fund at Prime less 3% over five years;
- ⇒ R25 billion towards 'green economy';
- ⇒ R500 million energy efficiency fund;
- ⇒ R7,7 billion agricultural and forestry value chains; and
- ⇒ R6,1 billion to support companies in distress as a consequence of the global financial crisis.

While IPAP2 introduces key interventions, of particular relevance to SMMEs within the Alfred Nzo district will be that of finding alignment with:

- ⇒ The planned roll-out of the OR Tambo IDZ's Jewellery Manufacturing Precinct in the 3rd quarter of 2012/2013;
- ⇒ 'New' sub-sectors with niche market potential but small-scale production in the agro-processing field;
- ⇒ Development of a small-scale milling industry;
- ⇒ Enhancement of competition in the fruit and vegetable canning industry;
- ⇒ Clothing, Textiles, Footwear and Leather Competitiveness Programme;
- ⇒ Skins and Hides Sub-Sector Development Programme;

- ⇒ Forestry, Timber, Paper and Pulp, and Furniture Programme;
- ⇒ Creative Industries: Crafts and Music.

2.2.5 THE NATIONAL FRAMEWORK FOR LED IN SOUTH AFRICA (2006-2011)

The National LED Framework is guided by 10 principles: Following are some of them:

- ⇒ Through a developmental approach, **Government has a decisive and unapologetic role to play in shaping the economic destiny of our country;**
- ⇒ **Creating an environment** in which the overall economic and social conditions of the locality are conducive to the creation of employment opportunities is the responsibility of Local Government;
- ⇒ **Local Economic Development is an outcome of actions and interventions resulting** from local good governance and the constant improvement and integration of national priorities and programs in local spaces;
- ⇒ **Promoting robust and inclusive local economies** requires the concerted, coordinated action of all spheres and sectors of government centered on the application and localization of the principles espoused in the National Spatial Development Perspective (NSDP);
- ⇒ **Locally owned appropriate solutions and strategies** must emerge to support national frameworks in both rural and urban local spaces and should promote sustainable development and sustainable human settlements.

Following are the objectives of the National LED:

- ⇒ To **shift towards a more strategic approach to the development of local economies** and overcome challenges and failures in respect of instances where municipalities themselves try to manage litany of non-viable projects or startups;
- ⇒ To **support local economies in realizing their optimal potentials** and making local communities active participants in the economy of the country;
- ⇒ To elevate the importance and centrality of effectively functioning local economies in growing the national economy.

2.2.6 ACCELERATED AND SHARED GROWTH INITIATIVE OF SOUTH AFRICA (ASGISA) 2006

The ultimate objective of ASGISA is to halve unemployment and poverty by 2014. The selected interventions (not representing the sum total of governments' responses to issues of poverty and unemployment) are as follows (RSA 2006):

- ⇒ **2nd Economy** Interventions: Priority sectors will have to provide a bridge to the 2nd economy. Continued support for the establishment of SMMEs. Contributions of the Expanded Public Works Programme.
- ⇒ **Infrastructure**: Proposing increased public expenditure that will boost the much needed fixed investment. Also a focus on Maintenance.
- ⇒ **Sector Strategies**: Short term priorities are Tourism and Business Process Outsourcing. Other sectors include biofuels, chemicals, metals and metallurgy, agriculture, agro-processing, creative industries, wood pulp and paper, clothing and textile and durable consumer goods.
- ⇒ **Education and Skills Development**: Addressing the shortage of skills to implement the public infrastructure and private investment programmes.

ASGISA is a national initiative that is supported by the following key groups in the economy:

- ⇒ Business;
- ⇒ Labour;
- ⇒ State-owned enterprises;
- ⇒ Government economic agencies
- ⇒ Entrepreneurs;
- ⇒ And all spheres of government.

ASGISA identified the following six 'binding constraints' which prevent South Africa from achieving the desired growth rate:

- ⇒ **The regulatory environment and the burden on small and medium enterprises (SMEs);**
- ⇒ The relative volatility of the currency;
- ⇒ Barriers to entry, limits to competition and limited new investment opportunities;
- ⇒ The cost, efficiency and capacity of the national logistics system;
- ⇒ Shortages of suitably skilled labour, and the spatial distortions of apartheid affecting low-skilled labour costs;

⇒ Deficiencies in state organization, capacity and leadership.

2.2.7 THE PROVINCIAL SMME STRATEGY – EASTERN CAPE (2011)

The provincial SMME Strategy highlights the following as its objectives:

- ⇒ To **provide for the establishment of appropriate institutional support framework in the Eastern Cape for SMMEs** to be mainstreamed into the provincial economy;
- ⇒ To **provide better access to existing and the development of new SMME support programmes** in the Eastern Cape;
- ⇒ To **create an enabling environment for SMME to thrive** in the province by conducting continuous policy and strategy reviews in the Eastern Cape;
- ⇒ To provide for better collation of information, monitoring and reporting about SMME development in the province through continuous research and knowledge management.

The provincial strategy is guided by the following strategic pillars:

- ⇒ **Strategy Pillar One: SMME Institutional Framework**
 - ⇒ Develop Capacity within DEDEA;
 - ⇒ Establish a Forum for Development Finance Institutions;
 - ⇒ Establish a Provincial SMME Working Group;
 - ⇒ Establish an Enterprise Development Agency in the Eastern Cape;
 - ⇒ Establish an Innovation Hub to enhance product development and manufacturing in the Province
- ⇒ **Strategy Pillar Two: SMME Programme Design and Support**
 - ⇒ Increase Supply of Financial Services;
 - ⇒ Increase Supply of Non-Financial Services;
 - ⇒ Access to Markets through Government Procurement;
 - ⇒ Enhance Access to Markets to Industry Opportunities for SMMEs;
 - ⇒ Increase Access to Franchise Opportunities in the Eastern Cape;
 - ⇒ Skills Enhancement of SMME Owners;

- ⇒ Support to the Informal Sector and Hawkers;
- ⇒ Access to SMME Information.
- ⇒ **Strategy Pillar Three: SMME Regulatory Functions and Services**
 - ⇒ Reduce Small Business Regulatory Constraints and Awareness;
 - ⇒ Capacity Building of Municipality Officials on Regulations affecting SMMEs and how to manage them.
- ⇒ **Strategy Pillar Four: Monitoring and Evaluation**
 - ⇒ Conducting on-going Research about SMMEs in the Province;
 - ⇒ Align and Integrate all the District and Metro SMME Strategies with the Provincial Strategy Framework;
 - ⇒ Developing Knowledge and Information about SMMEs to inform Policy and Programmes in the Province;
 - ⇒ Hosting Annual Conferences, Seminars and Summits on SMME Development in the Province;
 - ⇒ Monitoring and Evaluation of the Implementation of the Provincial SMME Strategy.

2.2.8 THE PROVINCIAL SPATIAL DEVELOPMENT PLAN (PSDP) – EASTERN CAPE 2010

The PSDP points out that the future spatial perspective of the province over the next 15 to 20 years is conceptualized in the context of the Provincial Growth and Development Plan vision of a “**poverty free Eastern Cape**”. Such an intervention is believed to be founded on the ultimate objective of achieving sustainability through achieving a balance between the needs of society (communities) the ecology (nature) and the demands of the economy (capital).

The future vision is underpinned by the following set of broad development codes and overarching core values:

- ⇒ Environmental integrity and sustainability;
- ⇒ Safeguarding all natural resources;
- ⇒ Densification;
- ⇒ Integrated Land Use;
- ⇒ Economy and efficiency of development;
- ⇒ Achieving synergy and linkages between urban and rural areas

- ⇒ Participatory community based planning as a basis of going forward; and
- ⇒ Emphasis being placed on “brownfield” development before adopting “greenfield” development.

2.2.9 EASTERN CAPE RURAL DEVELOPMENT STRATEGY (ECRDS) -

This strategy is presumed to be a sustainable and long-term programmatic intervention in response to rampant poverty in the province. Its objectives are:

- ⇒ To provide a framework for the improvement of rural areas improvement of the quality of life of rural people and exploitation of the comparative advantage of rural areas;
- ⇒ To provide a framework to design interventions;
- ⇒ To reinforce the agrarian transformation and rural development pillar of the PGDP;
- ⇒ To **integrate existing rural development programmes** and propose new ones where gaps exist and;
- ⇒ To provide basis for the establishment of an institutional mechanism to coordinate and implement the strategy.

The strategy is underpinned by the following pillars:

- ⇒ **Building rural productive capability;**
- ⇒ **Co-ordinated area-based planning and development;**
- ⇒ Eradicating infrastructure backlogs;
- ⇒ Improvement of education and health services;
- ⇒ Rural Safety nets;
- ⇒ Sustaining existing livelihood strategies and;
- ⇒ Ecological concerns;
- ⇒ Development of Institutional Capacity (state and non-state);
- ⇒ Transformation of institutional mechanism through which resources are accessed;
- ⇒ Participation by rural people in policy making processes;
- ⇒ Active participation of civil society organizations.

2.2.10 ALFRED NZO DISTRICT GROWTH AND DEVELOPMENT SUMMIT AGREEMENT

In response to the June 2003 National Growth and Development Summit (GDS) and the February 2006 Eastern Cape Provincial Jobs Summit (ECJPS), ANDM hosted a District Growth and Development Summit. The objective of this summit was to mobilize and consult stakeholders for a common growth and development path, and reach broad agreement on a growth and development plan for the district, including identification of areas of priority and areas of potential in the short, medium and long-term.

Following were some of the declarations of the summit:

- ⇒ **Promote business activities;**
- ⇒ Cooperative development;
- ⇒ Facilitate ASGISA interventions
- ⇒ Access to finance;
- ⇒ Commercial development.

2.2.11 ALFRED NZO DISTRICT INTEGRATED DEVELOPMENT PLAN (IDP) – 2012-2013

The vision for the IDP is to “Create a self-sustainable municipality which stimulates socio-economic growth and development by 2014.”

The IDP intends to adopt the conceptual framework by following general concepts and approaches:

- ⇒ Creating an access hierarchy and development structure;
- ⇒ Establishing a service node hierarchy;
- ⇒ Integrating the natural structuring elements;
- ⇒ Identifying potential development focus areas;
- ⇒ Developing relevant social, economic, institutional and environmental strategies supporting the envisaged physical / spatial development.

2.2.12 ALFRED NZO DISTRICT LOCAL ECONOMIC DEVELOPMENT STRATEGY 2003

The vision of the LED Strategy is “to develop a vibrant and sustainable local economy for the benefit of the local population through creating sustainable business growth, infrastructure development and creation of jobs”. The vision is to be realized through the following programs:

- ⇒ Small business promotion, expansion and retention;
- ⇒ Business infrastructure development;
- ⇒ Developing tourism potential, and;
- ⇒ Agriculture revival.

2.3 POLICY IMPLICATIONS

It is clear that the government acknowledges that the SMME sector plays an important if not critical role in the economic and social development of the country. Evidently, over the years government policies have evolved with the primary intention of creating a positive environment that facilitates business growth.

Notwithstanding, the review also demonstrates that the government has encouraged its different tiers to gear their energies and resources towards the development of strategies that embrace and nurture SMME growth and development.

Against this backdrop, the development of SMME Sector Plan by the District Municipality (ANDM) intends to align to these key national and provincial policies through:

- ⇒ Promoting social and economic development as envisaged by the Constitution;
- ⇒ Guiding and creating an enabling environment for small enterprises (White Paper);
- ⇒ Preparing small businesses to comply with the challenges of an internationally competitive economy (White Paper);
- ⇒ Fostering rural development and regional integration (National Growth Path);
- ⇒ Actions and interventions resulting from municipal good governance and the constant improvement and integration of national priorities and programs in local spaces (National Framework for LED);

- ⇒ Continued support for the establishment of SMMEs (ASGISA);
- ⇒ Creating an enabling environment for SMME to thrive (Provincial SMME Strategy - EC);
- ⇒ Promoting business activities (Alfred Nzo District Growth & Development Summit Agreement);
- ⇒ Creating a self-sustainable municipality which stimulates socio-economic growth and development by 2014 (ANDM IDP);
- ⇒ Small business promotion, expansion and retention (AND LED Strategy);

3 DISTRICT CONTEXT

This study is not done in isolation, but forms part of numerous district planning processes and studies. Such studies, particularly the IDP, provide a synopsis of the district socio economic issues. To large degree, the information outlined below was sourced from the district municipal IDP, 2012. The IDP itself acknowledges a range of sources of information, particularly, local municipal IDPs, census and QUANTEC data sources.

3.1 POPULATION AND POPULATION DENSITY

According to the 2007 Community Survey conducted by Statistics South Africa the total population of the Eastern Cape Province is 6, 527 746 people. The following table provides a breakdown of the population per district.

Table 1 population by district municipalities

DISTRICT MUNICIPALITY	DISTRICT POPULATION	OVERALL PERCENTAGE
Cacadu	363 493	5.7
Amathole	1 664 749	25.5
Chris Hani	798 600	12.1
Ukhahlamba	308 364	4.7
O.R. Tambo	1 441 123	22
Alfred Nzo	900 486	14
Nelson Mandela Metro	1 050 927	16
Total	6 527 745	100

Source: Statistics South Africa Community survey 2007

The District IDP indicates that the district local economy is heavily reliant on the Community Services sector which contributes 28% of the Gross Value Adding (GVA) in the District. The second highest contributor to the District's economy is Wholesale / Trade (15% of GVA). This sector is underpinned by the public sector based expenditure through government employment and social grants.

The third highest contributor to the District's economy is Agriculture (12% of GVA) and Manufacturing being the fourth highest contributing 10% to the district economy.

The contribution of the other sectors is very limited with construction contributing only 6%; transport contributing 4% and transport sector contributing 6.4%. This is a reflection of a relatively large number of informal taxi operators in the area.

3.2 INCOME LEVELS

The District IDP 2012 confirms that the income levels are low, with only 6.6% of the economically active population earning more than R1601.00 per month. The majority of the people within the district earn less than R800 per month.

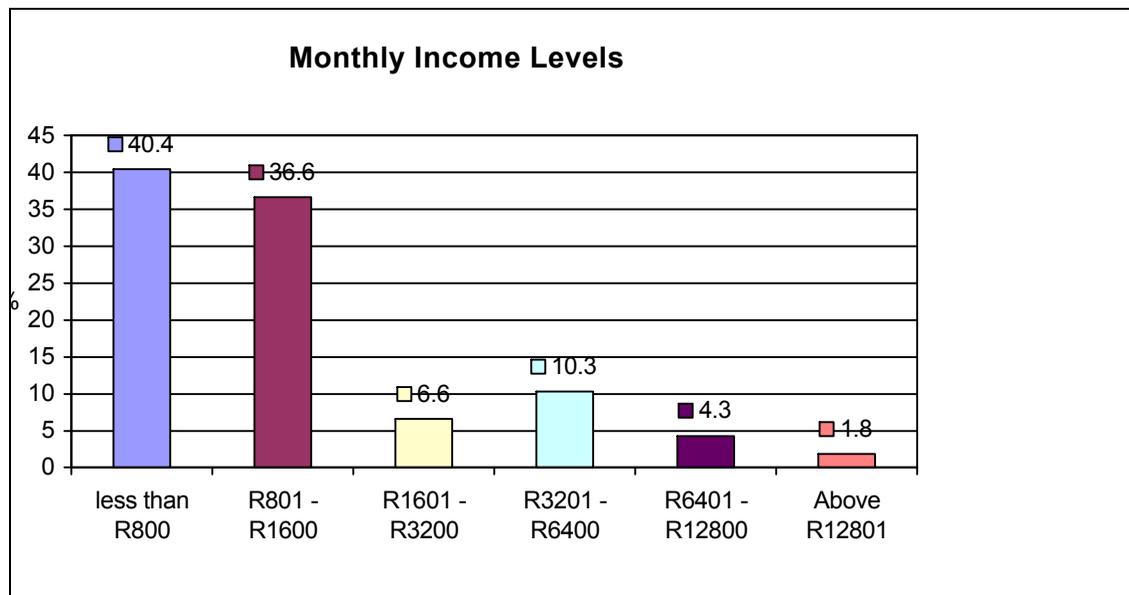


Figure 3: Income Levels

Source: Statistics South Africa: Community Survey 2007

The IDP notes that the absence of a higher income earning class limits the growth potential of the District in that it is this category that usually offers the necessary intellectual and financial capital to support growth.

3.3 POVERTY LEVELS

Here it was noted that increasing levels of absolute poverty have been recorded in the Eastern Cape and 74% of the people of the Eastern Cape live below the poverty line of R800 or less a month). Poverty levels vary according to district but in Alfred Nzo 40.4% of the population live below the poverty line. High poverty levels imply a high dependency on social assistance in the form of grants. Municipal planning needs to focus strongly on poverty alleviation mechanisms.

3.4 EMPLOYMENT LEVELS AND TRENDS

The Alfred Nzo District is characterized by low levels of employment and a high percentage of people who are not economically active. This in turn accounts for the high poverty levels and low income levels. High unemployment rates impact negatively on municipalities as low affordability levels result in a poor payment rate for services.

Only 30.2% of the population of working age (aged 15 to 64) is either employed or seeking employment. This is nearly half the national average and 50% of the provincial average.

The following figure provides an overview of employment levels at district level.

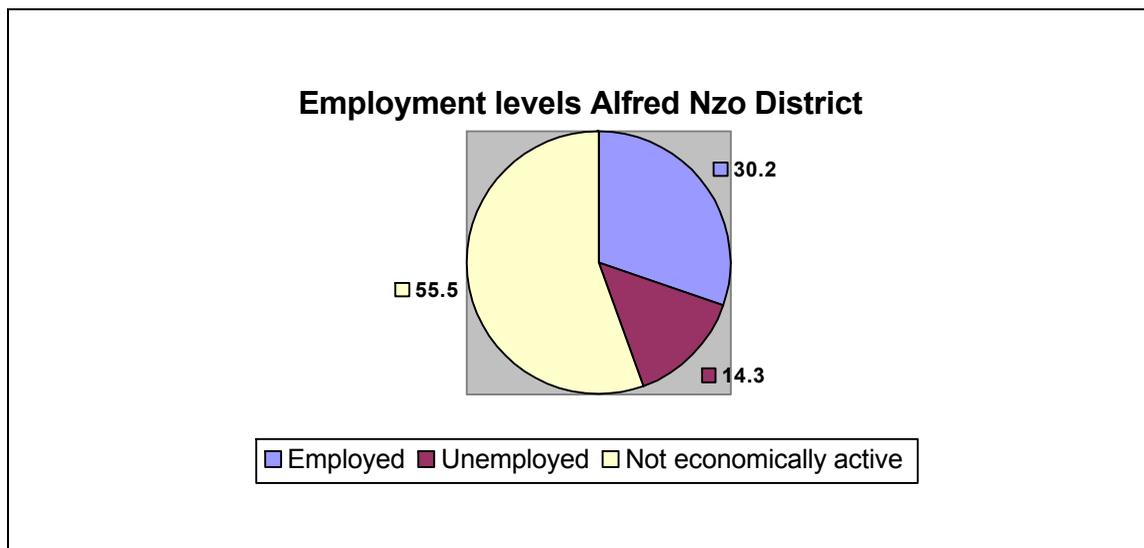


Figure 4: Employment Levels- Alfred Nzo

Source: Statistics South Africa: Community Survey 2007

This trend is broadly reflected at local level with Mbizana Local Municipality having a higher percentage of employment at 34% followed by Matatiele Local Municipality at 25% (employed population) and Ntabankulu and Umzimvubu Local Municipalities both having 22% of employment. Both Ntabankulu and Umzimvubu are having a slight higher percentage 18% of

unemployment compared to the other two local municipalities. All four local municipalities exhibit 56% population that is categorized as uneconomical active. The following figures provide an overview of employment levels at local level.

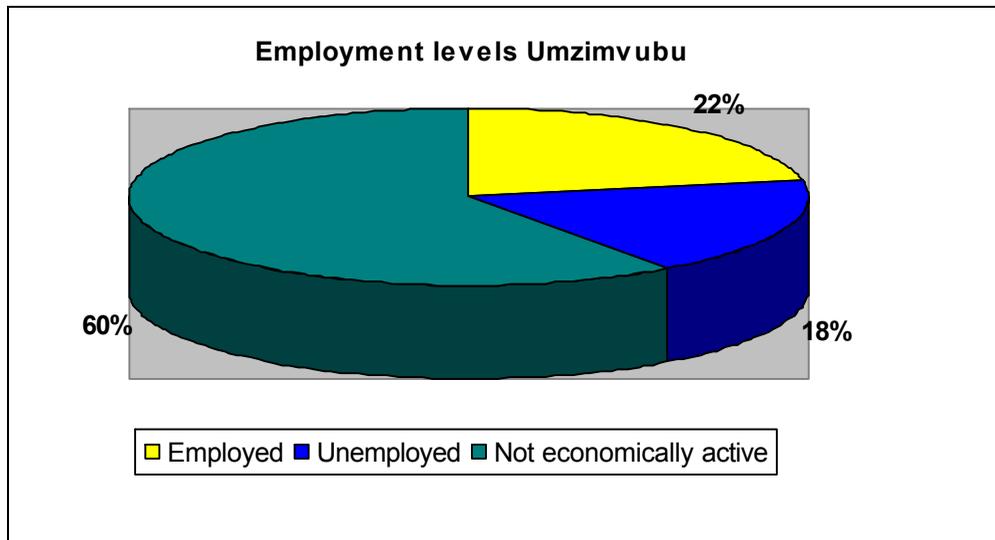


Figure 5: Employment - Umzimvubu

Source: Statistics South Africa: Community Survey 2007

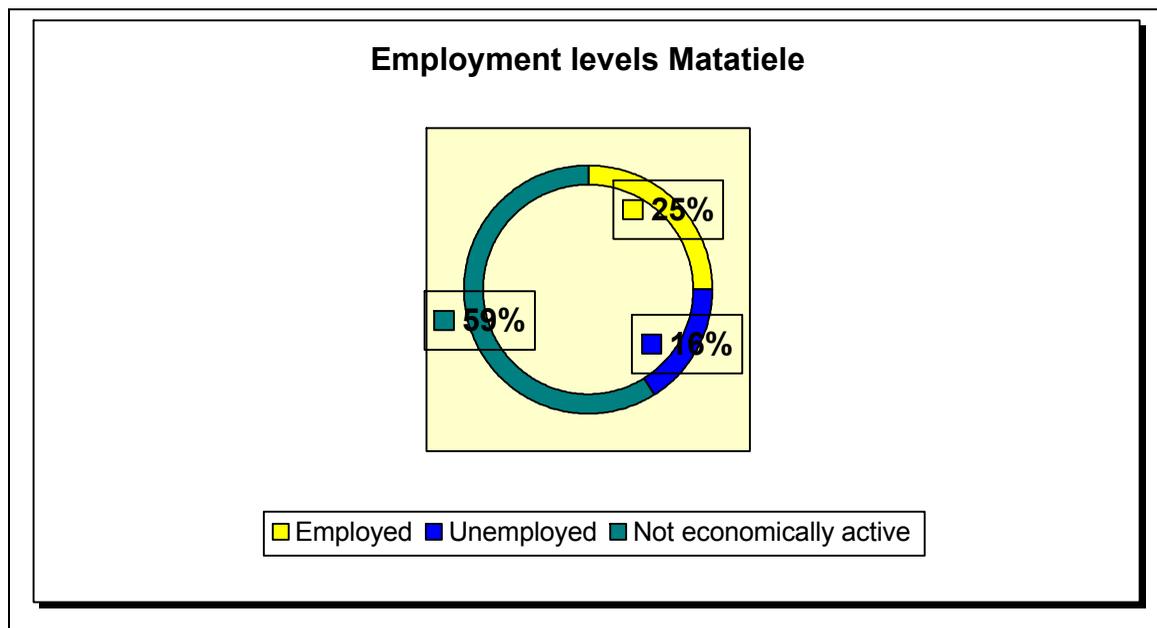


Figure 6: Employment Levels - Matatiele

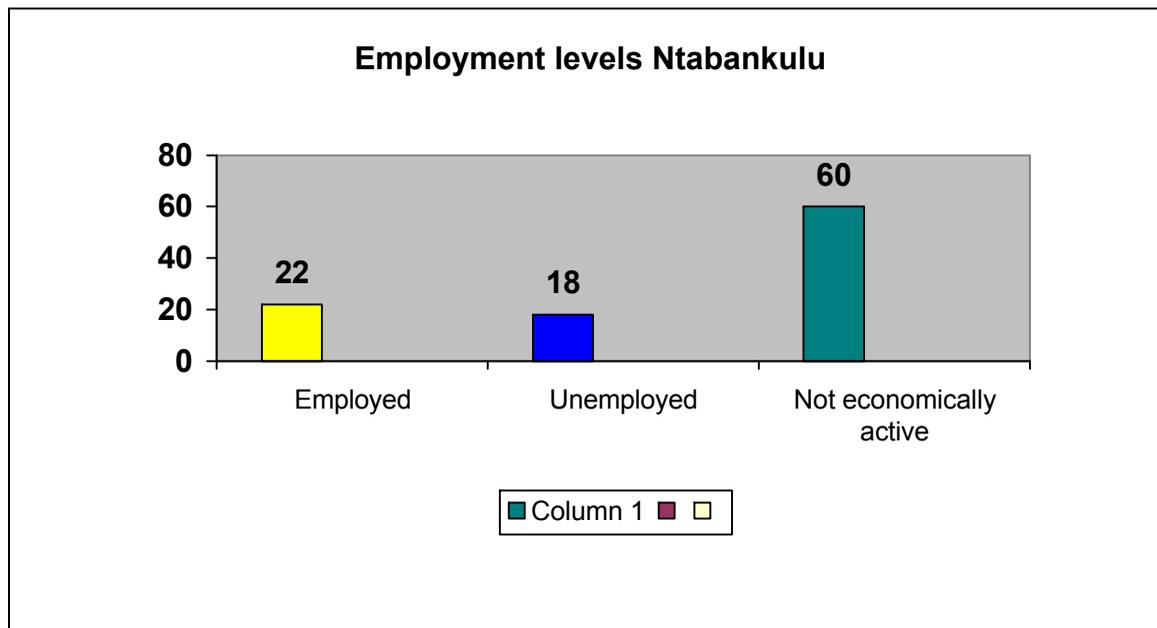


Figure 7: Employment Levels - Ntabankulu

Source: Statistics South Africa: Community Survey 2007

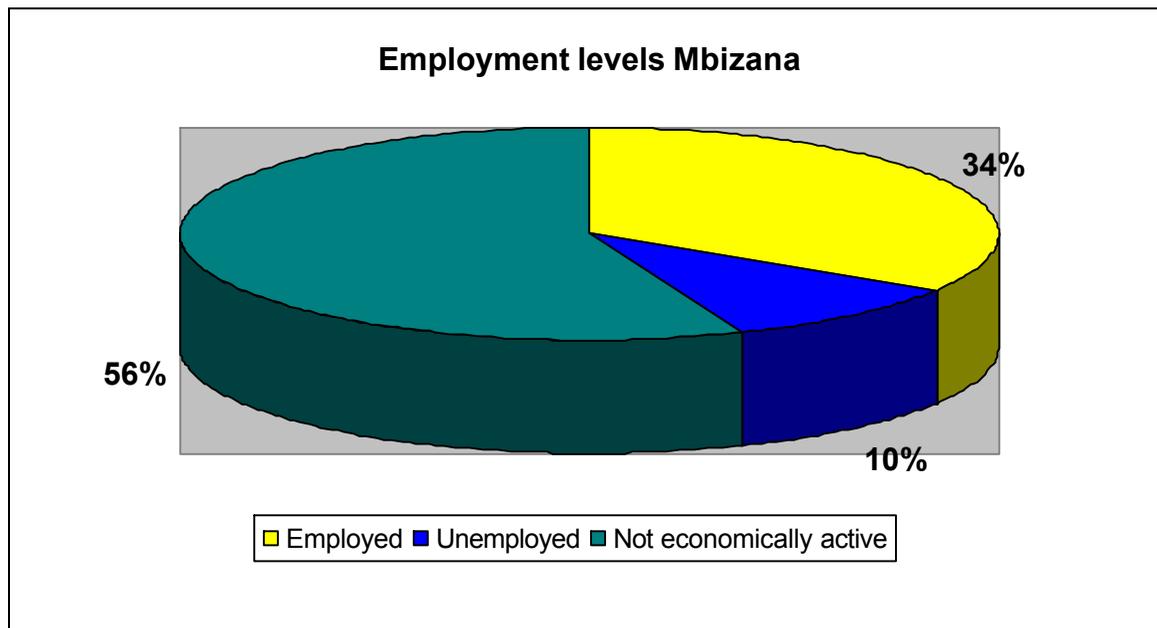


Figure 8: Employment Levels - Mbizana

3.5 SECTORAL OVERVIEW¹

Based on existing economic activity, market opportunities and present resources, assets and skills bases the industries offering the most significant potential include:

- ⇒ Agriculture
- ⇒ Livestock farming
- ⇒ Crop farming and horticulture
- ⇒ Forestry
- ⇒ Manufacturing
- ⇒ Construction and Mining
- ⇒ Trade and Business Services/ICT
- ⇒ Tourism
- ⇒ SMME and Cooperative development

3.5.1 AGRICULTURE

Agriculture is the main economic activity in the District. Currently it is a limited base for economic expansion due to the fact that the majority of farming is traditional subsistence farming. Commercial farming is limited to the Cedarville area in the north east of the District. The district has also embarked on grain production to address high level of poverty in the area, however substantial input is still required in terms of education, training, management, marketing and the development of linkages.

The Department of Agriculture has the following programmes in the District;

¹ ANDM IDP2011- 2012

- ⇒ Siyazondla Homestead Food Production (Green revolution)
- ⇒ Siyakhula Step Up Food production Programme
- ⇒ Massive Food programme (Matatiele only)
- ⇒ Mechanization Conditional Grant Scheme
- ⇒ Mechanization Conditional Loan Scheme
- ⇒ Eastern Cape Communal Soil Conservation Scheme
- ⇒ Land Care Programme
- ⇒ Soil Conservation Scheme
- ⇒ Comprehensive Agriculture Support Programme
- ⇒ Farmer Organization Development
- ⇒ Eastern Cape Livestock Production Improvement
- ⇒ Livestock production Improvement Programme

The following ASGISA initiatives also exist;

- ⇒ ASGISA Bio fuels initiative
- ⇒ ASGISA Massive Food

Agricultural activities in the area include livestock farming (goats, sheep, beef and dairy), crop farming (dry land farming, irrigated crops and horticulture).

3.5.2 LIVE STOCK FARMING

Livestock farming, which is primarily cattle, sheep and goats is very important in the District, but generally provides very low incomes compared to commercial livestock farming elsewhere in the Province. Livestock farming is being supported by the Provincial Department of Agriculture through construction of stock dams, dipping tanks, shearing sheds, fencing (under CASP) and veterinary services etc. The challenge is to increase income from communal livestock farming. An industry action plan would probably include:

- ⇒ Expansion of the effective NWGA model of support
- ⇒ Expand and improve existing programmes designed to facilitate skills transfer between commercial and emerging farmers
- ⇒ Improved Agricultural Extension Services
- ⇒ Improved market access
- ⇒ Middle East goat Market
- ⇒ Building animal feeds industry
- ⇒ Improved veld management
- ⇒ Move to formal land administration
- ⇒ Upgrading access roads/farm logistics

3.5.3 CROP FARMING

Rainfall and soil quality make much of the District suitable for agricultural production. Dry land farming is generally of a subsistence nature, and there are large tracts of uncultivated arable land. There is very good potential for maize, sorghum, wheat, sunflower, hemp, beans, vegetables (cabbages, potatoes, butternut, green pepper and spinach), and deciduous fruits (peaches & apples).

3.5.4 FORESTRY

There are forestry plantations in the District, which are mainly to the north of Mount Frere and south of Mount Ayliff. Approximately 3862 hectares is currently under forestry plantations and an estimated 15000 Hectares of land has been identified as having forestry potential. The National government ASGISA programme has identified forestry development as a key pillar to achieving the economic growth and development targets, and has prioritized forestry as a key sector for support across all tiers of government.

Plantation forestry is the foundation for a number of downstream processing activities including wood chips, saw milling, timber board, charcoal, furniture, pulp and paper. The furniture, pulp and paper industries are at the higher end of the value chain. It is this part of the value chain that will have a huge multiplier effect on the Alfred Nzo District if successfully exploited.

3.5.5 MANUFACTURING

This sector is presently very small in the District and comprises a saw-mill at Mount Ayliff. The sector does have expansion potential including;

- ⇒ Timber-using industries
- ⇒ There are many small-scale garment manufacturers (e.g. occupying old Transido workshop premises) that would benefit from stronger business support.
- ⇒ The existing crafts sub sector is not insignificant. Craft workers would benefit from more support with product development and marketing, and from growth of the tourism industry in the District.
- ⇒ The agro-processing sub sector has the potential to grow on the basis of increasing primary production. Examples include potato processing (chips), maize milling, animal hides, stock feed, peach processing, dairy etc. Umzimvubu Goats has a processing facility in Mount Ayliff comprising holding pens, an abattoir that can handle 40 goats a

day, a meat processing plant, leather tannery and craft production units which directly benefit about 2000 people.

3.5.6 CONSTRUCTION AND MINING

The construction industry in the District is presently small, but has the potential to provide more job opportunities in the future, based on:

- ⇒ Rapidly increasing fiscal allocations for public infrastructure.
- ⇒ The relocation of Provincial Government departments from Kokstad to Mount Ayliff.
- ⇒ Expansion of the EPWP (there needs to be a District EPWP Plan, with an M&E capability).
- ⇒ Increased house-building (human settlements) and retail infrastructure.

3.5.7 SMALL SCALE MINING

Small scale mining is presently restricted to sand mining and quarrying to supply the construction industry, but can be developed into a formalized industry. There are deposits of slate, sandstone, nickel and lime that have been noted for further investigations.

3.5.8 TRADE AND BUSINESS SERVICES / ICT

The five small towns in the District are all commercially busy, but require well-planned physical development to support the growth of the trade sector (formal and informal) and the tourism industry. In particular, the towns' informal sectors display entrepreneurial energy, and deserve better support.

3.5.9 TOURISM

Tourism activities in the District are limited, despite the fact that the District has abundant natural beauty and a diverse array of cultural groups which have strong potential for eco, adventure and cultural tourism. Accessibility to and information on tourist attractions is limited and the urban centres should ideally serve as tourism gateways and information centres. The tourism potential of the area also needs to be linked to other established tourism routes such as the coastal areas and Lesotho.

3.5.10 SMME AND COOPERATIVE DEVELOPMENT

Cooperatives development has largely increased in the district and has afforded the rural poor an opportunity to participate in economic activities. EPWP building methods are also increasingly being utilized in construction by the municipality. Access to micro-credit remains a big challenge to cooperatives and SMMEs.

3.5.11 LOCAL ECONOMIC DEVELOPMENT INITIATIVES AND CHALLENGES

The institutionalization of local economic development comprises two distinctive veins namely a planning component and an implementation component. The Development Planning Directorate undertakes the planning component and the Alfred Nzo Development Agency (ANDA) is responsible for the implementation phase. ANDA is a municipal entity established in terms of the Municipal Systems Act and is accountable to the Municipality.

ANDA is implementing and supporting the following projects;

- ⇒ Agricultural projects including;
 - ⇒ Grain production Programme (ASGISA)
 - ⇒ Livestock and poultry production programmes
 - ⇒ Vegetable production programmes

-
- ⇒ Tourism Development programmes including;
 - ⇒ Msukeni Enterprise
 - ⇒ Ntsizwa Venyane Hiking Trails
 - ⇒ Ongeluksnek Eco Tourism
 - ⇒ Tshisa Hot Springs
 - ⇒ Mehlosing Hiking Trail
 - ⇒ SMME development
 - ⇒ Small scale mining

3.6 DISTRICT ECONOMIC LEAKAGE

The district municipality commissioned a study to understand factors contributing to economic leakage. The results indicated that Kokstad was the most popular outside shopping destination for 25% of all respondents in the areas surveyed. The district's expenditure linkages with KwaZulu Natal province are stronger than those with the Eastern Cape province as Kokstad and Port Shepstone emerged as more frequented shopping destinations than Mthatha, which was considered by fewer consumers.

Variety, price and convenience (in terms of proximity) were seen as the most important factors when deciding where to shop. Proximity to work, child's school and home are important as a potential source of expenditure-related economic leakage whereby: incomes led to a high level of price elasticity for goods and services demand

The survey also concluded that with over a third of households having one or more persons employed outside their locality, if shopping decisions are based on proximity to work, then this will influence leakage. "The importance of convenience shopping is on par with the price of goods. Therefore, the provision and management of retail services close to the homes of residents is a key area of future intervention", the report went further.

A fifth of households have children that attend school outside the district. As such proximity to children's schools was the third most cited factor that attracts residents of the district to their main shopping destination. Quality and variety are causes of potential economic leakage.

Goods for which one considers quality and variety (seen through the percentage of income spent on them) generally have highly elastic demands, which means people's spending on these goods is easily swayed by factors such as variety and quality.



4 LOCAL MUNICIPAL CONTEXT

This section of the report was resourced by various studies undertaken at local municipal level. The information was kindly provided by various local offices.

4.1 UMZIMVUBU LOCAL MUNICIPALITY

The municipal LED highlights that the municipal's Gross Geographic Product (GGP) was estimate at R637 million in 2005 from R296 million in 1996, at current prices. These figures suggest that the municipality has a very low economic base, one of the lowest in the country.



The LED further indicates that the municipal economy is dominated by the Community Services Sector which was estimated at R332 million in 2005. Trade is the second largest contributor to the local economy at R98 million followed by agriculture, forestry and logging at R36 million. Mining and the electricity sectors are the lowest contributors to the local economy in terms of size.

The district IDP (2011/2012) points out the trade sector in this municipality may not expand significantly as commercial and business activities are confined to the urban centres of Mount Ayliff and Mount Frere thus limiting the majority of the rural population from finding work in these sectors. It is noted that business activities in other areas are confined to taverns, rural supply stores and general dealers which do not contribute significantly to the employment level.



Even though it cannot be quantified, it is without doubt that SMMEs play a key role in the economy of Umzimvubu as it was also evident how the streets of Mount Ayliff and Mount Free were occupied by these SMMEs.

Despite Umzimvubu being strategically located (i.e. being along N2) the municipality has to date not fully enjoyed its full potential and opportunities presented by this strategic location. One clear observation is that many motorists that are heading to Mthatha, E. London, Port Elizabeth, Cape Town, etc. stop over at Kokstad for refreshments, meals, rest or refilling their cars instead of Mount Ayliff or Mount Frere which are more conveniently located. This not only denies the municipality an opportunity to increase its money circulation into its economy but also undermines growth of SMMEs. Establishing Mount Ayliff as an 'en-route/stop-over' for the motorists driving to the southern parts of Eastern Cape is likely to catalyse SMME growth and also create value chain opportunities. However a town reorganisation or regeneration that includes landscaping, proper signage, trading stalls may possible play a role in raising the profile of Mount Frere in particular.



Stop over at Kokstad and a Greyhound shop generally preferred by many travellers

Following are the economic opportunities in Umzimvubu that can catalyse SMME growth:

- ⇒ Commercial agriculture and farming (tomatoes, timber, etc.);
- ⇒ Agro-processing;
- ⇒ Crafts and tourism products;

- ⇒ Livestock farming (cattle, goats and sheep);
- ⇒ Poultry farming (layers, broilers, hatchers, chicks);
- ⇒ Potential to develop 'en-route' hub;

Establishing the aforementioned economic activities is a difficult task as following are some of the constraints that undermine development in the area:

- ⇒ Lack of finance within the government and its tiers;
- ⇒ High levels of poverty;
- ⇒ Scarcity of skilled labour;
- ⇒ Few financial institutions;
- ⇒ Poor road network and other economic infrastructure;
- ⇒ Lack of market;
- ⇒ Poor planning and land use;
- ⇒ Economic leakage;
- ⇒ Poor marketing tools.

4.2 MATATIELE LOCAL MUNICIPALITY

According to the municipal LED Strategy, the sectors that make the largest contribution to Matatiele's economy are:

- ⇒ Community, social and other personal services 40.09%;
- ⇒ Wholesale & retail trade; catering and accommodation 19.11%
- ⇒ Finance and business services 17.35%;
- ⇒ Transport and Communication 6.42%;

⇒ Construction

5.14%

The strategy further points out agricultural and manufacturing sectors come sixth and seventh respectively in contributing to the economy of the municipality. As shown in the above percentage breakdown, the LED reveals that agriculture and agro-processing, forestry, tourism, commerce, manufacturing mining and quarrying are among the most important sectors of Matatiele's economy but due to numerous challenges facing each of these sectors, they have not been able to create enough employment opportunities to adequately address poverty and to keep up with the economic needs of local communities.



Matatiele has vast land that is rich for agriculture and tourism. The municipality has a range of tourism potentials that have somewhat influenced the development of bed and breakfast in the area. However, there is still room to improve. Similarly, the vast land parcels present an opportunity to undertake more diversified agricultural activities that are likely to bring about more economic growth and development in the area. Likewise, these potentials if exploited would enhance SMME growth in the area.

The municipal LED highlights that the municipality has potentials for the following economic activities:

- ⇒ Crop Farming (fruits, maize, wheat, sorghum, beans, soya beans, potatoes, butternut, green leafy vegetables (cabbage, spinach, turnip etc.), green, red and yellow pepper, sunflower;
- ⇒ Livestock farming (cattle, goats & sheep);
- ⇒ Poultry farming;
- ⇒ Honey production;

- ⇒ Forestry;
- ⇒ Tourism

Typical constraints affecting the maximum development and growth of the various sectors outlined above include:

- ⇒ Lack of finance within the government and its tiers;
- ⇒ High levels of poverty;
- ⇒ Scarcity of skilled labour;
- ⇒ Few financial institutions;
- ⇒ Poor road network and other economic infrastructure;
- ⇒ Lack of market;
- ⇒ Economic leakage;
- ⇒ Poor marketing tools.

4.3 MBIZANA LOCAL MUNICIPALITY

The gross development product was estimated to be approximately R500 million in 2008². This was a huge improvement from its estimated R300 000 by 2003 largely due to increase per capita growth in retail and domestic services.

The IDP further notes that the government and domestic services are the largest (55%) providers of current employment followed by wholesale/retail at 19% and by finance with 11%. The IDP points out that performance by the primary and secondary economic sectors (i.e. Agriculture, Mining, Forestry, Manufacturing & Tourism) in the economy of Mbizana is evidently weak and therefore poses a sustainability threat to the job market and needs to be thoroughly examined.



SMME particularly those in wholesale and retail have influenced Mbizana in creating job opportunities. Despite the location of the Wild Coast and other tourist attractions, SMMEs have not significantly benefitted from these attractions. The municipality is however constantly involved in various initiatives to unlock this potential for the SMM's. Similarly, agriculture and forestry are other sectors that have potential to enhance SMME growth.

In summary, the LED suggests that Mbizana provides the following opportunities:

- ⇒ Crop farming (potatoes, cabbage, sorghum, dry beans and maize);
- ⇒ Titanium mining;

² Mbizana IDP 2010/11.

- ⇒ Quarries & sand mining;
- ⇒ Clay.

However, the municipality is faced with the following constraints:

- ⇒ Poor land tenure systems;
- ⇒ Lack of water for irrigation;
- ⇒ Lack of skilled labor;
- ⇒ Poor access roads;

4.4 NTABANKULU LOCAL MUNICIPALITY

The Ntabankulu Shift Share Report (2010) indicates that the tertiary sector (wholesale & retail trade, catering & accommodation, transport, storage & communication, finance, community, social & general government) is the largest sector in Ntabankulu Local Municipality's economy, where over four fifths of the local economy consists of the tertiary sector followed by the secondary sector (manufacturing & construction) with 15.2 %. The primary sector (agriculture, forestry, fishing, mining and quarrying) as the smallest generates only 3.5 % of the whole Gross Value Added (GVA). More in detail the three largest segments are "transport storage and communication" (20.1 %), "general government" (18.2 %) and "wholesale and retail trade, catering and accommodation" (17.9 %).



The IDP highlights the following as the municipal's economic resources:

- ⇒ Mining (sand & quarry mining);
- ⇒ Forestry;
- ⇒ Tourism;
- ⇒ Manufacturing (sewing & welding);
- ⇒ Agriculture.

Following are the constraints in Ntabankulu:

- ⇒ Poor access roads;
- ⇒ Lack of skilled labour;
- ⇒ Lack of financial resources.

5 STAKEHOLDER ANALYSIS

5.1 THE STAKEHOLDERS IN THE SMME SECTOR

One of the critical elements in the development of the SMME Sector is coordinated efforts between key stakeholders towards a common vision. Generally, the critical stakeholders in the development of the SMME Sector Plan in Alfred Nzo come from the following areas:

- ⇒ Stakeholders involved in the regulation and ensuring compliance in the business environment;
- ⇒ Development Finance Institutions;
- ⇒ Support Organisations;
- ⇒ Membership Based organisations;
- ⇒ Financiers.

5.2 CRITICAL STAKEHOLDERS IN THE REGULATION ENVIRONMENT

5.2.1 SOUTH AFRICAN REVENUE SERVICES (SARS)

The South African Revenue Service was established by legislation to collect revenue and ensure compliance with tax law.

(a) Description of the Organisation

SARS is basically responsible for:

Revenue Collection

Its main functions are to:

- ⇒ Collect and administer all national taxes, duties and levies;
- ⇒ Collect revenue that may be imposed under any other legislation, as agreed on between SARS and an organ of state or institution entitled to the revenue;
- ⇒ Provide protection against the illegal importation and exportation of goods;
- ⇒ Facilitate trade; and

⇒ Advise the Minister of Finance on all revenue matters.

(b) Facilitate Trade (Customs)

As part of its mandate to support the economy and provide the revenue needed by the government to build democracy, SARS performs several important roles in international and local trade.

In fact, one of SARS' core functions is the provision of a customs service that maximises revenue collection, protects South Africa's borders and facilitates trade by:

- ⇒ Enforcing customs and related trade laws;
- ⇒ Collecting duties and taxes;
- ⇒ Ensuring the social welfare of citizens by controlling the import and export of prohibited and restricted goods; and
- ⇒ Ensuring timeous clearance of goods and facilitating the speedy movement of travellers through South African borders.

SARS, through its Customs division, makes it possible for businesses and individuals to engage in cross-border economic activity in a legitimate and efficient manner.

(c) Relevance to the SMME Sector Strategy

SARS is an important element in the operations and the life of small businesses in South Africa in general. SARS not only gives businesses legitimacy but also serves as a gate keeper in doing business with the Government, State Owned Enterprises and the private sector. Accessibility of SARS services and ease of compliance are the main issues that are key in the development of SMMEs in the Alfred Nzo District Municipality.

(d) Representation

SARS has offices in major parts of the Eastern Cape, including Port Elizabeth, Uitenhage, East London and Mthatha. Entrepreneurs in the district must either use the Mthatha Office or the Port Shepstone Office. Many of them end up using consultants who charge them money for their services.

5.2.2 COMPANIES AND INTELLECTUAL PROPERTY COMMISSION (CIPC)

(a) Description of the Organisation

The newly formed Companies and Intellectual Property Commission (CIPC), herewith referred to as 'the Commission' was established through the amalgamation of the Office of Companies and Intellectual Property Enforcement (OCIPE) and the Companies and Intellectual Property Registration Office (CIPRO). A strategy was developed for the Commission that seeks to assert the Commission as a credible, independent and transparent regulator, on par with the best in the world with the following main functions:

- ⇒ Registration of Companies, Co-operatives and Intellectual Property Rights (trademarks, patents, designs and copyright) and maintenance thereof;
- ⇒ Disclosure of Information on its business registers;
- ⇒ Promotion of education and awareness of Company and Intellectual Property Law;
- ⇒ Promotion of compliance with relevant legislation;
- ⇒ Efficient and effective enforcement of relevant legislation;
- ⇒ Monitoring compliance with and contraventions of financial reporting standards, and making recommendations thereto to Financial Reporting Standards Council (FRSC);
- ⇒ Licensing of Business rescue practitioners;
- ⇒ Report, research and advice Minister on matters of national policy relating to company and intellectual property law.

(b) Relevance to SMMEs

Registration of businesses and disclosure of information are some of the key services that small enterprises are looking at on an on-going basis. The partnership between the CIPC and the Eastern Cape Development Corporation (ECDC) has gone a long way in ensuring accessibility of these services in the Eastern Cape.

(c) Contact Details

- ✓ Services of the CIPC accessible through ECDC offices.

5.3 DEVELOPMENT FINANCE INSTITUTIONS (DFI)

5.3.1 EASTERN CAPE DEVELOPMENT CORPORATION (ECDC)

(a) Description of the Organisation

ECDC carries out its mandate through its Business Units' targeted services and programmes. The following are some of the key Business Units:

Development Investments

This unit focuses on the provision of finance to small to medium enterprise through more progressive methods of risk evaluation, targeting businesses that have headquarters in the Eastern Cape Province. The unit provides short-term and long-term product offering, distinguishing itself as a financial service provider of choice for initiatives that bring a meaningful development impact to the Eastern Cape economy.

Investment Promotion

The ECDC Investment Promotion Programme, located in East London, focuses on local or foreign medium to large investors who would like to take advantage of the Eastern Cape's compelling proposition in making their investments decisions. The programme has assisted many investors with identifying and accessing business opportunities within the key sectors of the provincial economy. These investors have leveraged excellent returns on their investments and are enjoying the benefits of investing in a province characterized by positive economic growth.

Trade Promotion

The ECDC Trade Promotion Unit located in Port Elizabeth and East London focuses on export-ready small to medium sized Eastern Cape exporters, particularly previously disadvantaged individuals, to access the opportunities provided by offshore markets. The unit has assists various businesses access global markets, throughout the province, which have now built profitable and sustainable relationships with their foreign trade partners.

Enterprise Development Services

The focus of this unit is on the provision of skills development support, business advice, information technology support, product and market development and business linkages. The Enterprise Development Programme ensure that small to medium enterprises gain access to business support services provided by its highly qualified staff. Although these services are non-financial in nature, they are often sector and demand-led and necessary in order to be successful in the chosen sector of the entrepreneur.

Project Development

The unit has helped businesses establish pilot projects that are of a strategic nature, are sustainable and which will serve to generate economic activity. The unit recognises that business ideas need to be nurtured in order to become viable. The unit provides advice on how to go about establishing projects and consider funding various business-related studies in the form of business plans, feasibility studies and environmental impact assessments.

Property Management and Development

The unit provides small, medium, micro enterprise or labour intensive companies with suitable industrial and commercial premises. ECDC's Property Management Unit offers small to medium enterprise suitable premises at affordable rates through its diverse and substantial property portfolio.

Spatial and Rural Projects Unit

The unit works with entrepreneurs and enterprises Interested in unlocking investment opportunities in the Eastern Cape's rural areas more especially the former Ciskei and Transkei areas. The Rural and Spatial Programmes Unit assists initiatives or projects that focus on strategic economic development clusters in the province.

(b) Relevance to SMMEs

ECDC is an important instrument of the provincial government that seeks to provide transversal solutions to respond to the unique challenges and requirements of SMMEs in the province.

(c) Contact

The ECDC is represented within the District through a District Office.

5.3.2 INDUSTRIAL DEVELOPMENT CORPORATION (IDC)**(a) Description of the organisation**

Established in 1940 as a national development finance institution set up to promote economic growth and industrial development whose primary objectives are to contribute to the creation of balanced, sustainable economic growth in South Africa and on the rest of the continent.

The IDC promotes entrepreneurship through the building of competitive industries and enterprises based on sound business principles. The aim of the IDC is to be the primary source of commercially sustainable industrial development and innovation to benefit both South Africa and the rest of Africa.

Core strategies of the IDC include:

- ⇒ Serving as a catalyst for balanced, sustainable development;
- ⇒ Identifying and supporting opportunities not addressed by the market; and
- ⇒ Providing risk capital in partnership with the private and public sector.

(b) Relevance to SMMEs

The IDC is one of the main Development Finance Institutions (DFI) institutions active in the Eastern Cape, providing financial support through a range of innovative products and solutions that are supported by sector knowledge and expertise with financial products mainly targeting projects that require in excess of R 1 million.

(c) Contact

The IDC has an Office in East London in the province.

5.3.3 NATIONAL EMPOWERMENT FUND (NEF)

(a) Overview of the organisation

The NEF's role is to support Broad-Based Black Economic Empowerment (BB-BEE) by anticipating future funding and investment requirements to help black individuals, communities and businesses achieve each element of the Codes of Good Practice. These include a focus on preferential procurement, broadening the reach of black equity ownership, transformation in management and staff and preventing the dilution of black shareholding.

The NEF differentiates itself not only with a focused mandate for BB-BEE, but by also assuming a predominantly equity-based risk to maximise the Empowerment Dividend. Reward should balance the risk with the application of sound commercial decisions to support national priorities and government policy such as the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) or targeted investments through the Department of Trade and Industry's (the DTI's) Industrial Policy Framework (IPF).

The work of the NEF therefore straddles and complements other Development Finance Institutions (DFIs) by allowing the organisations to work in close collaboration in the promotion of BB-BEE. With them, the NEF can enhance other DFIs and their mandates by sharing its specialist sector expertise and knowledge of BB-BEE.

The NEF implements its mandate in three ways:

ASSET MANAGEMENT

By structuring accessible retail savings products for black people through its Asset Management Division, which is a custodian of certain equity allocations in State-Allocated Investments (SAIs), the NEF aims to foster a culture of savings and investment among its beneficiaries.

FUND MANAGEMENT

Fund Management, as a facilitator of the Codes of Good Practice of the Broad-Based Black Economic Empowerment Act (the Codes), supports the pillars of black enterprise by providing financial and non-financial solutions across a range

of sectors to black empowered businesses, for start-up, expansion and equity transformation purposes.

STRATEGIC PROJECTS FUND

As a leader in venture capital finance which allows entrepreneurs to participate in projects that are at an early stage within sectors identified by the RSA government as key drivers to the economic growth of South Africa. The fund also provides project finance and private equity in these projects once they are regarded as bankable.

(b) Relevance to SMMEs

The NEF is an important stakeholder in the SMME sector more especially in relation to the need to broaden the participation of Black people in meaningful economic opportunities.

(c) Contact details

The NEF has recently opened an office in the Eastern Cape Province based in East London with a clear intention of targeting rural development in areas that are not located in economic centres like the areas of Alfred Nzo District Municipality.



5.4 SUPPORT ORGANISATIONS

5.4.1 SEDA

(a) Description of the organisation

Small Enterprise Development Agency (SEDA) was established in December 2004 as an agency under the Department of Trade and Industry (DTI). The establishment was done by merging three organisations; Ntsika Enterprise Promotion Agency, National Manufacturing Advisory Centre (NAMAC) and the Community Public Private Partnership Programme (CPPP). The GODISA Trust and the Technology Programmes were integrated into SEDA in April 2006, becoming SEDA Technology Programme (STP).

SEDA provides business development and support services for small enterprises through its national network in partnership with other role players in the small enterprise support. SEDA also implements programmes targeted to business development in areas prioritised by the Government. SEDA seeks to be the centre of excellence for small enterprise development in South Africa by developing, supporting and promoting small enterprises to ensure their growth and sustainability in coordination and partnership with other role players.

(b) Relevance to SMMEs

SEDA provides comprehensive support services to the SMME sector more especially those services that can improve the ability of SMMEs to access finance or improve the probability of success of the enterprise after financial support.

(c) Contact Details

SEDA is represented within the district through an office in Mount Ayliff.

5.5 MEMBERSHIP BASED ORGANISATIONS

5.5.1 NAFCOC

(a) Description of the organisation

The National African Federated Chamber of Commerce and Industry (NAFCOC) is an independent and non-profit business support organisation primarily, but not exclusively, serving the black community.

Its main objective is to promote and encourage the development of black business in South Africa and thereby draw the black majority into economic activity and decision making.

It aims to promote a spirit of co-operation and unity among black business people, to encourage self-help in the black community and full participation in the economy of the country. The organisation has a membership of more than 156 000 concentrated in the merchandising, building, transport, agriculture, services, manufacturing, mining, security, retail and informal sectors of the economy.

The organisation has relations and is represented in:

- ⇒ Domestic and Multi-National Corporations;
- ⇒ SA Chambers of Commerce;
- ⇒ Government Organisations;
- ⇒ National Forums;
- ⇒ International Donor organisations;
- ⇒ Member of Black Business Council (BBC);
- ⇒ Black Business Support organisations in the Southern African Development Community (SADC) Countries.

(b) Relevance to SMMEs

NAFCOC is one of those organisations that are a voice of SMMEs and Black Business in South Africa. NAFCOC is now developing programs that seek to use the collective power of its membership to ensure sustainability of the businesses of its members including

innovative merchandising solutions for retailers, discounted products in certain organisations and strategic investment instruments (including a property company).

(c) Contact details

NAFCOC is very active in the province with representation in local municipal areas.

5.5.2 BLACK MANAGEMENT FORUM (BMF)

(a) Description of the organisation

The BMF is a non-racial, thought leadership organisation founded in 1976, with the main purpose of influencing socio-economic transformation of our country, in pursuit of socio-economic justice, fairness and equity. The BMF continues to be vocal on these aforementioned matters and has been keeping Corporate South Africa in check and encouraging participation of the broader South African stakeholders.

The organisation stands for the development and empowerment of managerial leadership primarily amongst black people within organisations and the creation of managerial structures and processes, which reflect the demographics, and values of the wider society. Whereas the BMF is not political, it is non-partisan. The BMF is however not neutral on matters of transformation- it is decidedly pro-transformation.

The BMF seeks to be the foremost organisation in the development of managerial leadership and advancing socio-economic transformation of organisations in Southern Africa and beyond through the development and empowerment of managerial leadership primarily amongst black people within organisations and the creation of managerial structures and processes which reflect the demographics and values of the wider society.

(b) Relevance to SMMEs

One of the major constraints in the development and growth of SMMEs in South Africa is managerial capacity within SMMEs. The BMF is an important stakeholder in responding to this challenge.

(c) Contact details

The BMF is represented in the Province with branches in the major areas of the province.

5.5.3 THE FOUNDATION FOR AFRICAN BUSINESS AND CONSUMER SERVICES (FABCOS)

(a) Description of the organisation

FABCOS is one of 4 national member-based business chambers in South Africa. Its uniqueness lies in its focus on township and rural-based formal and informal businesses, its financial independence and the fact that it operates a number of companies as a means of intervening directly and practically for the benefit of its members. FABCOS is a member of Business Unity South Africa (BUSA).

The chamber was founded in 1988 by the following visionary business leaders: James Ngcoya, Dr Ellen Kuzwayo, Joas Mogale, Andrew Lukhele, Jabu Mabuza, Sam Tuntubele, Zithulele ("KK") Combi, Knox Tsotsobe and current Chairman of the Board of Patrons Sam Buthelezi. They understood that with political liberation imminent, black business people from the informal sector would require organization and proper representation to ensure that the political transformation for them would result in tangible economic improvements.

The Founding Vision of FABCOS at the time was, and still remains, “to ensure that informal black business becomes part of the mainstream of the South African economy”. FABCOS prides itself as an organization that has secured and continues to achieve real empowerment for its members in ensuring through economic activism that its members are not reliant on employment or hand-outs but rather that they do things for themselves, hence its current theme “Beyond Empowerment ... SIYAZENZELA”.

(b) Relevance to SMMEs

FABCOS has established a number of innovative products for its members that have a potential to support and facilitate the growth of SMMEs more especially given the fact that these programs are also well targeted in terms of sectors.

(c) Contact details

FABCOS is well represented in the grass roots with its sector associations represented within the District Municipality. In particular the following sector associations are active in the municipalities of the province:

- ⇒ ABA: African Builders Association;
- ⇒ AFASA: African Farmers Association;
- ⇒ AHBASA: African Hair and Beauty Association of SA;
- ⇒ NTSA: National Traders Association of SA; and
- ⇒ SATA: SA Taverners Association.

5.6 ACTIVE STAKEHOLDERS IN THE DISTRICT

The list of stakeholders is by no means exhaustive but the prior section has focused on stakeholders that are more critical for the survival of SMMEs within the District and the Province. Nonetheless, not all the above stakeholder have played key roles in the SMMEs in Alfred Nzo District. This report deems it prudent to provide an overview of the active stakeholders that operate in the district. This list however, excludes the District Municipality and its family municipalities. Following table stipulates some of the stakeholders that were interviewed and have been actively involved in SMMEs development. The table provides some of the roles in relation to SMME support.

Table 2: District Stakeholders

STAKEHOLDER	SUPPORT ON SMMEs / ROLES
Eastern Cape Development Cooperation	<ul style="list-style-type: none"> ✓ Capacity building for SMME's, ✓ Accommodation establishment; ✓ Sourcing funding for SMMEs; ✓ Provide Technical Support (Training); <p>Provide Marketing for SMMEs</p>
Department of Economic Development, Environmental Affairs & Tourism	<ul style="list-style-type: none"> ✓ Cooperatives registration ✓ Prepare Business profiles/ plans ✓ Referral to SEDA- LED identify gaps- link to LRED funding ✓ Enterprise section formalize co-operatives ✓ Fund infrastructure & machinery ✓ Intervene on possible hindrances faced by SMMEs ✓ The ECPTA do project packaging for projects at between R500k- R6mil
Eastern Cape Tourism Board	<ul style="list-style-type: none"> ✓ Provides mentorship; ✓ Provides marketing support;

Small Enterprise Development Agency	<ul style="list-style-type: none"> ✓ Provide training & mentorship on SMMEs; ✓ Assist SMMEs in preparing business plans
Department of Agriculture	

Through the interview process, the team gathered these stakeholders share the following common challenges:

- ⇒ Poor institutional arrangements as there is a fragmentation of stakeholders and not collectively working together;
- ⇒ Some government officials “own projects” which results in no local stakeholder involvement/ engagement hence unable to support fully;
- ⇒ Sustaining LTO’s is a serious challenge;
- ⇒ Political interference which impedes development;
- ⇒ Poor economic infrastructure (roads, etc.);
- ⇒ Lack of understanding of SMMEs as a business by community.

5.7 THE ROLE OF LOCAL GOVERNMENT IN THE DEVELOPMENT OF SMME’S

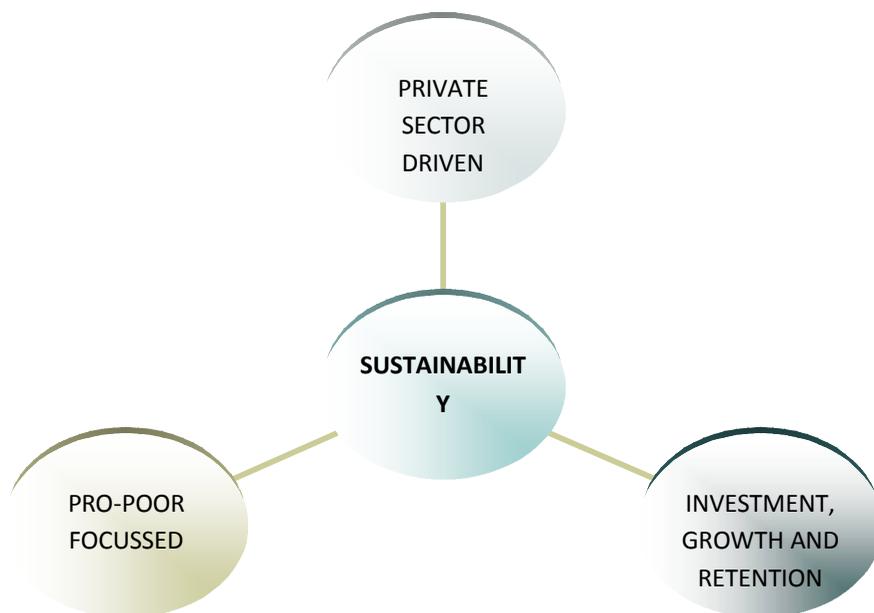
The roles of various spheres of government are clearly defined in various Treasury championed legislation e.g. the MFMA, PFMA, etc. The Municipal Systems Act also provides necessary parameters on the role of government. Here it is not the intention to delve in such legislative parameters but merely amplify the role that municipalities can play to promote SMME development. This is quite crucial as in some instances certain local government structures are easily entangled in private public initiatives.

Traditional approaches to economic development tended to be narrowly conceived. As an example an exclusive investment focused approach employed strategies only aimed at investment partnerships, product marketing, incentives etc. Whilst putting in place appropriate strategies tends to bear positive results in this approach, the effect is usually

labour exploitation, resources exploitation, and lack of beneficiation and informal sector friendly environment.

The other extreme approach in economic development is a public sector driven approach, which tends to be exclusively focused on community development, at the expense of economic growth. Typical strategies here tend to include community development programmes, welfare type programmes, labour intensive initiatives etc. Clearly the shortfall of this approach has always been sustainability of these programmes, as they tend to rely on on-going public sector investment.

An approach being advocated in this study is rather an integrated and balanced one. In this approach partnership between private and public sector ensures beneficiation, training and support programmes for the informal sector in the course of implementing large-scale private initiatives.



As illustrated in foregoing discussion, the municipality has various functions to fulfil in promoting the economic development in its area of jurisdiction. These roles include:

-
- ⇒ Coordination
 - ⇒ Facilitation
 - ⇒ Stimulation
 - ⇒ Entrepreneurial development

The **coordination role** calls for interaction with other role players particularly the private sector, community initiatives, provincial and national departments as well as other service providers. On the one hand the private sector, community initiatives accommodate identified economic opportunities whilst the provincial and national departments and other service providers can assist in funding these programmes.

With regards to **facilitation role** the main thrust is providing a conducive environment in which past imbalances are addressed. The municipality needs to promote and implement inter alia, pro- informal sector programmes that would result in better access to formal markets.

With regards to a **stimulator role** the municipality needs to consider and promote investment programmes that will attract investment through infrastructural development, incentives, training, etc.

Just as in the case of stimulator role in **entrepreneur and developer function** it is intended that the municipality is involved in programmes which will have spin off effect for further investment. In this role the municipality may be directly involved in certain initiatives, thereby ensuring investor confidence in initiatives.

6 VALUE CHAIN ANALYSIS

In many sectors, particularly established sectors within the district, lies a range of opportunities for participation and development of SMMEs. This section will unpack few current projects that could be used, with a degree of guidance and support, to create further opportunities for SMM's

As a way of context the following table highlights various sectors and associated opportunities for SMMEs.

CLASSIFICATION IN TERMS OF THE NATIONAL SMALL BUSINESS ACT	EXAMPLES OF SMMEs
Agriculture, forestry and fisheries	Subsistence farmers Small scale and emerging farmers (including animal husbandry, field crops and forestry) Anglers and marine resource harvesters
Mining and Quarrying	Clay mining , Sand mining
Manufacturing	General sewing and clothing makers, block makers, wire workers, Craft (bead) makers, welders, Shoe makers, woodworkers
Electricity, Gas and Water	Informally operating electricians, plumbers, repair welders.
Catering, Accommodation and other Trade	Tourist accommodation, Tour guides, Caterers, Shebeen owners, chauffeurs
Transport, Storage and Communications	Independent taxi drivers Bush mechanics, informal courier services.
Finance and Business Services	Stokvels, informal loan businesses.
Community, Social and Personal Services	Garbage pickers, Card board collectors, Child carers, Health advisors and caretakers, Traditional healers, Hair dressers, Domestic workers, Landlords

Construction	Small scale cooperatives and community groups undertaking road repairs Painters, tillers and plasterers, glazers, Builders, Block makers
Retail and Motor Trade and Repair Services	Perishable food sellers, Second hand /promotional clothes dealers, Fruit sellers Spaza shop owners, Mr. Phone dealers, Drum sellers, Muthi traders, Craft (bead) sellers, Chicken sellers, Vegetable sellers, Meat/ Mielie cookers, Bovine head cookers and traders
Wholesale Trade, Commercial Agents and Allied Services	No activities identified

6.1 EMERGING MAIZE FARMING COOPERATIVE

6.1.1.1 MAKHOSI MILLING

One of the emerging maize farming projects in the district is Makhosi Milling. The project started in 2004 and became a cooperative in 2008. There are 5 members in the co-operative. The cooperative is currently in the process of purchasing an existing mill called Mafutha Milling. Funding of approximately R12million has been secured to pay off the milling company.



Part of the land that was allocated to the co-op and the milling on the right

Currently, the cooperative has not started its operation in terms of planting and milling maize. However, it foresees the operation to start in the near future.

Nonetheless, following are some of the challenges that it has faced:

- ⇒ Long process to secure funding;
- ⇒ Not sure where to get information on funding and business support/assistance;
- ⇒ Lack of land as most of it is owned by municipality and private people;
- ⇒ Lack of skills.

If these two projects become a success and operate fully they are likely to impact greatly in the economy of Matatiele and a good possibility for major economic spin-offs to other members of the community. For instance, the poultry project is likely to trigger a whole range of value chain activities. Diagram 3 illustrates the key possible value chain for this project:

6.2 FORESTRY

The district has a number of forestry plantations mainly found in the north of Mount Frere and south of Mount Ayliff. It is estimated that 3 862 hectares is currently under forestry plantations and an estimated 15000 Hectares of land has been identified as having forestry potential. The largest plantations in the District are the Ntabana (1 049ha) and Amanzamyama (1 007ha) forests.

ASGISA programme has identified forestry development as a key pillar to achieving the economic growth and development targets, and has prioritized forestry as a key sector for support across all tiers of government. It is noted in the IDP that the District Municipality is working closely with ASGISA to develop this sector. It is indicated that pine, gum, wattle, and hardwoods are all feasible. A medium sized sawmill exists in Mount Ayliff and a number of small scale saw millers exist in Mount Frere. Nonetheless, the approval or issuing of forestry licences is still a major challenge within the District.

Plantation forestry is the foundation for a number of downstream processing activities that can catalyse SMME growth. These activities include:

- ⇒ Wood chips;
- ⇒ Saw milling;
- ⇒ Timber board;
- ⇒ Charcoal;

-
- ⇒ Furniture;
 - ⇒ Pulp and paper.

Furniture, pulp and paper industries are at the higher end of the value chain. This portion of the value chain has a considerable multiplier effect on the Alfred Nzo District if successfully exploited.

6.3 LIVESTOCK

Livestock farming (i.e. cattle, sheep and goats) can be a very important economic activity in the District. Currently, the sector generally provides very low incomes compared to commercial livestock farming in other areas outside the district. Most of the livestock farmers in the district practice small scale livestock keeping. The challenge is to increase income from communal livestock farming. Like forestry plantation, livestock farming has number of downstream processing activities. Some of downstream activities animal feeds, abattoir, butcheries, shisa nyama, leather apparels, wool. Following diagram elaborates on the possible value chain opportunities for diary:

Value Chain – Dairy Products

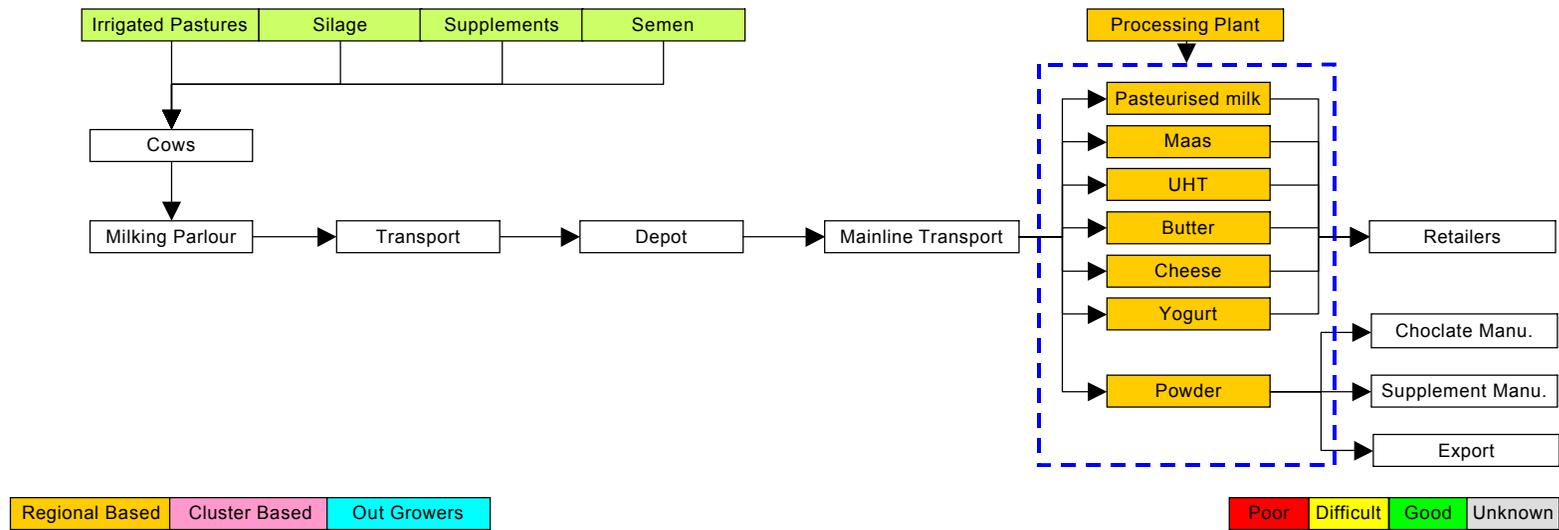


Diagram 2: Adopted from Value Chain Report³

³ Value chain report on dairy project by James Greig (2006)

6.4 POULTRY FARMING

6.4.1 KHUTHULANI POULTRY PROJECT

Poultry farming is also common in certain parts of the district. In Matatiele Municipality there is a successful cooperative that operates poultry farming. The organization is made up of 6 members (4 women and two men). It was established in 2004 as basic subsistence farming cooperative. In 2006 the organization was funded R750 000 by the Department of Social Development and built 3 chicken houses/structures. Due to a whirlwind in 2008, the structures were destroyed and significant stock lost. The Department of Social Development resuscitated the project with a further R375 000 for one building. In 2010, another tornado hit the area and destroyed the buildings once again. DEDEA via the Matatiele Local Municipality gave the project R2.6million of which R1.3million was used as first tranche to resuscitate buildings.



New building funded by DEDEA and further end is the old one that house chickens seen on the next photo

Currently the organization has 238 layers and 86 broilers. 400 broilers are with the supplier as there is no room to stock them and the new building has some functionality issues/problems.

The cooperative is facing the following challenges:

- ⇒ Unavailability of layers (can only be purchased in PMB);
- ⇒ The control of funding/finances by the municipality proves quite problematic as needs of organization remain unmet;
- ⇒ Lack of abattoir;
- ⇒ Political Interference;
- ⇒ There is a delay in the process of building another structure which hinders growth;
- ⇒ Lack of training in areas like pricing of their goods, management, finance, i.e.: a simple balance-sheet

If this project is managed properly and essential support is provided, then there are great prospects. The district can use it as a model to roll it to other favorable areas. The poultry project can work hand in hand with the maize farming and likely to offer a diverse value chain. The diagram following illustrates the possible value chain that project might provide.

Value Chain – Poultry & Maize Farming Projects

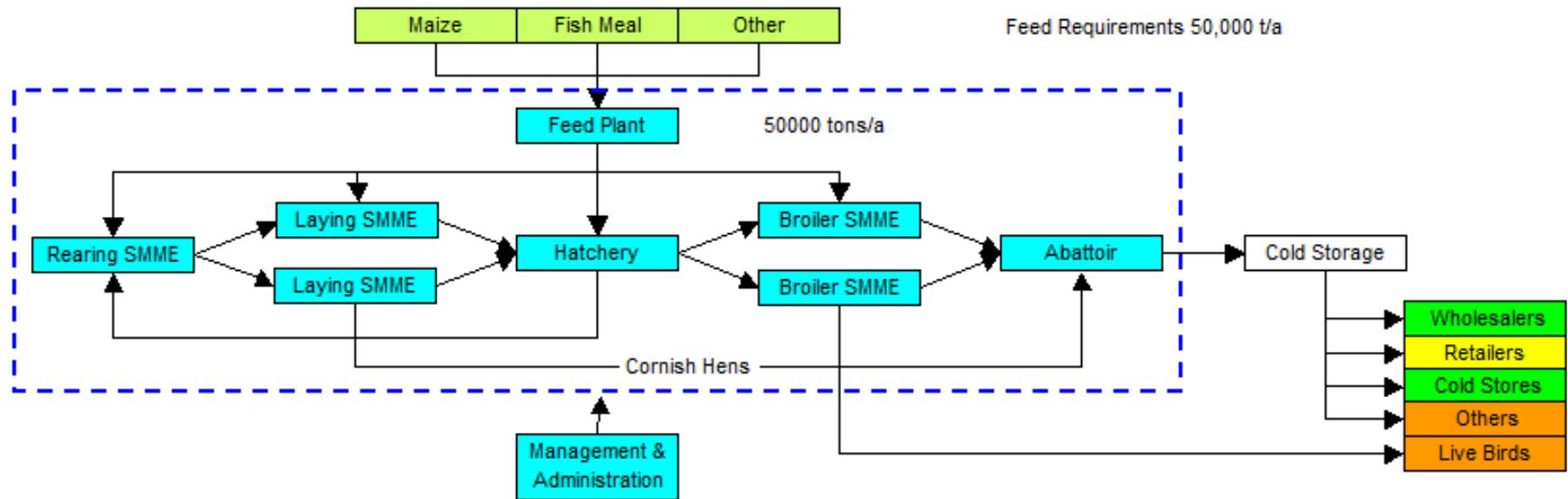


Diagram 3: Adopted from Value Chain Report⁴

⁴ Value chain report on broiler chicken project by James Greig (2006)

7 SURVEY PROCESS

This section of the report outlines the survey that was conducted to get a deeper understanding of SMMEs in the district. It followed an agreement with the steering committee on the survey methodology.

7.1 DATA COLLECTION METHODS

As indicated above, the intention was to consult stakeholders within the district to gather relevant and current data on SMMEs. With the aforesaid, the process involved:

- ⇒ Interviews & SMME Survey;
- ⇒ Interrogation of options of supporting existing SMME and where practical introducing new concepts.
- ⇒ Investigation of sustainability techniques to the existing SMME operations that are run or managed by non-South Africans, especially informal businesses;
- ⇒ SMME data profiling/gathering and;
- ⇒ Consolidation of SMME database.



Whilst it was intended that the survey provides clear indication of various issues around SMMEs, it was also random in nature and involved identification of various SMMEs from different sectors of the economy.

A number of resource organizations were considered for SMME information namely;

⇒ Organized informal and formal businesses located at various municipalities;

Informal Businesses

Defining the informal economy is a complex and difficult task. There are consequently a number of definitions that have been expressed by different researchers and organizations. The most common parameters used by researchers in defining the informal economy include the following:

- ✓ The legal and regulatory nature of the economic activities;
- ✓ The scale of the activity;
- ✓ The type of the activities; and the location of activities (urban vs. rural)

For the purpose of this project a broad and inclusive definition is adopted. In this case the informal economy is defined as persons and entities involved in economic activity that:

- ✓ Has a full-time equivalent of paid employees of less than 5 persons;
- ✓ That has a total annual turnover of less than R 150 000 and;
- ✓ That has a total gross asset value (fixed property excluded) of less than R 100 000;
- ✓ Those economically active persons that fall outside formal social protection systems such as receiving health and unemployment benefits.

Formal Businesses

Here we define formal economy as sectors/businesses that encompass all jobs with normal working hours and regular wages and are recognized by South Africa Revenue Services (SARS) as income sources and for which income tax is payable.

⇒ Training institutions like SEDA / FET colleges

⇒ Provincial business promotion organizations, statutory and non-statutory e.g. NAFCOC, BMF, BUSA, etc.

⇒ Government Departments

⇒ Local municipalities.

Being custodians of most local knowledge, the local municipalities played a significant role in the project steering committee.

7.2 SAMPLE- DISTRICT MUNICIPAL BASED SURVEY

7.2.1 SMMES IN LOCAL MUNICIPALITY DATABASE

There are approximately 417 SMMEs that are recorded in the database of all the local municipalities. The lists of the SMMEs were received from the local. The following table is a summary of numbers of SMMEs in each local municipality.

Table 3: Number of SMMEs Registered in Municipal Database

MUNICIPALITY	NUMBER OF SMMES
uMzimvubu Local Municipality	147
Matatiele Local Municipality	64
Ntabankulu Local Municipality	76
Mbizana Local Municipality	130
Total SMMEs in Municipal Database	417

However, it is believed that not all SMMEs operating in the municipalities are recorded in the database.

7.2.2 SURVEY SAMPLE SIZE

Due to time and cost implications on the assignment, a random sample was selected and the findings are presumed to present the entire population of the SMMEs operating in the district.

Based on the above the following survey sample was used:

Table 4: Sample Size Interviewed

AREA	SMME OPERATORS-CBD BASED (HAWKER TYPE)	AGRICULTURE BASED OPERATORS / PERIPHERY BASED	ESTABLISHED / FORMAL BUSINESS	LOCAL TRAINING INSTITUTIONS	ORGANISED BUSINESS REPRESENTATIVES (Balance between formal and informal)	FOREIGN RUN/ MANAGED BUSINESS	TOTAL
Mbizana	10	5	2	2	4	2	25
Ntabankulu	10	5	2	2	4	2	25
Matatiele	10	5	2	2	4	2	25
Umzimvubu	10	5	2	2	4	2	25

7.2.3 RESEARCH INSTRUMENT USED AND DATA COLLECTION PROCEDURE

A structured questionnaire was developed by the team. In total 100 questionnaires targeting the aforementioned categories were administered. A sample of the questionnaire is **annexed** on the report.

The questionnaire was divided into the following sub-heading:

- ⇒ Personal details of Respondent;
- ⇒ SMME Profile;
- ⇒ Challenges;
- ⇒ Training needs;
- ⇒ Operating Environment;
- ⇒ Business Support;
- ⇒ Financing Environment.

To ensure that quality information is collected, the fieldworkers were workshopped on the questionnaire and thereafter dispatched to the field for a dry run under the supervision of one of the project team members. This dry run served as an orientation and a practical experience for the fieldworkers. On completion of the dry run, a further discussion with the fieldworkers was undertaken to share their experience and address any other challenges that they encountered.

The face-to-face interview mainly consisted of SMME owners or managers.



7.2.4 STAKEHOLDERS INTERVIEWED

To gather an understanding on the role players that have been active in the development and assistance to the SMMEs in the district, the following **qualitative** interviews were held.

Table 5: Stakeholders Interviewed

ORGANIZATION	NUMBER
Eastern Cape Development Corporation (ECDC),	1
SEDA /Regional Training organization	1
Thina Sinako funded projects	1
Financial institutions-banks	2
ANDM	1
DEDEA	1
COGTA	1
NAFCOC	1
Local Municipal Officials	1x 4
District officials	1
TOTAL	14

7.2.5 DATA COLLECTION CHALLENGES

The district is characterized by many SMMEs that are scattered and collecting information from that sample was not an easy task. Following were some of the challenges that were experienced during the interviews:

- ⇒ Some of the respondents were reluctant to divulge some of the requested information as they considered it confidential;
- ⇒ Some respondents (particularly foreign owned businesses) were hesitant to divulge information thinking that it may jeopardize their residence status;

To curb these challenges and ensure that the interviews went smoothly respondents were assured that whatever information they divulged was to be treated confidential;

With such arrangements and assurances most targeted respondents, duly cooperated.

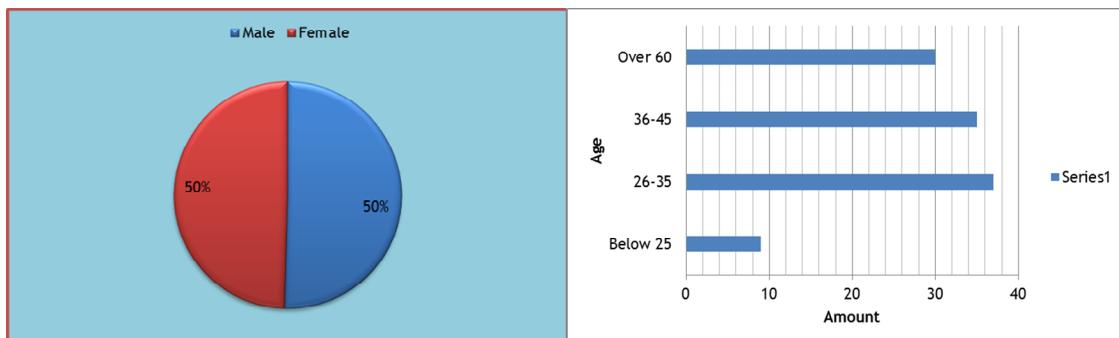
Following is an analysis of the information gathered through the process.

7.3 DATA ANALYSIS

7.3.1 SMME OWNERS/MANAGER'S PROFILE

The study shows that 50% of the SMMEs are run/owned/managed by women. This does not however suggest that the SMME sector is well gendered but rather shows that women play a considerable role in managing, running or owning SMMEs.

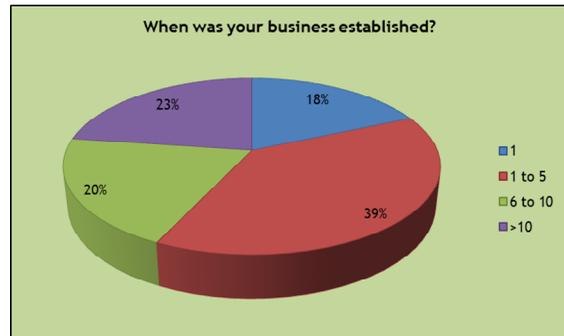
About 30% of those interviewed were over the age of 60 years, 35% were at the age of 36-45 years, and approximately 35% were youth (i.e. below 36 years). This demonstrates that majority of the SMMEs are owned/managed by people above the age of 35 years, indicating that most youth is not actively involved in SMMEs. Given that there is a considerable youth that is unemployed in the district, the municipality and other government structures can take this opportunity and encourage youth to participate in the economy, thereby providing options for survival.



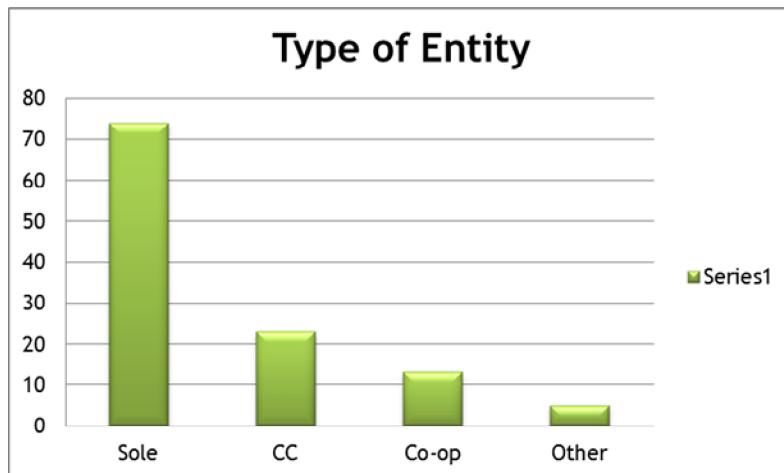
Similarly, the situation avails an opportunity for the district to initiate programmes around operating SMMEs for interested youth.

7.3.2 ESTABLISHMENT AND TYPES OF SMMEs

Approximately 18% of the SMMEs interviewed were established less than 1 year ago, 39% were 1 – 5 years old, whereas 43% of them were more than 6 years old. This finding shows that majority of the SMMEs have survived beyond 2 years which is a good indication contrary to common research which suggests that many SMMEs do not survive beyond two years.



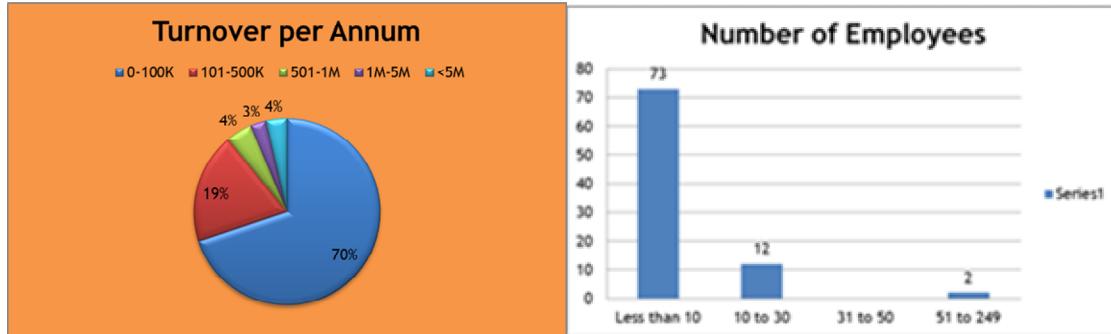
Most SMMEs interviewed were of sole trade, 23 were closed corporations, 13 were cooperatives and 5 other (hawkers).



7.3.3 TURNOVER & PEOPLE EMPLOYED

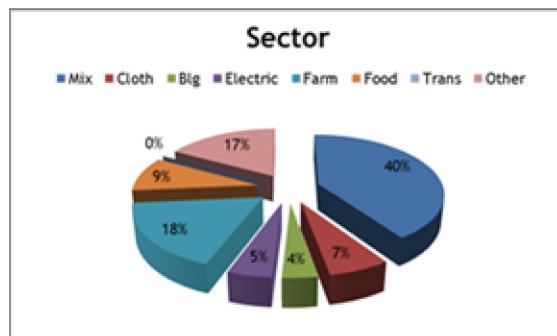
Turnover is an important capacity indicator for any business. Of the SMMEs interviewed approximately 70% make a turnover of less than R100,000 per annum, about 19% make R101,000 – R500,000 and only 7% make more than R1 million per year. This suggests that many SMMEs operating in Alfred Nzo District are small scale SMMEs or they may be experiencing some challenges in the day to day operations. On the other hand, SMMEs are not a good source of employment in the study area as about 73 SMMEs that were interviewed employ less than 10 people. About 12 of the SMMEs employ 10 – 30 people and

only 2 of them employ more than 50. This finding indicates that whilst SMME activities can provide alternative forms of income, the sector itself does not create significant jobs, per SMME employer.

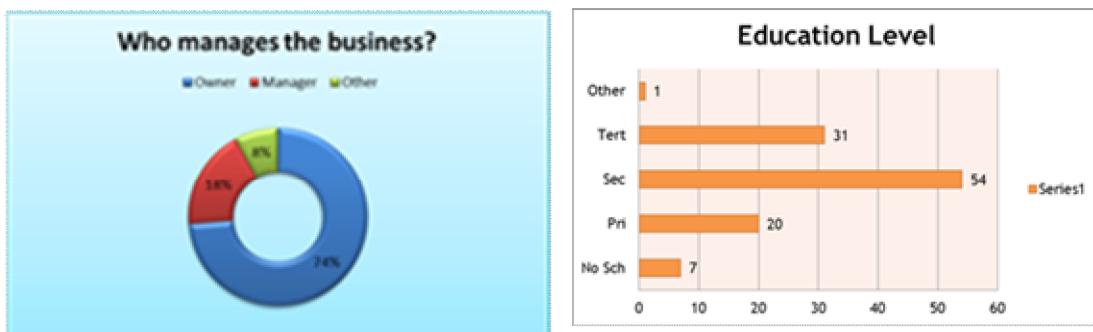


7.3.3.1 WHICH SECTOR DO YOU OPERATE IN?

Approximately 40% of the SMMEs interviewed operated on the mixed business (i.e. groceries, small goods, etc.) sector, 14% farm produce, 7% clothing and 5% electrical. Approximately 74% of those SMMEs are managed by the owners, whereas 18% of them are managed by managers. Most of those managers (54) had secondary education, 31 tertiary education, 20 primary education and 7 had no schooling.



With the majority of the SMME owners/managers having a fair level of education, there is room to train and sharpen the skills of those already involved in the sector



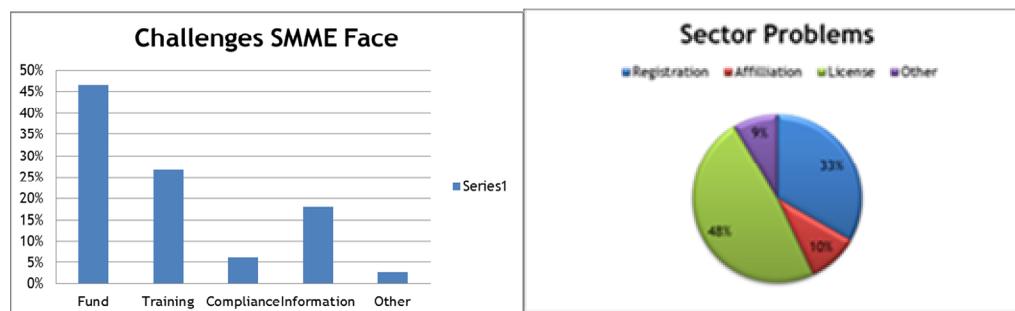
7.3.4 CHALLENGES

When the SMMEs were asked about the significant challenges that they faced, funding (47%) was considered to be the most common challenge, followed by training (27%) and information (18%). In terms of sector issues, 48% of the SMMEs interviewed indicated that securing business licenses was problematic followed by registration (33%).

Following are other challenges that were mentioned by the respondents:

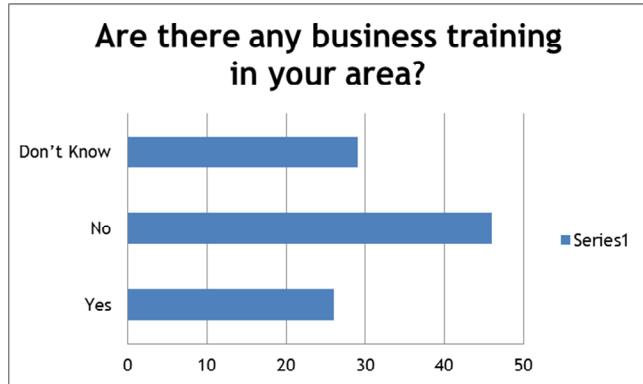
- ⇒ Lack of market;
- ⇒ Lack of proper business facility/space (Ntabankulu & Matatiele);
- ⇒ Promises not met by funders;
- ⇒ Poor infrastructure;
- ⇒ No registration office.

There is a need to assist SMMEs in the study area on funding and training. It is interesting that whilst many operators were found to be above youthful age threshold, they are still keen to be trained in various business skills. Efforts should be dedicated on providing information on where to get advice or secure funding. This intervention is likely to positively impact SMME's growth and sustainability. Similarly, support interventions around licensing and registration should be initiated. This can be done in the form of information desks situated in the local municipal areas. Such offices can amongst other advices, guide the SMMEs on the relevant business affiliations in which they can participate for better networks.



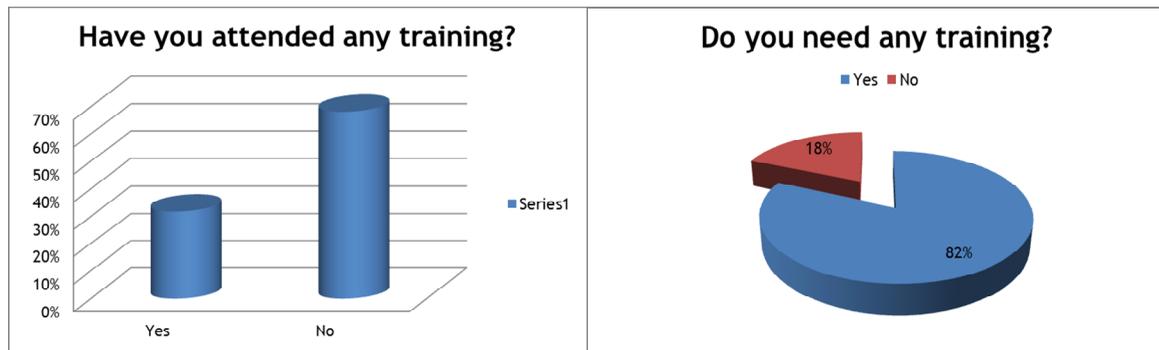
7.3.5 TRAINING NEEDS

About 46% of the SMME owners/managers pointed out that there are no training institutions in their area, 29% don't know of any and only 26% stated that there is a training institution. The commonly known training institutions were SEDA and local computer colleges. Approximately, 32% of those interviewed attended training on or through SEDA, computer colleges and other institutions outside the district. However, majority (68%) have not gone through SEDA training.



This analysis suggests a lack of information by the general SMME on the available training institutions with associated programmes. Even though SEDA has offered some training to some of these SMMEs, majority still have not gone through training.

In addition, the analysis also shows that apart from SEDA some of the SMME owners went for training in other areas for courses such as electricity and horticulture.



There is a demand for training as most (83%) of the SMME owners/managers pointed out they needed some training to run their business efficiently. The respondents want training on courses such as business management, book keeping, marketing, welding and computer.

7.3.6 OPERATING ENVIRONMENT

Most of the SMMEs have no issues with the existing municipal bylaws and other municipal business regulations as they have not negatively impacted on their businesses. This may either indicate lack of enforcement or the high level of compliance and cooperation. In terms of basic services, most SMMEs that are based in the CBDs/Towns have no major complains. However, SMMEs based in the outskirts of town complained of poor access roads, lack of water, electricity and lack of storage facilities. In addition, the respondents suggested the following as some of the things the local or district municipalities could do to encourage growth of SMMEs in the study area:

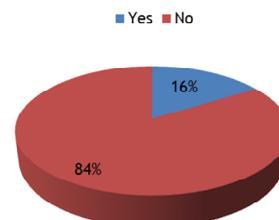
- ⇒ Provide funding;
- ⇒ Providing skills development;

7.3.7 BUSINESS SUPPORT

It was evident that majority of the respondents were not aware of any business centers in their area as was the case with 84%. A mere 16% indicated that they were aware of business centers. DEDEA and SEDAs were the centers, rightly or wrongly that were mentioned by the respondents most of who confirmed using their services. In terms of challenges that they might have experienced while seeking information or advice from these centers, about 88% of them did not experience any challenges. Approximately 13% did experience challenges. The challenges faced were:

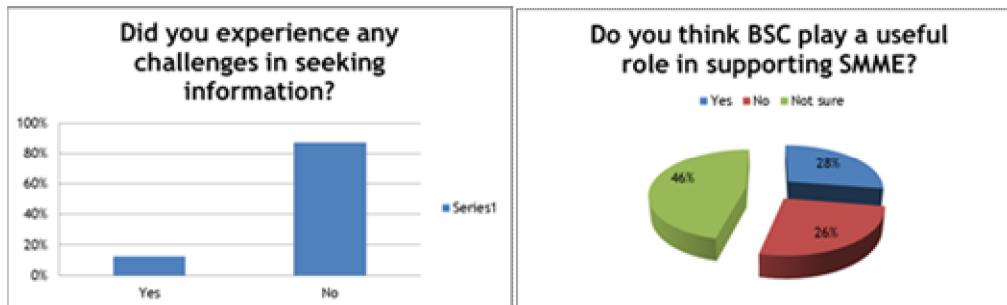
- ⇒ Didn't know the right office from where to seek advice (5 respondents);
- ⇒ The organization/people approached were unhelpful (3 respondents);
- ⇒ The information/advice given was unhelpful (3 respondents);

Are you aware of any business support center?



⇒ Given the wrong information or advice (4 respondents);

About 46% are not sure whether business support centers play an important role in supporting SMMEs, 26% think they do not play any important role in supporting SMME. This clearly shows that majority of SMME owners/managers do not perceive business centers as useful. The district should reverse this situation if meaningful SMME growth and sustainability is to be achieved because the analysis suggests that majority of them lack main skills and there is lack of information. Support centers could act as some of the key interventions that can curb some of these glitches.



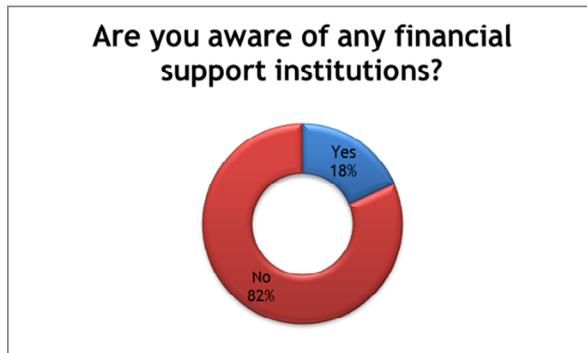
It is interesting to notice that Lima Rural Development Foundation was not mentioned by the respondents and yet LIMA was very visible. Lima has a farmer support programme in partnership with Teba Development that services 15 000 small holder farmers, in four provinces. As Lead Agents of The Department of Co-operative Governance's, Community Work Programme, Lima administers payments and supervises local implementing NGO's in KwaZulu Natal, Free State and North West Provinces. This programme provides work and training to over 25 000 youth members in the fields of home based care, agriculture, education and construction. As implementing agent Lima supervises an additional 15 000 youth, in similar projects in the Eastern Cape, Mpumalanga & Limpopo.



7.3.7.1 FINANCING ENVIRONMENT

Finance or access to finance is an important crucial form of business support. Availability of financial options can be a good recipe to SMME growth. Out of the SMMEs interviewed approximately 82% of them are not aware of business financial support institutions. None of the respondents could associate conventional financial institutions with business support. Only 18% knew of existing financial support in their area. Following are the financial support institutions that they are aware of:

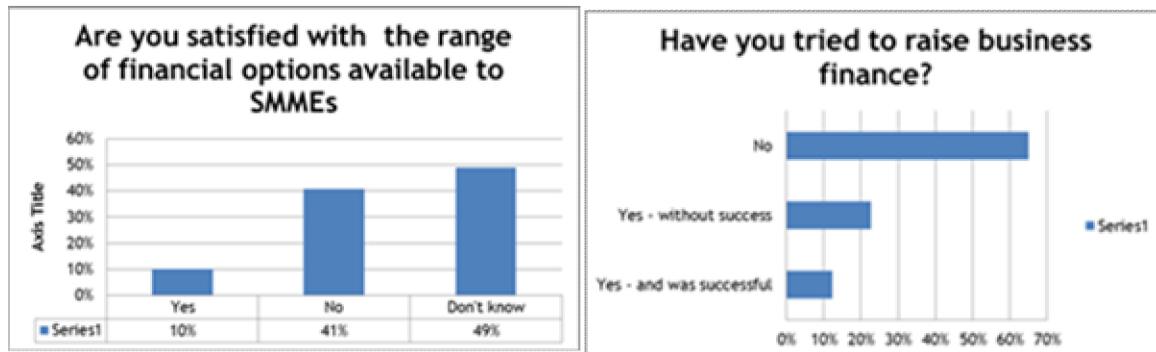
- ⇒ Tina Sinako;
- ⇒ uMsobomvu Youth Fund;
- ⇒ SEDA;
- ⇒ Local Municipality.



Majority of the respondents are not satisfied with the current financial options that are available to the SMMES. They are particularly not happy with the turn around time when applications are made. Those SMME owners that tried to raise finance for their businesses only 12% were successful and 88% were unsuccessful or never bothered to seek funding. When seeking for financial assistance, the respondents highlighted the following as their main challenges:

- ⇒ Do not receive response/feedback after applying;
- ⇒ Most government institutions do not support individual traders.

Again, this is an indication that financial institutions have not benefitted the majority of the SMMES. If SMMES are to thrive in the district, respondents commented that more financial options should be made available to them.



7.4 SUMMARY OF SURVEY

- ⇒ Poor coordination of SMME related activity: Many of the organizations that are currently active in this sector operate in isolation. This reduces the impact of their activities and results in duplication of effort.
- ⇒ Innovation and enterprise culture is almost nonexistent in the SMME sector, especially when looking at new entrants in the market. Some of the sectors such as agriculture and arts and crafts are already saturated in their existing form. “Almost everyone wants to sell fruits and veggies at the street corner”.
- ⇒ Poor entrepreneurship/innovation and management skills: Failure of SMMEs is largely due to the inappropriate skill set of the individuals running or owning the entity.
- ⇒ The current school (and in some instances university) curricula are not geared to develop individuals that would be able to operating in the SMME environment.
- ⇒ Women also play a considerable role in managing, running or owning SMMEs;
- ⇒ Majority of the SMMEs are owned/managed by people above the age of 35 years indicating that most youths are not actively involved in SMMEs;
- ⇒ Majority of the SMMEs have survived beyond 2 years which is a good indication as research suggests that many SMMEs do not survive beyond two years;
- ⇒ Funding is a big challenge for many SMMEs;

- ⇒ The district does not host many training institutions for SMMEs;
- ⇒ There is a demand for training as most (83%) of the SMME owners/managers pointed out they needed some training to run their business efficiently;
- ⇒ Majority of the respondents were not aware of any business centers in their area;
- ⇒ Majority of the respondents are not satisfied with the current financial options that are available to the SMMEs.



8 FUNDAMENTAL ISSUES TOWARDS A STRATEGY

The following issues will underpin strategy development in the next phase of the project. They are highlighted as they provide linkage between the two phases.

8.1 AGRICULTURE

8.1.1 CONTEXT

There are a number of factors, which influence sustainable farming in the district. They are:

- ⇒ *Poor environmental control measures and inadequately developed agri-processing industry* hampers the realization of agricultural sector's full potential.
- ⇒ *Lack of conventional farming skills*: Whilst the district is conducive to farming and cropping, large proportion of the community is unable to tap into the commercial side of farming. To a large extent their agricultural activities are of subsistence nature.
- ⇒ *Lack of mentorship support*: This sector declined after government funded schemes collapsed. Communities were too dependent on government support for agricultural development. For agriculture to make economic impact, this sector needs to be sustainable.
- ⇒ *Inadequate access to water*: Whilst natural water in the form of rivers and springs is adequate in the area, water remains inaccessible due to topography and other factors. Because of the lack of efficient irrigation systems to bring such water closer to the production sites, most community members resort to dry land farming thereby losing out on other forms of production.
- ⇒ *Access to land through suitable roads*: The poor transport system is another stumbling block for farmers because of the high cost of getting their products to the market.
- ⇒ *Lack of agricultural skills and lack of business management skills*: Apart from traditional community farming systems, there is a general lack of agricultural and business skills in

the area. The strategy will need to address this issue in a way that ensures that farmers who have an aptitude for "land and outdoors" activity are systematically assisted over a period of time rather than being expected to be transformed into accountants with aptitudes for figures and bookkeeping. The strategy needs to carefully separate the two different kinds of aptitudes needs.

- ⇒ *Strategically located abattoirs*: critical for local beef farmers as distant sites often lead to higher meat costs and farmers are unable to add value on their products. This should be an important consideration in the reorganisation of space, an issue for the regeneration strategy currently being developed.
- ⇒ *Access to finance, appropriate tools and machinery*: Access to appropriate tools and machinery is high on the agenda for small-scale farmers. Large tracts of arable land are left uncultivated due to the lack of plant and equipment.
- ⇒ *Veld Fires*: these fires threaten livestock and vegetation and are in most cases caused by negligence. Broad awareness campaigns as well as integration of these into Disaster Management will help keep the problem checked. .
- ⇒ *Local Markets strategically positioned at key business nodes* is critical for local fresh produce farmers who cannot afford long distances to sell their products. This will also be critical in the reorganisation of space. This can be expanded to accommodate craft and other forms of artistic work.

8.2 TOURISM

8.2.1 CONTEXT

The mountainous scenery can be used to unlock tourism development in the area. The following context however obtains.

- ⇒ *Packaging of tourism.* Although the district is known for its scenic landscape, tourism in the area is not clearly defined. And the various tourism potential that exists is not packaged properly.
- ⇒ *Lack of information:* The district's current road system, especially in towns like Mount Ayliff and Mount Frere, allows for clear entry and exit into the area. It is in fact a gateway to either KZN or Eastern Cape. However, there is no information center informing visitors of what is available in the district or local municipalities. The municipality is therefore failing to take advantage of its strategic location for its own development. Whilst there may now be efforts towards marketing, this is still lacking.
- ⇒ *Traffic and human congestion,* lack of parking in the CBD which renders most small local towns unattractive to visitors is a consequence of poor land use planning.
- ⇒ *Poor road conditions* limit the access to the various tourist destinations in the area. Further identification of strategic access roads needs to be made and prioritised.
- ⇒ Crime, safety and security result in disinvestments and visible policing should be encouraged to allow for visitors to feel safe in the area.
- ⇒ Litter and pollution particularly in rivers reduces the appeal of the area. There is a need for cleaning and greening initiatives which will also contribute to job creation.
- ⇒ There is very little tourism trading and infrastructure in both existing centres and the balance of settlements. Furthermore there is very little community based tourism initiatives;
- ⇒ Business skills for local community to enhance income from arts and crafts are essential.

8.3 FORESTRY

The district has forests in abundance and could be a source of income for the area however ownership of these forests is privatised and as a result the community does not benefit from this natural resource. Significant proportions of the district are under commercial plantations.

- ⇒ Local Furniture manufacturing businesses do not benefit from having forests in the area.
- ⇒ Within the forests there is other natural resource e.g. mushrooms of high quality are in all the pine forests in the area.
- ⇒ Uncontrolled wildfires have proven to be a major threat to the rich bio diversity.
- ⇒ The emerging forest farmers do not have access to financial resources whilst at the same time lacking skills to plant trees for commercial use.
- ⇒ The trucks carrying the logs cause extensive damage on the roads and there is no compensation that the municipalities are getting to be able to maintain the roads.
- ⇒ *Established commercial farms in forestry and timber contribute very little towards the local economies, as few individuals own these.* There is an opportunity to expand their businesses by allowing proportional ownership by local communities and emerging farmers. Furthermore this can contribute towards training and mentorship of local farmers

8.4 INFORMAL ECONOMY

Informal businesses contribute to the economy of the district. The following context obtains:

- ⇒ There are very limited facilities such as street furniture, safe package and storage facilities for street sellers.
- ⇒ Fabric based goods dominate the informal sector activity in the rural areas e.g. pinafores/aprons, etc. however this dress making is not expanding to cover other areas like uniforms.
- ⇒ Access to capital is an issue as many entrepreneurs are not able to expand their businesses and employ extra staff.
- ⇒ Access to skills development for basic business skill for vendors to be able to have sustainable businesses.
- ⇒ There is a high illiteracy rate amongst the vendors which could hinder any training that could be provided to assist in their businesses.

9 STRATEGIC FRAMEWORK

9.1 INTRODUCTION

The strategic framework for the future SMME's of ANDM has a number of purposes:

- ⇒ The Strategic Framework provides a direction and guidance for decision-making regarding the future SMME development interventions within the district. It therefore serves as the most important decision-making tool. The backlogs generally experienced by the Municipality are so vast that if no strategic guidance is provided there will be very little impact through initiatives haphazardly identified;
- ⇒ The Strategic Framework therefore, establishes a clear vision for the future SMME development of the area. This achievement of this vision is what all future strategies and projects will be aimed at;
- ⇒ The objectives established as part of the Strategic Framework identify in broad terms how the vision will be achieved;
- ⇒ The strategies, which relate to specific objectives, create focus aimed at achieving maximum impact. Programmes and Projects are the most basic components for the implementation of the strategies.

9.2 VISION

9.2.1 DEVELOPMENT OF VISION

Capturing a vision for the development of an area is essentially setting a long-term goal to which all stakeholders will be working towards. The vision for the district on SMME development strategy should be underpinned by the prior themes (i.e. agriculture, tourism, forestry and informal economy).

9.2.2 IDP VISION

The SMME Sector Plan vision should be aligned to the IDP Vision as district developments are aimed at achieving this vision. Following is the IDP Vision:

“A self-sustainable Municipality that stimulates accelerated socio-economic growth & development by 2014”.

The overall objective of the study as per the terms of reference is “to stimulate economic growth and development where the SMME sector will take the lead in provision of decent and sustainable employment”. In consideration with terms of reference’s overall objective, the IDP Vision and the aforementioned development theme, the proposed SMME Vision is suggested below:

9.2.3 SMME DRAFT VISION

“To create a conducive environment that will stimulate growth and development of SMMEs that shall be a source of employment, poverty alleviation and the district economy booster”

9.3 ALIGNMENT OF VISION, GOALS, STRATEGIC CONSIDERATION/INTERVENTION AND PROJECTS IMPLEMENTATION

To realize the vision, goals, strategies, and programs should be developed. Similarly, the goals, strategic interventions and the implementation of programmes/projects should be aligned to the vision. This can be depicted by the diagram following.



Figure 9: Vision realization process

9.3.1 AGRICULTURE CHALLENGES/ISSUES

Agriculture sector in the district is faced with the following challenges:

- ⇒ Poor environment control measures and inadequate developed agri-processing industry;
- ⇒ Lack of mentorship support;
- ⇒ Inadequate access to water;

- ⇒ Access to land through suitable roads;
- ⇒ Lack of agricultural skills and lack of business Management skills;
- ⇒ Lack of strategically located abattoirs
- ⇒ Access to finance, appropriate tools and machinery;
- ⇒ Veld fires;
- ⇒ Lack of local markets at strategic positions.

9.3.1.1 GOAL

- ⇒ To create an environment that will make SMMEs in the agriculture sector blossom.

9.3.1.2 STRATEGIC RECOMMENDATIONS

As indicated earlier, agriculture has the potential to stimulate SMME growth and development. In the context of the above challenges, the following strategies are crucial for SMME development and growth in the agriculture sector:

- ⇒ Develop environment control measures;
- ⇒ Undertake a study to determine the feasibility of develop the agri-processing industry;
- ⇒ Provide mentorship support to farmers;
- ⇒ Initiate or revitalize irrigation schemes to assist with the challenge of drawing water from rivers;
- ⇒ Improve access roads to farms or potential agriculture lands;
- ⇒ Undertake skills audit for all the farmers to ascertain the skills that are currently needed to boost farmers;

- ⇒ Undertake a feasibility study for developing abattoirs focusing on how these could benefit secondary cooperatives;
- ⇒ Develop an institutional structure that will harmonize relationship between farmers and possible financial institutions;
- ⇒ Create awareness on veld fires to community;
- ⇒ Develop or establish markets at strategic positions or locations.
- ⇒ Establish cooperatives around identified value chains

9.3.2 TOURISM CHALLENGES

The following challenges face the tourism sector in the district, consequently impacting on the success of SMME in this sector:

- ⇒ Weak or no sustainable partnerships with established operators;
- ⇒ Lack of information on available products;
- ⇒ Traffic and human congestion in various CBDs where SMME could sell their products;
- ⇒ Poor road conditions to certain products especially those located in the peripheries;
- ⇒ Crime, safety and security;
- ⇒ Litter and pollution, especially in the CBDs;
- ⇒ Lack of business skills to successfully run tourism operations.

9.3.2.1 GOAL

- ⇒ To improve the district tourism products in order to stimulate SMME growth.

9.3.2.2 STRATEGIC RECOMMENDATIONS

In order to improve performance in this sector and promote growth of SMMEs, following strategic considerations are to be effected:

- ⇒ Establish tourism information offices;
- ⇒ Improve road infrastructure especially in order to access various tourism sites;
- ⇒ Establish a local tourism body that will market the district and ensure tourism growth;
- ⇒ Build capacity to existing accommodation entrepreneurs and ensure they are accredited by the local body;
- ⇒ Develop proper signage;
- ⇒ Improve safety and security to attract tourists;
- ⇒ Train crafters and other tourism players in technical and business skills;
- ⇒ Develop clear marketing strategies for the district;
- ⇒ Improve refuse removal services to address the littering and pollution of the district;
- ⇒ Develop tourism website for the district that will showcase arts and crafts products, historical sites, accommodation, and other adventure products;
- ⇒ Develop craft centres in strategic places along tourism routes.

9.3.3 FORESTRY CHALLENGES/ISSUES

The district has forests in abundance and could be a source of SMME growth and development. However, most of these forests are privatized and as such do not benefit the community. Following are the challenges facing this industry:

- ⇒ Lack of local furniture manufacturing benefitting from having forests;
- ⇒ Existence of mushrooms in pine forests;
- ⇒ Uncontrolled veld fires;
- ⇒ Lack of finance;
- ⇒ Log trucks damaging roads;
- ⇒ Low contribution of forestry farms to the local economy.

9.3.3.1 GOAL

- ⇒ To create a conducive environment that will encourage commercial forestry farmers and other interested SMMEs to take full advantage of the opportunities provided by this industry:

9.3.3.2 STRATEGIC RECOMMENDATIONS

In order to improve this sector, the following strategic interventions are essential:

- ⇒ Initiate carpentry training programmes and link them to commercial forestry farmers to access raw material that they can use to make furniture;
- ⇒ Provide incentives to organizations that allow for local ownership stake. This could assist in the problem of local people not having a stake in most of the commercial farming;
- ⇒ Establish weigh bridge for trucks to lessen the damage caused on the roads and penalize offenders;
- ⇒ Provide guidelines and diversification opportunities that can be achieved from this sector;

- ⇒ Encourage skills development and training;
- ⇒ Facilitate formation of forestry association.

9.3.4 INFORMAL ECONOMY CHALLENGES/ISSUES

The informal businesses contribute to the economy of the district. However, the informal businesses are faced with the following challenges:

- ⇒ Limited street furniture, safe package and storage facilities for street sellers;
- ⇒ Lack of proper facilities at strategic markets
- ⇒ Lack of growth of fabric based goods;
- ⇒ Unorganized, uncontrolled sector;
- ⇒ Lack of access to capital;
- ⇒ Lack of basic business skills;
- ⇒ High illiteracy rate amongst vendors.

9.3.4.1 GOAL

- ⇒ Help the informal businesses grow by creating a favorable business atmosphere in the district.

9.3.4.2 STRATEGIC RECOMMENDATIONS

The following strategies should be considered:

- ⇒ Create a better awareness, understanding and utilization of different SMME support services within the district;
- ⇒ Identify and enhance the functioning of SMME support institutions that offer skills development and training business development and financial services;
- ⇒ Provide proper trading infrastructure;
- ⇒ Provide skills to the informal traders (basic business skills);

- ⇒ Establish SMME Desks in local municipalities to address the informal sector opportunities;
- ⇒ Provide management training to organized groups;
- ⇒ Facilitate access to financial support for the vendors;
- ⇒ Establish SMME Forum;

10 INSTITUTIONAL PLAN

The implementation of the Alfred Nzo District SMME Development Plan requires proper coordination among all the parties involved in SMME promotion and support. Key institutions that play a significant role are;

- ⇒ Alfred Nzo District Municipality;
- ⇒ All the four (4) local municipalities within the district;
- ⇒ All SMME business development, skills and capacity development as well as SMME financial support institutions

Such coordination will ensure the following are realized:

- ⇒ All programmes and projects are implemented in a coordinated manner;
- ⇒ Duplication and wastage of resources is minimized or eliminated;
- ⇒ SMME growth and development is realized

10.1 RECOMMENDATIONS TO ENSURE OPTIMAL GROWTH OF THE SMME SECTOR

The following recommendations are therefore made to ensure optimal growth of the SMME sector within Alfred Nzo District:

10.1.1 ESTABLISH AN SMME FORUM BOTH AT DISTRICT AND LOCAL LEVELS

The forum should be a body responsible for coordinating all SMME activities and should be part of the LED Forum (LEDF) within each local municipality. At the District level, the Forum should have a strong representation of SEDA, ANDM, local municipalities and other stakeholders that support SMMEs. Clear roles and responsibilities of the Forum should be developed.

The diagram following illustrates the SMME Forum representation at district level:



Figure 10: District SMME Forum Representation

10.1.2 ESTABLISH DEDICATED ONE STOP INFORMATION DESK WITHIN THE MUNICIPALITIES

The current situation at both the district and local level is that, there is no desk that is dedicated to SMME development. LED units within municipalities have a range of functions and with the current staff levels, no attempt has been made to ensure that SMME development is a priority in both LED strategies and IDPs. The established district desk will coordinate activities within the local municipalities, which should avail information on SMME support services. Equally important is the need for the desk to ensure cooperation among various support services and across the sectors.

11 IMPLEMENTATION PLAN

Prior sections of the report identified a number of strategic interventions that are meant to address the challenges facing SMMEs in the district. However, these strategies need a well-structured implementation plan that can actualize the required intervention. Key to this process is the inclusion of an institutional arrangement that shall dedicate resources and manpower to SMMEs. Also of significance will be the formalization of relationship between the district municipality and the following organs:

- ⇒ Eastern Cape Development Cooperation;
- ⇒ Department of Economic Development, Environmental Affairs & Tourism;
- ⇒ Eastern Cape Tourism Board;
- ⇒ Department of Trade & Industry;
- ⇒ Eastern Cape Department of Agriculture;

It has become apparent that the following sectors in the district are crucial in SMME growth and development:

- ⇒ Agriculture;
- ⇒ Tourism;

⇒ Forestry;

⇒ Informal economy

11.1 POSSIBLE PROJECTS / PROGRAMMES

The District Municipality is a major player in the facilitation and implementation of the programmes that are suggested. The programs are based on the issues that were identified in the prior sections.

11.1.1 AGRICULTURE

Status Quo/Issues		Opportunities		Action/Interventions		Potential Projects
<ul style="list-style-type: none"> ⇒ Poor environmental control measures; ⇒ Lack of mentorship support; ⇒ Inadequate access to water; ⇒ Access to land through suitable roads; ⇒ Lack of agriculture & management skills; ⇒ Lack of strategically located abattoirs; ⇒ Lack of access to finance; ⇒ Lack of appropriate tools & machinery; 		<ul style="list-style-type: none"> ⇒ Job creation on rehabilitating environment; ⇒ Room for SMMEs to undertake cultivation, harvesting and management of medicinal and indigenous plant; ⇒ Growth of SMMEs in agriculture value chain opportunities. ⇒ Undertake a feasibility study for developing abattoirs focusing on how these could benefit secondary cooperatives; ⇒ Develop or establish markets at strategic positions or locations. ⇒ Establish cooperatives around 		<ul style="list-style-type: none"> ⇒ Develop environment control measures; ⇒ Undertake feasibility to establish agri-processing plant; ⇒ Provide mentorship support to farmers; ⇒ Undertake skills audit; ⇒ Initiate irrigation schemes on potential projects; ⇒ Improve access roads to farms; ⇒ Undertake feasibility study on establishment of abattoirs; ⇒ Create awareness on veld 		<ul style="list-style-type: none"> ⇒ Feasibility studies; value chains, abattoirs, markets ⇒ Skills audit; ⇒ Mentoring programme linked to ANDA or SEDA; ⇒ Veld fires awareness championed by the District's Disaster centre; ⇒ Improve access roads; ⇒ Irrigation schemes

<p>⇒ Veld Fires;</p> <p>⇒ Lack of local markets at strategic positions.</p>		<p>identified value chains</p>		<p>fires;</p> <p>⇒ Undertake feasibility study to establish markets at strategic locations.</p>		
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11.1.2 TOURISM

Status Quo/Issues		Opportunities		Action/Interventions		Potential Projects
<ul style="list-style-type: none"> ⇒ Lack of tourism information and poor package of tourism products; ⇒ Traffic & human congestion; ⇒ Poor road conditions; ⇒ Crime, safety & security; ⇒ Litter & pollution; ⇒ Little tourism trading facilities/ infrastructure; ⇒ Lack of business skills 		<ul style="list-style-type: none"> ⇒ Pine/Eco-tourism; ⇒ Rich in historical sites; ⇒ Cultural history tourism ⇒ Arts craft linked to established operators ⇒ International craft market 		<ul style="list-style-type: none"> ⇒ Package of tourism products; ⇒ Establish tourism information offices; ⇒ Establish local tourism body; ⇒ Build capacity to existing accommodation entrepreneurs; ⇒ Develop proper signage; ⇒ Improve safety and security; ⇒ Develop marketing strategies; ⇒ Develop clear marketing 		<ul style="list-style-type: none"> ⇒ Support the establishment of SMMEs around value chains, e.g. launderette, food vendors, cleaners, tour guides, etc.; ⇒ Marketing program; ⇒ Establish tourism information offices ⇒ Establish local tourism body ⇒ Train and Mentoring of crafters & other tourism entrepreneurs in business skills; ⇒ Partnership programme with established operators ⇒ Business skills development;

				<p>strategies;</p> <p>⇒ Improve capacity on existing craft centers and develop craft centers where they are not there</p>		<p>⇒ Road signage and road infrastructure;</p> <p>⇒ Develop a safety & security plan;</p>
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11.1.3 FORESTRY

Status Quo/Issues		Opportunities		Action/Interventions		Potential Projects
<ul style="list-style-type: none"> ⇒ Lack of participation of SMMEs in forestry/no beneficiation; ⇒ Veld fires; ⇒ Lack of financial resources for emerging farmers; ⇒ Track carrying logs damaging roads; ⇒ Lack of commercial farming skills 		<ul style="list-style-type: none"> ⇒ Furniture manufacturing; ⇒ Beneficiation process of wood; ⇒ Export market for mushrooms 		<ul style="list-style-type: none"> ⇒ Partnership with established farmers; ⇒ Facilitate access to funding for emerging farmers 		<ul style="list-style-type: none"> ⇒ Develop weigh bridge; ⇒ Undertake skills audit for SMME farmers; ⇒ Skills development; ⇒ Linking forestry development with eco-tourism projects; ⇒ Facilitate formation of forestry SMMEs based on the sector value chains.

11.1.4 INFORMAL

Status Quo/Issues		Opportunities		Action/Interventions		Potential Projects
<ul style="list-style-type: none"> ⇒ Limited street furniture; ⇒ Lack of storage facilities; ⇒ Unorganized sector ⇒ Inability to access capital; ⇒ Lack of business skills; ⇒ Low level of education amongst vendors. 		<ul style="list-style-type: none"> ⇒ Good practice examples of successful cooperatives; ⇒ Marketing opportunities can be facilitated through SETA funding; ⇒ Potential to expand the rural arts & craft skills through partnership with local artists & skilled crafters; ⇒ Development of small contractors through government procurement programmes. 		<ul style="list-style-type: none"> ⇒ Provide proper trading infrastructure; ⇒ Provide basic business skills for the informal traders; ⇒ Facilitate access to financial support to successful vendors; ⇒ Establish district coordinating body ⇒ Establish SMME desk in each municipality 		<ul style="list-style-type: none"> ⇒ Develop informal sector forum; ⇒ Establish district coordinating body; ⇒ Establish SMME desk in each municipality ⇒ Provide street furniture and storage facilities; ⇒ NGO/CBO Partnerships; ⇒ Develop informal policy. ⇒ Establish District SMME centre

Table 6: Implementation Timeframes

PROJECTS/ACTIVITIES	IMPLEMENTATION TIMEFRAMES					
	2013		2014		2015	
	JAN - JUN	JULY - AUG	JAN - JUN	JULY - AUG	JAN - JUN	JULY - AUG
AGRICULTURE						
Undertake feasibility to establish (agri-processing plant, abattoirs & fresh produce market						
Undertake skills audit						
Provide mentorship support to farmers						
Create awareness on veld fires						
Initiate irrigation schemes on potential projects						
TOURISM						
Develop marketing program(s)						
Establish tourism information offices						
Establish local tourism body/forum						
Mentoring & business skills development to entrepreneurs						
Road signage and road infrastructure						
Develop a safety & security plan						
NGO/CBO Partnership						
FORESTRY						
Develop weigh bridge						
Undertake skills audit for SMME farmers						

Skills development						
Linking forestry development with eco-tourism projects						
Facilitate formation of forestry association						
INFORMAL						
Develop informal sector forum for each municipality						
Establish district coordinating body						
Establish SMME desk in each municipality						
Provide street furniture and storage facilities						
NGO/CBO Partnerships						
Develop informal policy						



11.2 FINANCIAL PLAN

The financial plan seeks to provide an overview of the projects and activities as well as their budgetary implications over the 3 year period. The plan does not attempt to apportion the projects and their budgets among the key stakeholders, leaving that responsibility with ANDM and SEDA. The budgetary amount indicates the likely cost of undertaking the activity in project implementation, without distinguishing between capital and operational costs. It therefore gives the principal parties an opportunity to source funding and or apportion implementation responsibility to other stakeholders.

Table 7: Financial Plan

PROJECTS/ACTIVITIES	IMPLEMENTATION TIMEFRAMES					
	2013		2014		2015	
	JAN - JUN	JULY - AUG	JAN - JUN	JULY - AUG	JAN - JUN	JULY - AUG
AGRICULTURE						
Undertake feasibility to establish (agri-processing plant, abattoirs & fresh produce market)	500,000	500,000	500,000			
Undertake skills audit	100,000	100,000				
Provide mentorship support to farmers	0	0				
Create awareness on veld fires	50,000	50,000	50,000	50,000	50,000	50,000
Initiate irrigation schemes on potential projects			1,000,000	1,000,000	1,000,000	1,000,000
TOURISM						
Develop marketing program(s)	250,000	250,000				

Establish tourism information offices	500,000					
Establish local tourism body/forum	250,000					
Mentoring & business skills development to entrepreneurs	0	0	0	0		
Road signage and road infrastructure	2,000,000	2,000,000	2,000,000	2,000,000		
Develop a safety & security plan	250,000					
NGO/CBO Partnership	0	0				
FORESTRY						
Develop weigh bridge			6,000,000			
Undertake skills audit for SMME farmers	500,000					
Skills development		0				
Linking forestry development with eco-tourism projects		0				
Facilitate formation of forestry association		0				
INFORMAL						
Develop informal sector forum for each municipality	0					
Establish district coordinating body	0					
Establish SMME desk in each municipality	500,000					
Provide street furniture and storage facilities		3,000,000	1,000,000			
NGO/CBO Partnerships		0				
Develop informal policy		250,000				

Note: The activities where budget is R0 are activities that will be undertaken by municipality, government department and its tiers. Some of those activities fall under the mandate of the said government departments or its tiers.