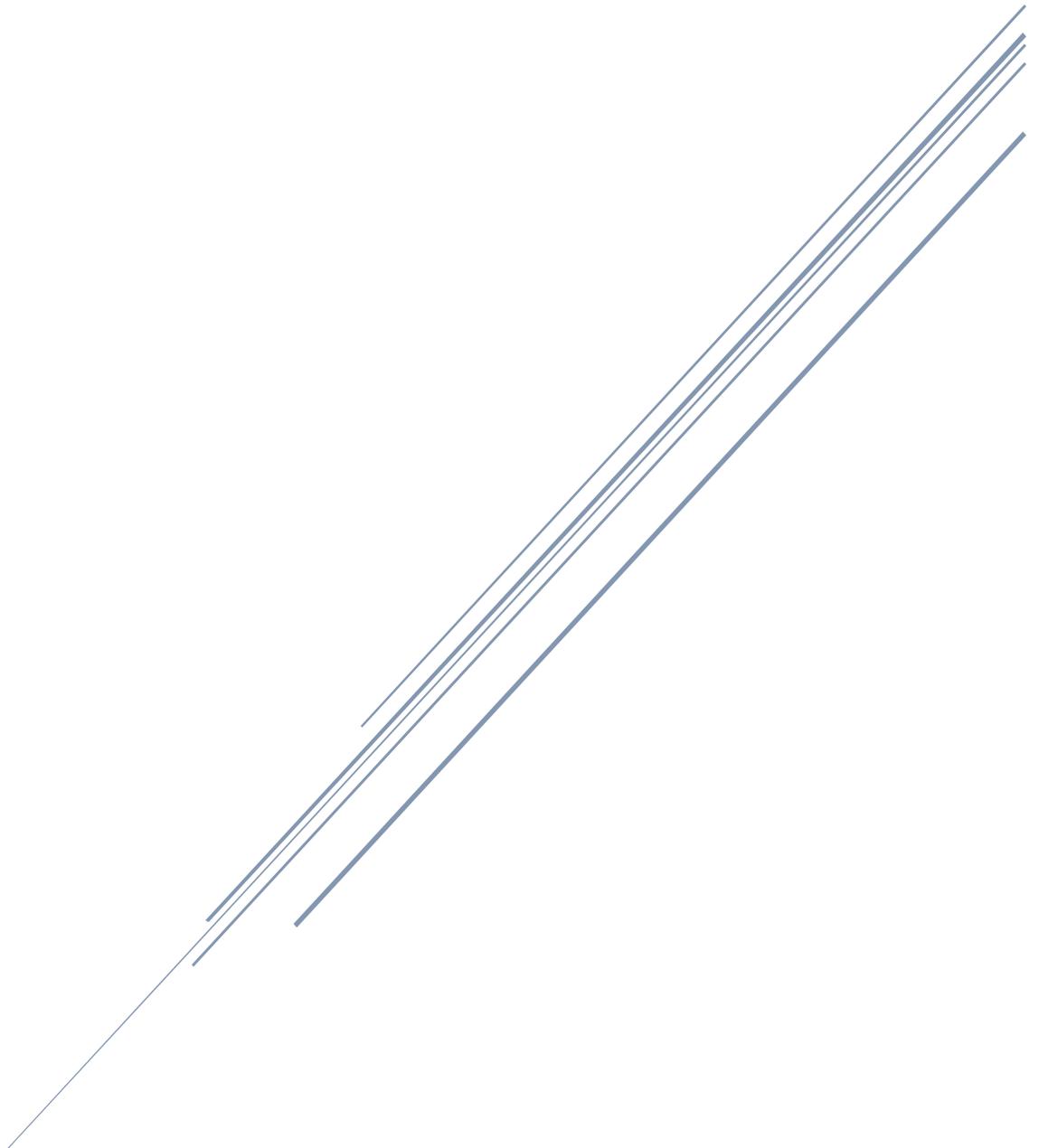


# Emerging Farmer & SMME Plan

Community Services Department



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## **1. Purpose**

The objective of this intervention is to focus on achieving visible delivery with regard to Local Economic Development (LED). Visible delivery in the Agricultural Sector is essential in order to illustrate the potential of the sector in the District. Encourage communities and emerging entrepreneurs to become involved in economic development; mainly in Agricultural Sector. This document is aimed to enhance LED Agricultural Sector with the most strategic, efficient and effective mechanism to be used on the tractors allocated to LED Section for **Ukulima Integrated Rural Programme (UIRP)**. This is aimed at supporting the emerging farmers to be more productive.

## **2. Background**

An investigation of existing agricultural development projects within the district reveals a small number of "large scale" projects that are already in existence. These projects are largely sustainable and are making a significant contribution to the local economy. Relative to other parts of the province agricultural opportunities within Zululand have been neglected and the potential for new projects is considerable. Agricultural stakeholders within the district are realizing that they are the drivers of local economic development with the support from government through enabling the environment.

Community food gardens have long been used to organize women's group, introduce vegetable production and to provide food security. A large number of community gardens exist through the communal areas of the ZDM, at a small scale.

## **3. Overview Agriculture in ZDM**

It is of critical importance in terms of eradication of poverty, in recent years the number of poor people in rural areas has increased mainly to illness such as HIV/ Aids and COVID 19 which has resulted in child headed homes. ZDM Goals, strategies and development objectives are focusing on the economic empowerment of Rural women, Youth and people with disability. Facilitate the delivery of sustainable infrastructure and services. Promote social development. ZDM is committed to designing strategies to effectively engage with second economy. The Programme's key objective is to help grow local economies in ZDM by supporting Rural initiatives of sustainable projects in local partnerships linked to municipal priorities and which may attract private and public sector investment.

The primary objective of LED in Agricultural Sector is based on the vision of a modern and effectiveness of the Municipality which is inspired and activated to achieve higher service objectives, aiming constantly:-

1. Exploit the potential of the agricultural sector through UIRP.

2. Effective utilization of available, yet limited resources
3. Coordinated implementation of LED.
4. Ongoing effective monitoring and evaluation of the development of the sector
5. Formation of strategic partnership for support and guidance (i.e. Dept. of Agriculture)
6. Ensure development of the sector in communal land areas and small-scale farming.
7. Commitment to social security and Poverty alleviation as part of the process of developing the economy as a whole.

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#### **4. Procedure to be followed when implementing UIRP**

It is so imperative that, ZDM prepares the procedure to be followed to achieve all the above. It should be noted that all fourteen (14) tractors will remain the property of ZDM Council. Individual and/or privately owned projects will not be allowed to participate on the UIRP.

The following categories should be prioritized when choosing beneficiaries to be assisted through this intervention.

##### **4.1 Categories of existing projects**

- a. Community gardens within ZDM to a maximum of 2 hectares.
- b. Land Reform projects.
- c. Small grower associations (e.g. sugar cane or timber) projects.
- d. Xoshindlala (food security) projects.
- e. Sector Departments projects (commercial projects).

#### **4.2 Tariffs to be charged**

- a) It should be noted that, this initiative is to assist the communities in agricultural sector through UIRP; however it is necessary that the commitment is also demonstrated from their side by sweat equity i.e. working on the fields.
- b) No payments to be charged from the communities.

#### **4.3 Approval of projects to embark on UIRP**

- a) All LED officers/managers within ZDM to submit all identified agricultural projects related to this programme.
- b) The list of all proposed agricultural projects will be approved by ZDM.
- c) No project to be implemented without prior approval.
- d) Seedlings may be made available to the designated groups, subject to the approval by ZDM EXCO.

#### **4.4 Monitoring and Evaluation (M&E)**

- a) The Department of Agriculture together with ZDM will assist with M&E.
- b) Monthly reports will be developed by ZDM – LED Section.
- c) The report should stipulate the number of hectares ploughed and planted.
- d) To influence future decisions on similar projects.
- e) Project synopsis i.e. challenges & lessons drawn / learnt.

## **5. Small, Medium, and Micro Enterprises (SMMEs)**

### **5.1 Introduction**

The Zululand SMMEs Framework provides a comprehensive qualitative and quantitative framework for the development of Small, Medium and Micro enterprises (SMMEs) in Zululand District Municipality. It recognizes 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 policy framework establishes a basis for the design, implementation and assessment and processes that support the development of a more competitive and sustainable SMME sector. It provides a basis for collaboration and coordination among public, private and community actors and creates the space for these actors to contribute to SMME development in Zululand District Municipality (ZDM) in a mutually reinforcing and synergistic manner, while enhancing the opportunities for mobilizing resources that can be used to boost the contribution SMMEs make to sustainable social and economic development in the Province.

The Zululand SMME Policy Framework will recognize 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 organization, 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	<p>Between one to five employees, usually the owner and family</p> <p>Informal – no license, formal business premises, labour legislation</p> <p>Turnover below the VAT registration level of R300 000 per year.</p> <p>Basic business skills and training</p> <p>Potential to make the transition to a viable formal small business.</p>
Very small enterprise	<p>Part of the formal economy, use technology</p> <p>Less than 10 paid employees</p> <p>Include self-employed artisans (electricians, plumbers) &amp; professionals</p>
Small enterprise	<p>Up to 100 employees</p> <p>More established than very small enterprises, formal and registered, fixed business premises.</p> <p>Owner managed, but more complex management structure.</p>
Medium enterprise	<p>Up to 200 employees</p> <p>Still mainly owner managed, but decentralized management structure with division of labour.</p> <p>Operates from fixed premises with all formal requirements</p>

Source: National Small Business Act (1996)

Even if the nature of the research has not been clear to the layperson from the hypotheses, we should be able to understand the research from the objectives.

A statement of research objectives can serve to guide the activities of research.

1. To describe what factors SMME's take into account in making such decisions as to make access to finance and credit.
2. To lobby government institutions to better serve their needs.
3. Inefficient government bureaucracy – government policies are instrumental in enhancing entrepreneurial activities.
  - In the case of the first objective, the research will end the study by being able to specify factors which emerged in each SMME decisions.
  - In the second, the result will be the specification to various interventions that can uplift and or sustain the existence of the SMME's.
  - In the third, creating a picture so as to reduce the red tape.

**Various papers and reports have been written about SMMEs in South Africa. We summaries some of their findings, focusing mostly on the challenges and risks that SMMEs face.**

The literature on small business development in South Africa has focused largely on the practicalities surrounding small business or SMME development policies. The three key areas of focus are:

1. An assessment of policies and instrument put in place by the South African government in order to support the small business segment.
2. An examination of the role and impact of private and public sector institutions on small business growth and development.
3. A consideration of the state of South Africa's "culture of entrepreneurship". Which is common in many other middle-income developing countries and has been a key driver of job creation.

Although a defined set of challenges being faced by SMMEs in South Africa can be listed, it is important to consider that not all domestic small businesses necessarily face the same set of challenges tend to be location specific. More of this detail will be explored in the following section which provides an overview of risks and challenges faced by SMMEs from various sources.

## **6. Challenges faced by SMME's**

### **6.1 Access to finance and credit**

Limitations of access to finance for SMMEs are very common (Financial Services Regulatory Task Group, 2007). Given their highly conservative nature, South African banks and lenders are more inclined to put resources in small businesses in their later stages of development.

### **6.2 Poor infrastructure**

The lack of access to physical infrastructure is a key impediment to business growth and adds significantly to the cost of doing business. The GEM South Africa report (2014) alludes to the fact that infrastructure is one of the key enablers for SMMEs development.

### **6.3 Low levels of research and development (R&D)**

Building R&D capacities is important for small business, as it can help determine the feasibility of transforming ideas into actual businesses. Investing in this aspect of business also allows businesses to access innovative solutions through the process of discovery.

#### **6.4 Onerous labour laws**

South African labour laws have been found to be significant regulatory obstacle, to business growth, particularly when it comes to laying off staff. Small business owners have found that once they have employed workers, the law makes it difficult to lay the workers off if the business can no longer afford to keep them or if they prove to be unproductive.

#### **6.5 An inadequately educated workforce**

The National Development Plan notes that small business in the services sector is negatively affected by a shortage of skills. This shortage is mostly true for business such as accounting and sales capabilities. Interestingly, South Africa's trade and accommodation sector – which is sales oriented – happens to have the largest number of SMMEs relative to the other sectors.

#### **6.6 Inefficient government bureaucracy**

Government policies are instrumental in enhancing entrepreneurial activities, as they set the platform upon which new businesses can be started and sustained.

#### **6.7 Lack of access to markets**

The inability for SMMEs to access markets has been noted as one of the major factors threatening their longevity. Access to markets is one of the fundamental requirements (by credit providers) to accessing funding and mentorship at early stages.

#### **6.8 Risk faced by SMMEs**

Risk to SMMEs refer to forces – whether internal or external to the small business sector – that threaten their existence as a going concern. The DTI (2008) found that the majority of South Africa's SMMEs rarely survive beyond their nascent phases, lasting for an average of less than 3,5 years. According to Global Entrepreneurship Monitor, the survival rate for start-ups is low and opportunities for entrepreneurial activity appears to be lowest in developing countries.