



Small, Medium and Micro Enterprises Policy Framework

Zululand District Municipality

Review Information

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Table of Contents

Acronyms.....	3
Overview.....	4
1. Introduction.....	5
2. Background.....	7
3. Context for ZDM SMME Development.....	9
4. Critical Factors Affecting SMMEs in the Local Government	10
5. Strategic Pillars and Programmes of the Policy Framework.....	13
6. Principles Informing SMME Development in ZDM.....	14
7. Key Stakeholders and Institutional Arrangements	15

Acronyms

BBBEE	Broad Base Black Economic Empowerment
BSM	Business Sophistication Model
CIPC	Companies and Intellectual Property Commission
CIPRO	Companies and Intellectual Property Registry Office
GDP	Gross Domestic Product
PPPFA	Preferential Procurement Policy Framework Act
RSA	Republic of South Africa
SARS	South African Revenue Service
SEDA	Small Enterprise Development Agency
SMME	Small, Medium and Micro Enterprises
TEA	Total Entrepreneurial Activity
LED	Local Economic Development
MTEF	Medium Term Expenditure Framework
NDP	National Development Plan
ZDM	Zululand District Municipality

Overview

What is an SMME in South Africa?

Small business key to job creation Small, Medium and Micro Enterprises (SMMEs), also referred to as small business, play an important role in an economy. They can be key drivers of economic growth, innovation and job creation.

What is the meaning of SMME?

Small business key to job creation SMMEs, also referred to as small business, play an important role in an economy. They can be key drivers of economic growth, innovation and job creation.

What is classified as a small business in South Africa?

Very small businesses employ between 6 and 20 employees, while small businesses employ between 21 and 50 employees.

Who qualifies as a SMME?

The business must have been registered with CIPC by at least 28 February 2020. 100% owned by South African citizens. 70% of employees must be South African. SARS registered and tax compliant.

How does SMME benefit the economy?

SMMEs provide the higher labour - absorptive capacity of small business sector than that of other size classes; the average capital cost of a job created in the SMME sector is lower than in the big business sector; they allow for more competitive markets; they can adapt more rapidly than larger organizations to changing.

How do SMMEs contribute to South African radical economic growth?

SMMEs have the power to completely change the dynamics of the country's employment rate because they are able to drive innovation and job creation. SMMEs do not only create jobs but they contribute immensely to South Africa's Gross Domestic Product (GDP).

What is Business Sophistication Model (BSM)?

Business enterprise in the lower BSM tiers are primarily informal vendors. 100% vendors and hawkers are found in BSM1. The upper BSM tiers have representation of formally registered businesses. In BSM 7, 94% of businesses are registered.

1. Introduction

The Small Medium and Micro Enterprise (SMME) sector has been identified as an important strategic sector in the overall policy objectives of the Government of South Africa and it is seen as a driver of change for inclusive economic growth, national development, employment creation and poverty reduction.

In most developed countries, SMMEs contribute 60% of employment and 50% to the gross domestic product (GDP). In developing countries, the figures are just about 30% and 17%, respectively. In 2014, China had an estimated 42 million SMMEs which contributed 69% to China's GDP. More importantly, China's SMMEs are said to account for 80% of jobs and contribute approximately 82% to tax.

The South African government recognises SMMEs as the backbone of the economy, as SMME employers account for 14% total employment and contribute 42% to the GDP. There is also an acknowledgement that SMMEs promote broad based equitable development and provide more opportunity for women and youth participation in the economic development of the country.

According to the National Development Plan (NDP, 2012), getting SA into a high-growth trajectory demands that the country fundamentally changes its game plan and places small businesses and cooperatives at the centre of our war against poverty, inequality and unemployment. Furthermore, the NDP envisages that the small business sector will create 90% of the expected 11 million jobs by 2030. Incorporated as one of the priorities of the nine Point Plan is the need to unlock the potential of SMMEs, cooperatives and other rural enterprises, to contribute into the South African Economy. The Medium Term Expenditure Framework (MTEF) also highlights the important need of developing markets for SMMEs and supporting incubators for SMMEs.

The Zululand SMMEs Framework provides a comprehensive qualitative and quantitative framework for the development of SMMEs in Zululand District Municipality. It recognises the unique roles performed by this diverse and dynamic sector in the province in the creation of employment, contribution to economic growth, and the provision of sustainable livelihoods. The framework builds on the unique features of the province and demonstrates the ways in which key National, Provincial, District and Local actors in the Province can work together. It displays the Province's commitment to innovation and strengthens its strategic positioning as the smart local government.

The Zululand SMME Policy Framework will recognise the national policy and legislative framework in which SMMEs are defined, promoted and monitored. Thus the definitions tabled in the National Small Business Act of 1996 are used to define the sector. The ACT defines a "small business" as 'a separate and distinct business entity, including cooperative enterprises and non-governmental organisation, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or

subsector of the economy'. The Act sets criteria that should be used to classify businesses into four categories – see Table 1.

While cooperatives represent an important and unique form of enterprise, and are included in the National definition for small business, as cited above, support services for these enterprises are specifically addressed through the Local Government Cooperative Development Strategy.

Table 1: National Small Business Act Definitions

Category of SMME	Description
Micro enterprises	<ul style="list-style-type: none"> ▪ Between one to five employees, usually the owner and family. ▪ Informal – no license, formal business premises, labour legislation. ▪ Turnover below the VAT registration level of R300 000 per year. ▪ Basic business skills and training. ▪ Potential to make the transition to a viable formal small business.
Very small enterprise	<ul style="list-style-type: none"> ▪ Part of the formal economy, use technology. ▪ Less than 10 paid employees. ▪ Include self-employed artisans (electricians, plumbers) & professionals.
Small enterprise	<ul style="list-style-type: none"> ▪ Up to 100 employees. ▪ More established than very small enterprises, formal and registered, fixed business premises. ▪ Owner managed, but more complex management structure.
Medium enterprise	<ul style="list-style-type: none"> ▪ Up to 200 employees. ▪ Still mainly owner managed, but decentralised management structure with division of labour. ▪ Operates from fixed premises with all formal requirements.

Source: National Small Business Act (1996)

Previous investigations into the small business market have classified small business typically by “informal” and “formal” type business or “registered” and “unregistered” business. Informal business is characterised by being a street vendor, a market or a stall trader or an individual that has not registered the business. Formal Business include those businesses that have registered their business with the Companies and Intellectual Property registration Office (CIPRO) as a sole proprietor, a partnership, a co-operative, a close corporation or a (Pty) Ltd.

It is apparent that the single parameter of “formal” and informal” is not robust enough. A further breakdown of the standard criteria in the table 2 below clearly indicates the need for an enhanced segmentation to support effective analysis.

Table 2: Further Breakdown of SMME Characteristics

Informal Street Vendor, Hawkers etc.	Unregistered Individuals	Registered Business
<ul style="list-style-type: none"> • Survivalist – street market, stall market. • Predominantly involved in the sale of goods. • Operate in the informal sector of the economy. • Won't employ others in the running of their business. • Income generation below the poverty line – average of R1 500 per month. • No training, high school education. • Approximately half have access to a bank account. 	<ul style="list-style-type: none"> • Many involved in sale of goods however activity seen in other sectors such as services or landlords. • Not inclined to employ others. • More inclined to run business from home. • Never registered the business. • For 30% income derived from business is not sole sources of income. • Average monthly turnover R2 600. • 55% banked. 	<ul style="list-style-type: none"> • Part of the formal economy. • Registration of business a sole proprietor or a close corporation. • 90% banked. • Higher predominance of White and Indian business owners. • More likely to be professionals. • Skills learnt from post matric education or training programmes. • Employ approximately 5 other people in the business. • R21 500 average turnover of business.

While the above criteria are useful for categorising SMMEs on the basis of size, the ZDM SMME Policy Framework recognises that the SMME sector is divers and can be stratified based on a number of other features, which are important to identify when designing development interventions. This includes distinguishing between “opportunity entrepreneurs”, i.e. those who have established their business based on a perceived opportunity, and “necessity entrepreneurs”, i.e. those who have established their business as a last resort because there are no other employment opportunities available to them.

It is apparent that the single parameter of “formal” and “informal” is not robust enough.

The SMME Policy Framework is proposing a six-pillar framework in order to address challenges faced by SMMEs, these are:

- Non-financial entrepreneurial support initiatives with a particular focus on entrepreneurial training;
- Financial entrepreneurial support initiatives;
- Capacity building initiatives;
- Regulatory reforms and supporting the informal economy SMME sub-sector;
- Research on specific sectors and the role of SMMEs in building partnerships;

- Employment retention and linking with the National Training Layoff Scheme.

These pillars or focus areas are listed accordingly and resources determined in order to ensure effective implementation and accountability through monitoring and reporting. All interventions will focus on inclusivity by linking the second and first economies and ensuring a more equitable distribution of income. The interventions will require a coordinated and concerted effort from both the social and economic intervention departments of ZDM in ensuring success.

2. Background

2.1 Policy and Regulatory Environment for SMMEs

Since 1994, the development of the SMME sector has been an important focus for the South African government. The sector has been identified as a vehicle to improve employment and living standards of individuals who have been denied access to opportunity under the apartheid government. Numerous policy and legal factors can erode the capacity of SMMEs to create employment opportunities, foster innovation, sustain themselves and produce wealth. Even when the policy and legal instruments themselves are supportive of SMMEs, their enforcement and implementation may be inadequate or inefficient, thus defeating the purpose they were enacted for. The policies and legislative instruments that were developed to enable and advance SMME development agenda include the following:

2.1.1 General Small Business Policy and Legislation

The policy, regulatory and other interventions put in place to support small business development are the following:

National Strategy for the Development and Promotion of Small Business The post-apartheid government developed the National Strategy for Development and Promotion of Small Business, after publishing the White Paper on the National Strategy for Development and Promotion of Small Business in 1995. A year later, the National Small Business Act was passed by Parliament, which provided for the institutions to implement this strategy. These policy and legislative interventions were introduced to address the imbalances created by the developmental agenda of the apartheid regime.

Small Business Development Act of 1996

The National Small Business Act of 1996 was enacted to provide for the establishment of SEDA - to provide guidelines for organs of state to promote the development of small business.

SEDA provides SMMEs with non-financial support. Its work is carried out in line with the Integrated Small Enterprise Development Strategy, which aims to achieve the following goals:

- Strengthen support for SMMEs' access to finance.
- Create an enabling regulatory environment.
- Expand market opportunities for specific categories of small enterprises.

- Localise small business support through a grid of SEDA-coordinated information and advice access points.

3. Context for ZDM SMME Development

The Government of the Republic of South Africa has established a comprehensive policy framework for economic growth and development, which mobilises the resources of the private sector and SMMEs. In addition, the National Skills Development Strategy and the National Local Economic Development Framework establish an important foundation for SMME development.

The National SMME development framework was established by the White paper on the national strategy for the development and promotion of small business in South Africa (1995) and the National Small Business Act (1996, and amended 2003). In 2004, government adopted the integrated strategy on the promotion of entrepreneurship and small enterprises, which acknowledges the need for focused support to designated target groups and special institutional arrangements. The strategy assigns high priority to the promotion of an integrated and coordinated approach to service delivery. It urges all government agencies operating in a decentralised structure to be guided by the mantra: “Think Synergy First”. This means that no new support programme, no new products and services, and no new delivery Mayorhanism should be developed and implemented without first assessing the following:

- How the new initiative adds to existing support or delivery Mayorhanism, and how its introduction will close gaps that cannot be closed by existing offerings.
- How the new initiative ensures that duplication of existing support and delivery Mayorhanisms – across the spectrum of role players – is avoided at all costs.
- How the new initiative complements/reinforces/adds value to existing support and delivery Mayorhanism in a manner that ensures “seamless” delivery across all role players and offerings.
- How the resources deployed to the initiative will be accounted for in the national small enterprise service-delivery report.

Alignment to the ZDM Strategic Procurement Framework

The role of the strategic procurement programme is to maximise the developmental impact of Government expenditure on new infrastructure as well as ongoing expenditure on the maintenance of infrastructure and consumables used in schools, hospitals etc. strategic procurement should also be closely linked with SMME support programmes in terms of supply chain development with the aim of maximising local content along the supply chain.

The establishment of a detailed and up to date supplier database is necessary across the range of goods and services procured both directly and indirectly through government expenditure.

Government procurement and localization will be optimally leveraged to support SMMEs and cooperatives within the province. It has been recognized that such an intervention can be used to:

- Stimulate economic activities
- Protect the National and Local industries against foreign competition
- Improve sector competitiveness
- Remedy regional disparities

Such interventions will be undertaken within the legal framework of the Preferential Procurement Policy (PPPFA) Framework Act (Act 5 of 2000). The Act gives effect to section 217(3) of the Constitution section 2(1) (d) of the PPPFA provides that any organ of the State may:

- Contract with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender or disability; and
- Implement the programmes of the RDP as published in Government Gazette No. 16085 (dated November 23, 1994).

ZDM will therefore ensure that the procurement of its key services promotes SMMEs, BBBEE and local content (localization) and encourages the private sector to do the same. In summary, special consideration has to be given to combining preferential procurement, enterprise development (SMMEs and Cooperatives) and localisation to enable meaningful participation within government supply chains and the industrial growth trajectory. A synergistic approach will be followed in linking preferential procurement, the creation of decent work, localization and industrial policy.

An implication of the “synergistic approach” is that the current PPPFA and the Broad Based Black Economic Empowerment (BBBEE) Strategy be reviewed and where applicable, customised, to exploit enterprise development (SMMEs and Cooperatives), as well as serve a model for the private sector. The convergence between procurement policy and enterprise development is therefore of critical importance, in conjunction with an alignment to local policy and strategy documents to ensure full optimisation of interventions.

4. Critical Factors Affecting SMMEs in the Local Government

Problems faced by small business

The problems faced daily by small business are diverse. By far the largest problem experienced is the need for capital in the business. 25% of all small business feels that crime and theft are major problem in the running of their business. 19% of small business owners feel that is too much competition. This could be due to the fact that almost 70% of small business are involved in the sale of goods. Only 7% add value to a product before selling it on.

Very little innovation is evident in the differentiation of products and services, limiting the business ability to be competitive.

Problems experienced in the business are exacerbated by the fact that 68% of all business owners have taught themselves the skills they are using in the daily running of their business. Only 1 in 10 business have had any business skills training specifically related to their business.

It is however encouraging to see that almost half of small businesses plan to expand and grow their business in the future. 39% would like to improve their profits and margins. A substantial proportion of small businesses are showing signs of increasing competitiveness, by innovation. 25% have stated that would like to develop new products and services in the future and 12% would like to improve their technological capacity within the business.

Future aspirations of the business

Small business owners when asked what they perceived as requirements for a successful business, 72% stated that the business must be profitable; loyalty of customers was also seen as important; 35% claimed that the location of businesses was critical for success. Only 18% felt that staying ahead of the competition was crucial.

On the basis of these findings from the study it is believed that focus should be placed on, amongst others:

- The need for an **approach** that recognises the different specific characteristic of SMMEs. The Business Sophistication Model (BSM) segmentation is a useful way of approaching SMME development as it recognises those specific characteristics. Interventions must then be tailored specifically so as to develop all BSM.
- The need for **better information** on the SMME sector: currently, it is extremely difficult to collect reliable and up-to-date data on the sector within the province. While some specific studies have been conducted, there is a dearth of information concerning the dynamics of the sector, its contribution to local investment and employment, or the issues affecting the development of the sector.
- The need for **integration and transformation**: ZDM remains one of the South Africa's least integrated economies, displaying glaring disparities between the established, predominantly white and formal economy (sometimes referred to as the "first economy") and the emerging, predominantly black and informal (also known as the ("Second Economy"). Immediate efforts are required to integrate these two sides of the economy through stronger commercial linkages, more effective markets and improved business performance.
- The need to **improve access to SMME development services**: while there are a wide range of financial and business development services on offer to SMMEs in ZDM, demand continues to exceed supply. Attention must be given to enhancing the access SMMEs have to development services, including those provided by the public, private and community sectors.

- The importance of **lowering the cost of doing business including addressing crime** as these threaten the survival of many SMMEs. The complexities of local government regulations are another constraint faced by SMMEs, informal businesses are hit hardest.
- The need to **broaden the range of SMME development service providers** in the province: this includes, for example, the increased provision of online entrepreneurial training and linking any other support to the successful completion of training, the use of private managing agents that provide services to SMMEs on behalf of public agencies, improving access to markets, and the use of group-based SMME development services to increase impact.
- The need for **better local and local business environments**: because most SMMEs in the province start-up and operate without the support of any business development programme or service, it is essential to consider the systems in which these firms operate, including the markets they operate in and the influence of the business environment. Government authorities working at local, district and local levels should consider the influence their policies, laws and regulations have on SMMEs within their jurisdictions and do whatever they can to make these more conducive to the successful establishment and growth of SMMEs.
- The need for **a more entrepreneurial society**: entrepreneurship focuses on the attitude and skills business owners develop; it promotes the development of businesses that are based on market opportunity, the innovative use of available resources, and creative ways to overcome obstacles. Just as businesses can be managed in a more entrepreneurial way, SMME development services can also be designed and delivered in an enterprising manner. Thus, entrepreneurship and entrepreneurial approaches to business development are required.
- The need to improve the **institutional framework** for SMME development: SMME support in ZDM has been frustrated by a fragmented and poorly integrated approach to service delivery across national, local and local levels. Thus, in line with the National SMME strategy, greater attention has to be given to improving the collaboration and coordination of SMME services providers from the public, private and community sectors.
- The need for **better business representation and public-private dialogue**: effective SMME development regular dialogue between government and the business sector. SMMEs in ZDM need to be better organised, better represented, and better able to liaise with government on the issues that are important to them and their future. This is an issue at local, district and local levels.
- The need for better **facilities and infrastructure**, especially in areas that were marginalised by, so called “apartheid planning”: many SMMEs in the province operate in informal or illegal locations simply because there are insufficient or poor premises available. This is particularly common in formerly disadvantaged locations, such as townships, as well as in formal settlements. In addition, access to power, water and

sanitation are concerns for many micro and small business owners. These issues contribute to a lack of access many SMMEs have to broader, mainstream markets that are essential for their development.

5. Strategic Pillars and Programmes of the Policy Framework

In order to establish a more vibrant and dynamic SMME sector that contributes to the province's growth and development, SMMEs need to be able to compete successfully in local as well as national and international markets and provide a diverse range of new and lasting decent employment opportunities for Youth, Women and people living with disabilities.

The interest in SMME development by government is informed by the growth and development potential of these entities. The potential and ability of SMMEs to create employment opportunities, increase total entrepreneurial activity (TEA) index, support sustainable livelihoods is extremely critical in addressing poverty and unemployment. It must be noted however, that generation of employment opportunities is not the cardinal criteria in deciding to focus on entrepreneurial initiatives and SMME support in particular. Increasing entrepreneurial activity is also important as South Africa is not ranked amongst the world's most entrepreneurial nations.

The average number of jobs created by small business is 1.3, this implies that on average SMMEs in the province provide one additional job to the owner. The statistics show that 70% of SMMEs actually do not create any jobs, only 4% of SMMEs employ more than five other. This would largely be the SMMEs in the higher BSMs, particularly BSM 6-7. Clearly the employment share of SMMEs is not stellar.

The local SMME sector should reflect the racial and gender patterns of the province and strong commercial linkages should be formed between firms of different sizes and along strategic value chains. The province should contain effective, independent business associations that represent and support a wide range of business members and local, district and local government will liaise with these associations on a regular basis. Furthermore, SMME ownership and management should become a desired career for many youth, women and people living with disability in the province and no longer an option of last-resort.

In responding to the critical concerns of SMME development in the province and achieving the above policy aim, a six pillar framework is established:

- Pillar 1: Non financial entrepreneurial support initiatives with a particular focus on entrepreneurial training.
- Pillar 2: Financial entrepreneurial support initiatives.
- Pillar 3: Capacity building initiatives.

Pillar 4: Regulatory reform and supporting the informal economy SMME sub-sector.

Pillar 5: Research on specific sectors and the role of SMMEs and building partnerships.

Pillar 6: Employment retention and linking with the National Training Layoff Scheme.

Programme 1: Support to Micro Enterprises (BSM 1-3)	
Programme 1.1	Entrepreneurial opportunities and first steps training programme
Programme 1.2	Micro Enterprise Development Initiative
Programme 1.3	Regulatory Impact Assessments and ZDM Informal Economy Initiative
Programme 2: Support to Small Enterprises (BSM 4-5)	
Programme 2.1	Online Business Training Programme
Programme 2.2	SMME Funding (BSM 4-5)
Programme 2.3	Sector Research and Information Sharing
Programme 3: Support to Medium sized Enterprises (BSM 6-7)	
Programme 3.1	Local Mentor Database and Accreditation
Programme 3.2	Entrepreneurial Back Office Support
Programme 3.3	Tender Submission Support
Programme 3.4	SMME Funding (BSM 6-7)
Programme 4: Support to Medium sized Enterprises and Boosting Innovation	
Programme 4.1	Boosting Innovation among Micro and Small Enterprises
Programme 5: Cross Cutting Programmes	
Programme 5.1	ZDM SMME Information Programme
Programme 5.2	Consolidated Entrepreneurial Portal
Programme 5.3	ZDM SMME Development Forum
Programme 5.4	Training Layoff Scheme Support
Programme 5.5	ZDM SMME Observatory

6. Principles Informing SMME Development in ZDM

The following principles inform the design and management of SMME development interventions in the province:

- The ZDM provides oversight and leadership in the development of the SMME sector in the province, liaising closely with key national government departments and agencies, as well as with all districts and local Municipalities.
- SMME development services enhance the potential for economic transformation in the province, removing the dualism that is currently found in the economy and practically supporting opportunities for Broad Based Black Economic Empowerment (BBBEE).
- Wherever possible, systemic and sustainable approaches to SMME development are applied in order to address the underlying constraints and barriers experienced by the sector and ensuring all SMMEs in the province benefit from these interventions.

- The creation of local and local business environments that enable the growth of SMMEs within the province is a continuous process of assessment, reform and dialogue with the business community.
- All SMME development services are carefully targeted, demand oriented, responsive and integrated.
- Wherever possible, all sectors engaged in the SMME sector – public, private and community, as well as national, local agencies, and the SMME sector itself – working together to ensure their actions are complementary and coordinated.
- Regular and structured dialogue between local and local governments and the SMME sector is essential to the design of effective support interventions and a better business environment.
- Local SMME development pays special attention to the constraints and challenges facing women, young people, people with disabilities, and enterprises operating in previously disadvantaged areas in the province.
- New methods and instruments are developed to promote SMME development in the province, including the use of pilot and flagship projects, which test new approaches to SMME incubation, innovation and development.
- Investments are made into the generation and management of knowledge concerning the local SMME sector and development interventions.
- SMME development interventions in the province is aligned with the targeted sectors and clusters as specified in the ZDM Spatial Development Framework. Specific SMME development strategies are formulated in each of the identified sectors and development targets set and monitored:
 - Transport equipment
 - Wood and paper
 - Publishing and printing
 - Textile, clothing and leather
 - Food, beverages and tobacco
 - Other none-metal minerals products
 - Construction
- Clear targets are set for the development of SMME in the province, which shall be regularly monitored and reported.

7. Key Stakeholders and Institutional Arrangements

The focus on the different segments of the SMME market, financial and non-financial support measures, capacity development and other policy priorities will be detailed as programmes in the Implementation Plan. The programmes will be costed with relevant champions and support agencies assigned to ensure proper implementation to achieve the objectives.

The policy framework recognises the full range of actors engaged in the development of the SMME sector in the province. To be effective SMME development in ZDM requires an

institutional framework that builds on the strengths of all actors and promotes a platform for improved integration, collaboration, coordination and partnership. The Government of South Africa's *Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises* promotes an integrated and coordinated approach to service delivery. The principle of integration in the strategy refers to three levels of integration:

- Integration of different socio-economic policy areas.
- Integration of programmes within the public sector (cutting across national, provincial and local government), and between the public and private sectors.
- Integration of the activities of different entrepreneurship and small enterprise promotion institutions.

7.1 National Government

The government of the RSA sets the macroeconomic and constitutional framework in which SMMEs operate, which displays a commitment to open markets, private enterprise, freedom of association and sound property rights. The national government also establishes the policy and legal framework for SMME activity through instruments such as White Paper on national strategy on the development and promotion of small business in South Africa (1995), the National Small Business Act (1996), National Small Business Amendment Act (2004), and the integrated strategy on the promotion of entrepreneurship and small enterprises (2005). National government also supports the SMME sector through development agencies that have a specific mandate.

7.2 Local Government

The ZDM performs the following functions in relation to SMME development:

- Leadership in local SMME development: SMME development cannot be expected to occur naturally. It requires leadership and direction. ZDM through its Department: Community Services – LED Unit, will oversee the development of the SMME sector and engage all actors on a collaborative basis. Leadership in this context involves the following specific roles:
 - Oversight and accountability.
 - Identification of local priorities.
 - Liaison with key National Government departments and Development Agencies to ensure local priorities and concerns are reflected in their SMME development services and annual work plans.
 - Coordinate the engagement of other departments of the ZDM in SMME development activities.
 - Liaise with other District's and Local Municipalities regarding their SMME development policies, programmes and services, promoting information sharing and collaborative approaches.

- Coordination and harmonisation of all national and local SMME development services providers.
- SMME development services: Local SMME development requires a network of providers to deliver financial and business development services to the SMME sector. This includes national agencies, local SMME development agencies. It also includes public, private and community based service provider as well as, in some cases, business membership organisations. These agencies are required to perform the following roles in relation to SMME development:
 - Identify and respond to the specific needs and development constraints experienced by targeted SMMEs.
 - Provide services in a sustainable, practical and business-like manner.
 - Identify strategies for maximising outreach and impact on the local SMME sector.
 - Share information with other service providers operating in the province.
 - Participate in partnership projects and collaborative approaches to SMME service delivery.
 - Set target for service delivery and report on these on a regular basis.
- Pilot and flagship projects: Success in SMME development requires a commitment to trialling new methods and approaches. ZDM will work with all agencies to identify and test new approaches, which if proven successful, can be replicated to other locations in the District. Will also consider the development of flagship projects, which provide a focus for key strategic approaches, such as the development of an SMME incubation centre or innovation centre.
- Public-private dialogue: The importance of regular and structured dialogue between government and the business community is well recognised. This should occur at local and district levels. This requires the following:
 - A well organised business sector that effectively represents the business community – this requires business organisations that represent firms of all sizes and sectors.
 - A platform with government that creates the space for dialogue with the business community – this requires government and leadership that demonstrates that business views will be heard.

7.3 Sub-local Government Authorities

Municipalities have a critical role to play with regard to SMME development. While there are varying powers and mandates prescribed to these bodies based on the Municipal Structures Act, all have the capacity to contribute to, promote and constrain the development of SMMEs. Most districts and Local Municipalities have recognised the role of SMMEs play in their local economy and have included SMME development in their Local Economic and Integrated Development plans. Some have provided direct support to SMME Development agencies such as The Business Places.

In line with the principles of co-operative government, national and provincial government must support and strengthen municipalities' capacity to manage their own affairs. This concerns SMME development as well as other social and economic development plans and programmes. Thus, ZDM will liaise with its family of municipalities to determine the correct support measures it can provide in relation to SMME development in the District.

7.4 Academic and Research Agencies

ZDM enjoys the presence of a wide range of academics and research agencies. These include public agencies such as Universities, Technikon's and Colleges as well as non-governmental and private consulting and research firms. These agencies provide basic, technical, and tertiary education, training, advice and research to SMMEs as well as to pay greater attention to business development issues, SMME development and the development of entrepreneurship skills.

The development of the SMME sector in ZDM requires close collaboration between the business communities, in particular the SMME sector, and academia. Support should be provided by public agencies and private investors to promote innovation and technology transfer that improves the competitiveness of SMMEs in the District. Special attention should be given to the creation of SMME incubators, innovations centres (such as those currently promoted by the National Department of Science and Technology and the Small Enterprise Development Agency), and the creation of technology based clusters.

7.5 Private Sector and Business Membership Organisations

The SMME sector in ZDM is represented through a range of business membership organisations, which reflect the diversity of the sector. Business membership organisations provide important services to their members and, in some cases, provide SMME development services. In addition, they present local and local government with an opportunity to discuss concerns directly with the business community.

Municipalities and government sector departments should liaise with business membership organisation on a regular basis. SMMEs are encouraged to join local associations and, wherever possible, these associations should ensure the voice of even the smallest member business is heard to help within their structures. Where possible, support services should be provided to help business membership organisations become better organised and equipped to provide sustainable membership and development services to SMMEs.

7.6 International Donor and Development Agencies

It is recognised that there are a number of SMME development initiatives in ZDM that benefit from the support of International donor and Development Agencies. These Agencies are encouraged to work with key Local, District and Local actors – public, private and community based in their efforts to promote the sustained development of a more competitive SMME sector. Support from agencies such as these should focus on the trialling of new methods and

instruments for SMME development, as well as on disseminating lessons from international best practice. Support for the building and strengthening of local and local business membership organisation is also required.