

# HARRY GWALA DEVELOPMENT AGENCY

## Enterprise Development Strategy Report

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# 1. Introduction

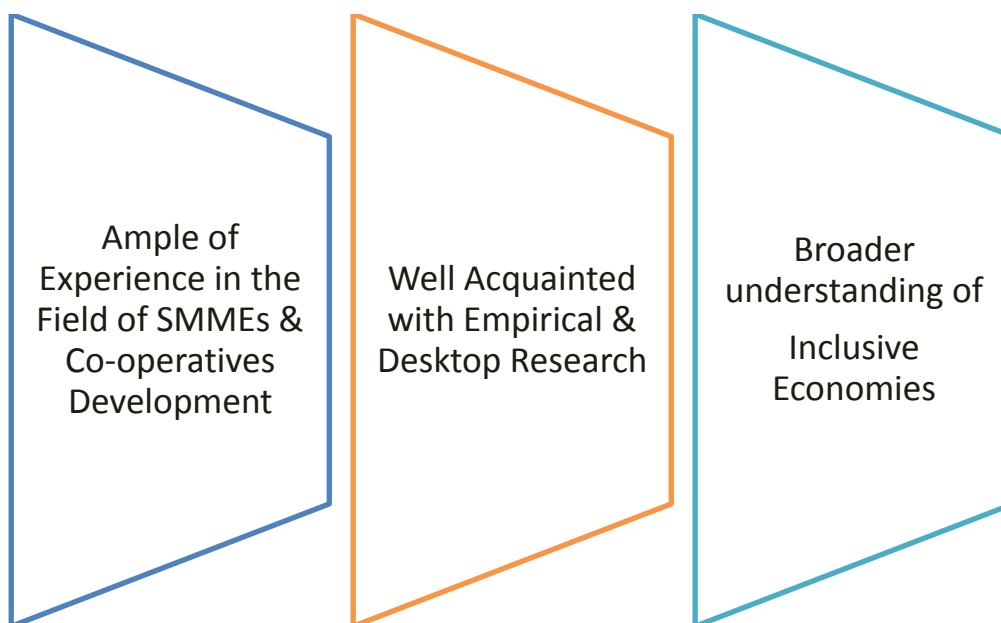
## 1.1 Orientation

The importance of the small enterprises (SMMEs and Cooperatives) economy for economic development and job creation has been clearly acknowledged in several development strategies and plans at national and provincial level. Despite the significance of the small enterprises economy, there have been few detailed research studies on its structure, dynamics and opportunities. In addition, available national data is unhelpful and even contradictory in terms of estimates of the size of the SMME sector. As a result of the poor database and of the limited nature of recent detailed research on the small enterprises economy, strategic planning initiatives are difficult to undertake. It is against this background that the purpose is therefore:

- To gather and provide relevant information and data in order to understand the existing profile, dynamics and challenges that the small enterprise economy in contributing towards the wider development objectives of the district and the local municipalities differentiated at a sector level per municipality; and,
- To formulate an Enterprises Development Strategy and Implementation Plan.

With an aim of ensuring that the above-mentioned assignment achieves its objective, outcomes and is implemented efficiently, effectively and cost-effective manner. Skhunyana Training Consultants has a team of competent and committed members to develop a sound **Comprehensive Harry Gwala Small Enterprise Development Strategy and Implementation Plan.**

**Skhunyana Training Consultants team has the following specialisation:**



## 2. Understanding of the Project

### 2.1. Project Rationale

#### 2.1.1 Background

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

The National Strategy for the Development and Promotion of Small Business identifies the Small Enterprises as the key contributors to rural development. Its primary objective is to create an enabling environment for small enterprises. In the Sisonke District Led Strategy, small business has been identified as a sector that needs consideration to facilitate economic growth and development in the area.

#### 2.1.2 Objectives

The objectives of this project are as follows:

- Gather, Analyze and Review all small enterprise programmes, strategies and projects already identified or being implemented by Harry Gwala District Municipality, five local municipalities, any organ state, Private sector, NGOs and other service providers within Harry Gwala District Municipality as categorized in terms of project name, nature of initiative, location, project sponsor and current status and recommendations for the future.
- Gather, Analyze and Review the Spatial and socio-economic demographics within the Harry Gwala District Municipality.
- Analyze and compile a comprehensive database of all existing registered SMMEs/Cooperatives within the Harry Gwala District Municipality as categorized by sector, nature of business/focus areas, strengths & weaknesses, location etc.
- Gather, Analyze and Review all role-players and key stakeholders in economic development (in general) and SMME/Cooperative sector (in particular) including their current and potential roles and responsibilities.
- Gather, Analyze and Review all current and potential small enterprises financial sources and non-financial support services within Harry Gwala District Municipality (both public and private).
- Gather, Analyze and Review all existing and potential institutional structures and instruments related to SMME/Cooperatives and economic development within Harry Gwala District Municipality and elsewhere in South Africa.
- Analyze and Review practical challenges and obstacles facing the SMME Sector in General and within SDM in particular.

- Gather, Analyze, Review and Compile a database of all SMME/Cooperatives Support Agencies within Harry Gwala District Municipality as categorized by location, sector/areas of focus/services they render, number of years in business, challenges, etc.
- Provide the District with a set of recommendations/options in respect to the effective implementation and measurement of the SMME strategy incorporating the national drive of developing and implementing the SEDA programme.
- Device a funding model for the small enterprises that will be utilized by Harry Gwala Development Agency to support SMMEs/Cooperatives.
- Develop a database of SMMEs/Cooperatives per sector, location.

## 2.2. Legislative Context

The key legislative framework informing the development of an Enterprise Development Strategy is as follows:

### 2.2.1 National LED Framework (2014 – 2019 Draft)

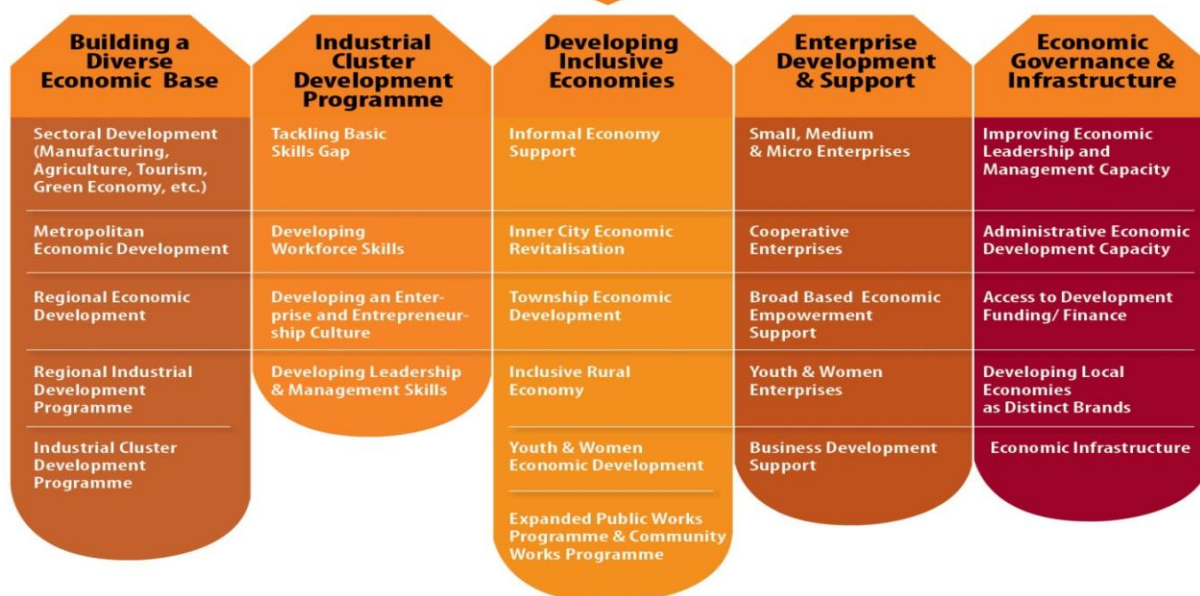
This draft framework is intended as a strategic coordination and implementation guide that provides and enhances a commonly shared understanding of LED in South Africa.

This framework provides policy grounding of LED with particular emphases placed on the National Development Plan, the National Growth Path and the Industrial Policy Action Plan.

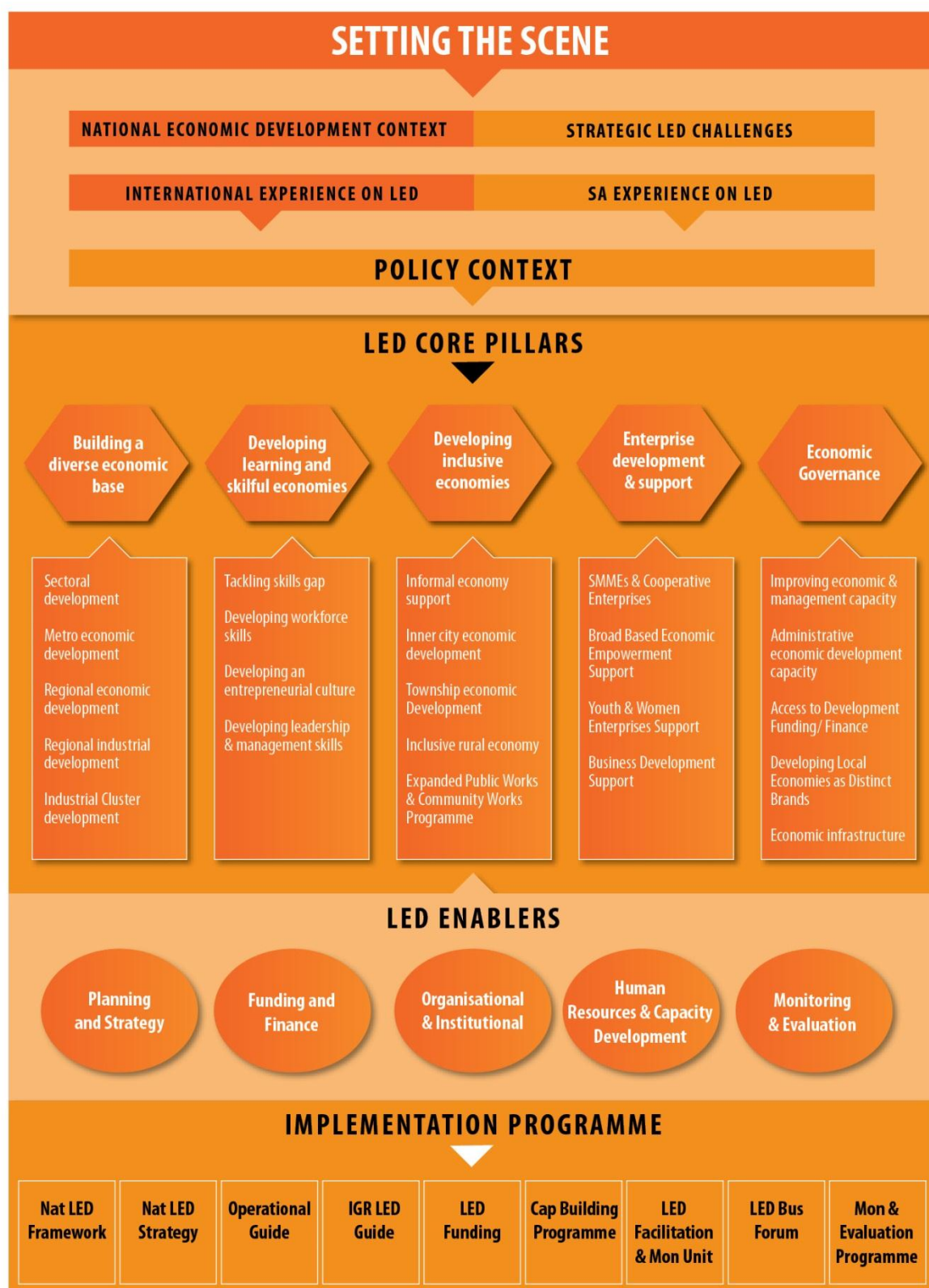
The key Pillars of this policy framework are building a diverse economic base, developing learning and skilful local economies, developing inclusive economies and economic governance.

These pillars are depicted below. The framework asserts that implementation of LED is largely driven and facilitated at local government level, strong support, coordination and instruments design are however largely the competence of the national sphere with some roles also shared with the provinces.

## LED Policy Pillars/ Thrusts



# Schematic Overview of the 2014-2019 National Framework for Local Economic Development



### 2.2.2 NATIONAL SPATIAL DEVELOPMENT FRAMEWORK

The fundamental aim of the NSDP is to guide the reconfiguration of apartheid spatial relations and the implementation of spatial priorities in ways that meet the Constitutional imperative to provide basic services to all; alleviate poverty and inequality; and to ensure that government investment is able to maximise its impact on growing the country's economy in sectors where there is greatest potential. Therefore, it is a useful guide to promote focus and emphasis on effective comparative advantage when developing local economies in South Africa. It advances the following key principles as guide for LED plans and strategies:

- ▶ **Principle 1:** Rapid, sustainable and inclusive economic growth is the foremost priority for the country. It is a pre-requisite for the achievement of other policy objectives;
- ▶ **Principle 2:** Government must meet constitutional obligations to provide basic services to all citizens everywhere in the country. But beyond this, *spending on fixed investment should be focused mainly on areas of existing strong economic growth or future potential;*
- ▶ **Principle 3:** In areas that do not demonstrate future economic potential, efforts to address development challenges must *'focus on people, not place'*. This means *investing in social support, human resource development and labour market intelligence, instead of unsustainable infrastructure*. These social investments will empower people with knowledge and choice so that they can move to areas with greater opportunities if they wish to; and
- ▶ **Principle 4:** To address the spatial distortions of apartheid, settlement development should be steered into a configuration of nodes linked to main growth centres through activity corridors. This principle applies to both nationally across the space economy, as well as in particular urban areas.

### 2.2.3 REGIONAL INDUSTRIAL DEVELOPMENT STRATEGY

The RIDS Strategic Intent is outlined as follows:

- To enable all areas in the SA economy to attain their optimal economic potential by facilitating local development embedded in a regional/district through linkages within existing and latent industrial and economic base.
- To stimulate investments that will promote sustained high growth in a local community
- To focus on a region's potential and identify what local stakeholders can and need to do to ensure their local community reaches its potential
- To assess a community's comparative advantage, identify new or existing market opportunities for businesses, and reduce obstacles to business expansion and creation
- To have an impact on the economic viability districts
- To create new jobs, help communities retain existing jobs, help businesses access capital.



- To contribute to a broader national framework with a spatial dimension, in order to increase each region's global competitiveness.

#### 2.2.4 NATIONAL ECONOMIC DEVELOPMENT STRATEGY – “NEW GROWTH PATH”

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Government, under the leadership of Minister Ebrahim Patel, on 23 November 2010 released the **Framework of the New Economic Growth Path** aimed at enhancing growth, employment creation and equity. The policy's principal target is to create five million jobs over the next 10 years. This framework reflects government's commitment to prioritising employment creation in all economic policies. It identifies strategies that will enable South Africa to grow in a more equitable and inclusive manner while attaining South Africa's developmental agenda.

Central to the New Growth Path is a massive investment in infrastructure as a critical driver of jobs across the economy. This calls for all spheres of government to prioritise job creation and as such ensure that all programmes that they implement have an element of job creation.

- The framework for the New Economic Growth Path identifies investments in five key areas namely: energy, transport, communication, water and housing. Sustaining high levels of public investment in these areas will create jobs in construction, operation and maintenance of infrastructure.
- The new growth path sees the infrastructure programme as a trigger to build a local supplier industry for the manufacture of the components for the build-programme.
- Specific measures, particularly changes to procurement policy and regulations, are identified to ensure that this is achieved. Risks include the still fragile global recovery; competition and collaboration with the new fast-growing economies; and competing interests domestically.

The New Growth Path identifies five other priority areas as part of the programme to create jobs, through a series of partnerships between the State and the private sector:

- **Green economy:** expansions in construction and the production of technologies for solar, wind and biofuels is supported by the draft **Energy on Integrated Resource Plan**. Clean manufacturing and environmental services are projected to create 300 000 jobs over the next decade.
- **Agriculture:** jobs will be created by addressing the high input costs and upscaling processing and export marketing. Support for small holders will include access to key inputs. Government will explore ways to improve working and living conditions for the country's 660 000 farm workers. The growth path also commits the Government to unblocking stalled land transfers, which constrain new investment.
- **Mining:** calls for increased mineral extraction and improving infrastructure and skills development. It focuses support for beneficiation on the final manufacture of consumer and capital goods, which can

create large-scale employment. It foresees the establishment of a state mining company concentrating on beneficiation and enhanced resource exploitation in competition with a strong private mining sector.

- **Manufacturing:** calls for re-industrialization in the South African economy based on improving performance through innovation, skills development and reduced input costs in the economy. The document targets a doubling of South Africa's research and development investment to 2% of gross domestic product by 2018.
- **Tourism and other high-level services:** hold employment potential. The framework also calls for South Africa to position itself as the higher education hub of the African continent.

### 2.2.5 NATIONAL PLANNING COMMISSION – VISION 2030

The new National Planning Commission located in the Office of the Presidency has produced a diagnostic report which highlighted the following key challenges for the country:

- Poor education,
- High Disease rate,
- Exclusive Planning
- Corruption,
- Ageing infrastructure,
- Poor job opportunities,
- Resource intensive economy,
- Public Services uneven and divided communities.

### 2.2.6 The Industrial Policy Action Plan (IPAP)

The Industrial Policy Action Plan purpose is three-fold: to promote labour-absorbing industrialisation; to broaden participation and economic transformation, and to raise competitiveness with manufacturing as the key anchor for dynamising employment and growing the economy

Within the context of IPAP and its implementation thereof, the value addition of LED would lie in the following imperatives:

- On-going strengthening government-business-labour engagement;
- Investment in skills development – more so on those that are demanded by the economy;
- Strengthening the substantive contribution and involvement of Development Finance Institutions and the Parastatals in economic development;
- Expanding functional economic linkages beyond the borders of RSA so as to leverage on neighbouring countries;
- The DTI and EDD to deepen the sectoral and industrial cluster agenda of local economic development;

- National Treasury to provide funding resources for economic development policy implementation - this extending to the private sector as well, and local economic developments to be anchored by identified priority sectors; industry clusters and value chains, and exploit new economy.

### **2.2.7 The Micro-Economic Reform Strategy**

The micro-economic reform strategy places small business development, the need to ensure equity (through broad-based black economic empowerment and gender initiatives), prioritizing of growth sectors, special geographical focus (particularly in areas of high poverty and unemployment), and the need for strong co-ordination of support measures, at the heart of micro-economic reform.

As far as small business development is concerned, the strategy calls for the following measures:

- Specific sectoral initiatives to promote small business development.
- The introduction of new products to support small enterprises.
- Greater co-ordination across government.
- The consolidation of all mentorship programmes.
- Improved access to finance.
- Increased access to markets through competition policy and export promotion.
- The promotion of entrepreneurship.
- The expansion of business support infrastructure and provision of localized support infrastructure.

### **2.2.8 Broad –Based Black Economic Empowerment Strategy**

Several objectives of the BBBEE strategy bear relevance to small business development and therefore to this strategy. These are:

- Achieving a substantial increase in the number of black people who have ownership and control of existing and new enterprises.
- Achieving a substantial increase in the number of black people who have ownership and control of existing and new enterprises in the priority sectors of the economy, which government has identified in its macro-economic reform strategy.
- Achieving a significant increase in the number of new black enterprises.
- Increasing the proportion of ownership and management of economic activities vested in community enterprises and co-operatives.

Besides increasing enterprise ownership by blacks, the BBBEE strategy also outlines measures to increase procurement from black-owned enterprises, and to strengthen the supply capacity of black-owned firms.

### **2.2.9 The National Small Business Amendment Act of 2004**

The National Small Business Amendment Act of 2004, chapter 3: section 10 which mandates the Small Enterprise Development Agency (SEDA) in ensuring that the agency design and implement small enterprise development support programmes in order to:

- Facilitate the building of sustainable and competitive enterprises.
- Facilitate the promotion of entrepreneurship.
- Facilitate the creation of an enabling operating environment for small enterprises.
- Facilitate access by small enterprises to non-financial resources, capacity building services, products and services.
- Facilitate international and national market access for products and services of small enterprises.

### 3 Strategic Approach

#### 3.1 Economic Development Principles

Hence the Enterprise Development Strategy forms part of Local Economic Development (LED); this programme adheres to the following principles and should be practiced within the context of the economic principles, referred to in the following table:

<b>ECONOMIC PRINCIPLE</b>	<b>DESCRIPTION</b>	<b>RELEVANCE TO LED</b>
<b>Broaden economic Base/diversification</b>	An important development principle underlying LED is to broaden the economic base, through the Integration of diverse economic initiatives. This principle encompasses a number of issues including: <ul style="list-style-type: none"> <li>Introducing new activities, which are not currently operational in the area.</li> <li>Development of SMMEs to have a broader representation base on the size of establishments; and</li> <li>Ownership should be broadened to Include all members of the community.</li> </ul>	<ul style="list-style-type: none"> <li>Diversification and production of new products and services must be considered when identifying programmes and possible projects.</li> <li>Promote SMMEs, women, youth, people with disability and BBBEE ownership of new and existing companies.</li> </ul>
<b>Capacity Building</b>	This principle encompasses the building of capacity of the municipalities and associated public sector role players with respect to LED.	<ul style="list-style-type: none"> <li>Stakeholder participation at Economic Indabas in LED.</li> <li>LED training (theory and practice) for public officials.</li> <li>Business start-up, management and financial training for private sector.</li> </ul>
<b>Comparative &amp; Competitive Advantage</b>	Comparative advantage indicates relatively more competitive production function for a product or service in a specific local economy (provincial or national). It therefore measures whether a specific economy produces a product or renders a service more efficiently.	<ul style="list-style-type: none"> <li>All comparative advantages in the local area must be identified in the SWOT analysis and built upon when identifying programmes and potential projects, thereby exploiting the existing strengths and opportunities in the local area.</li> </ul>
<b>Creation of favourable locational factors</b>	The environment in which businesses operate must be conducive to conducting business. This includes: <ul style="list-style-type: none"> <li>Reducing the establishment and operating costs of businesses;</li> <li>Improving infrastructure; and</li> <li>Facilitating the provision of trained labour.</li> </ul>	<ul style="list-style-type: none"> <li>A locational analysis will reveal what locational factors need to be improved upon to promote the local area as a desirable location to conduct business.</li> </ul>
<b>Enabling Environment</b>	Creating favourable conditions for the growth and development of business enterprises by reducing risk and making it more calculable by: <ul style="list-style-type: none"> <li>Creating a stable business environment (discussed above).</li> <li>Increase confidence levels of the public and private sectors investors; and</li> <li>Unlocking under-utilised resources.</li> </ul>	<ul style="list-style-type: none"> <li>One of the roles of the local municipality is to create an environment that promotes both existing and new business in the local area. The LED process can be used to facilitate this process.</li> </ul>
<b>Historically Disadvantaged Individuals (HDIs)</b>	LED should target HDIs, marginalized communities and geographic regions, BBBEE companies and SMMEs to allow them to participate fully in the economy.	<ul style="list-style-type: none"> <li>This principle must be incorporated during the visioning and setting of LED objectives and may be implemented through specific LED projects.</li> </ul>
<b>Income Generation Potential</b>	The sustainable income generation potential is a way to measure market potential and is used to inform the prioritization of projects.	<ul style="list-style-type: none"> <li>The income generation potential of a specific project must be considered when prioritizing potential projects.</li> </ul>

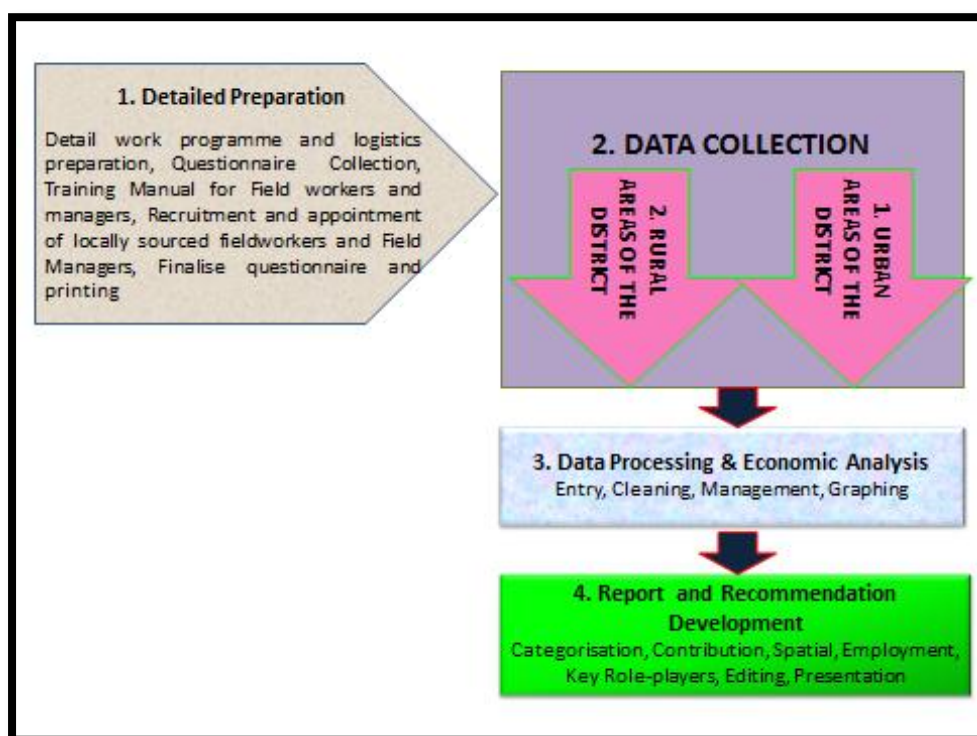
<b>ECONOMIC PRINCIPLE</b>	<b>DESCRIPTION</b>	<b>RELEVANCE TO LED</b>
<b>Integrated/Holistic Approach</b>	An integrated and holistic approach to the development planning process is of paramount importance. This implies that the interrelationships between economic activities and other development dimensions such as the social, demographic, institutional, infrastructural, financial and environmental aspects have been carefully considered.	<ul style="list-style-type: none"> <li>The situational analysis of the local area will identify social, demographic, infrastructural, financial and environmental strengths and opportunities that must be considered and included in potential LED programmes and projects.</li> </ul>
<b>Linkages</b>	<p>Linkages refer to the flow of goods and services between at least two agents. Linkages with neighbouring economies refer to:</p> <ul style="list-style-type: none"> <li>Leakages (the net outflow of buying power) that is households residing within the study but purchasing goods and services outside the local area; and</li> <li>Injections, (the net inflow of buying power) that are businesses located outside the study area purchasing products inside the study area.</li> </ul>	<ul style="list-style-type: none"> <li>It is important to encourage circular flow of capital within the community.</li> <li>One LED objective is to reduce leakages and increase injections through programmes and projects.</li> </ul>
<b>Local Markets</b>	LED aims at creating places and opportunities to match supply and demand as well as to discover, propagate and promote new business opportunities.	<ul style="list-style-type: none"> <li>The identification and involvement of key stakeholders will ensure that local leadership and the local economy are involved in the LED process.</li> <li>Specific LED projects may be aimed at increasing the number of locally owned enterprises.</li> </ul>
<b>Public Private Partnerships (PPP)</b>	LED involves local, national, and international partnerships between communities, businesses and governments to solve problems create joint business ventures and build up local areas.	<ul style="list-style-type: none"> <li>The establishment of PPPs should be explored in the implementation of projects.</li> </ul>
<b>Promoting Business</b>	This can be the promotion of existing business, start-ups or external companies coming into a location.	<ul style="list-style-type: none"> <li>Local municipalities are responsible for creating an enabling business environment that encourages the expansion of existing business the emergence of new business ventures.</li> </ul>
<b>Maximise the use of existing resources</b>	LED aims at making better use of locally available resources and skills and maximizes opportunities for development of resources.	<ul style="list-style-type: none"> <li>Local skills and resources of the local area must be identified during the situational analysis and ideally must be utilized during the implementation of projects, as extensively as possible.</li> </ul>
<b>Promoting SMMEs</b>	It is important to involve and uplift the SMME sector through enhancing the capacity of local entrepreneurs by establishing support measures and incentives to promote participation. This suggests that appropriate technology transfer needs to place in an environment conducive for the successful establishment of SMMEs.	<ul style="list-style-type: none"> <li>An enabling environment in which SMMEs can be established and maintained must be created; and</li> <li>SMMEs can be promoted through specific projects.</li> </ul>

## 4 Methodology

This status quo report is based on an audit of the SMMEs and Cooperatives conducted during November 2015. The audit was conducted by means of a structured questionnaire completed with the assistance of trained locally employed interviewees from each of the local municipality. Audit was conducted in Harry Gwala District Municipal Area including all its following five local municipalities:

- KwaSani Local Area;
- Ingwe Local Area;
- Buhlebezwe Local Area;
- Umzimkhulu Local Area;
- Kokstad Local Area.

Different steps used in the methodology approach during SMME & Cooperative Audit is clearly defined through the following diagram



Source: Skhunyana 2015

### 4.1 Audit Process

#### 4.1.1 Recruitment of Field Workers

Fieldworkers with audit experience and who could efficiently administer the questionnaires were recruited on a provisional basis. Interviewees were selected based upon the following criteria:

- experience in the field of audit conduction was necessary;
- literate and proficient in their command of the English; and Zulu languages;
- above the age of 21;
- a tertiary education, or a minimum of Grade 12;
- localised knowledge of their designated area was imperative and they had to be from the district jurisdiction;
- the fieldworker had to have a low-profile in politics; and
- a good community standing was imperative.

#### **4.1.2 Training of Field Workers**

In order for the audits to be carried out in an efficient manner within time and budget constraints, the fieldworkers were trained to perform their duties at a required optimum. Fieldworkers were trained during a three-day intensive programme, by the usage of a concise training manual. This manual assisted the supervisors as well as the fieldworkers with the necessary methods and procedures to conduct and manage the audit.



## 5 Situational Analysis

### 5.1 Study area

Harry Gwala District Municipality (previously known as Sisonke District Municipality) is situated south of KwaZulu-Natal. It is comprised of five local municipalities: Ingwe, Kwa Sani, uMzimkhulu, Greater Kokstad and Ubuhlebezwe, and the District Management Area. The seat of Harry Gwala is Ixopo. The municipality is surrounded by uMgungundlovu to the north-east, Ugu to the south-east, OR Tambo to the south, Alfred Nzo to the south-west, the Kingdom of Lesotho to the north-west and uThukela to the north. It is also bordered by the Drakensberg Mountains, which form a 200km-long World Heritage Site.

Economically, the most prominent employment sectors are agriculture, Wholesale and retail trade, catering and accommodation, construction and manufacturing. The district is known for its progressive farming methods. The unspoilt natural environment has high ecotourism and adventure-tourism potential. Harry Gwala has an abundance of high quality soils, high altitude, abundant water, and climatic extremes, which makes the area suitable for dairy farming. A significant portion of dairy consumed in KZN is produced within the district.

The rural settlements are spatially disintegrated and mono functional in nature. The Spatial Development Framework outlines a hierarchy of nodes in terms of primary, secondary, tertiary nodes and hubs. The current spatial arrangement of the settlements and low threshold in each settlement makes it difficult and costly to service the areas. Communities are mostly located far away from job opportunities with no adequate access to main transport facilities.

**Map 1 Harry Gwala District**



Source: Harry Gwala District Spatial Development Framework

The Harry Gwala SDF shows a hierarchy of different development elements including corridors and nodes:

- Primary Corridors: R56 and N2 are major movement corridors in the district and provide linkages with urban centres;
- Secondary Corridors: R612 and R617 provide secondary movement channels thereby promoting linkages for tourism opportunities and agriculture;
- Potential Secondary Corridors: D1201, P604, MR126, and MR27-2 have potential of enhancing movement between centres and promoting economic activities between centres.

The current respective Spatial Development Frameworks (SDF) or plans are summarized below for each municipality.

#### Greater Kokstad Local Municipality

- Primary Corridors: R617, N2, R56 are the primary corridors within the Municipality providing high linkages with surrounding municipalities and economic nodes;
- Secondary Corridors: D609 joining D622 to Wansbeck, D604 link and R602-1 Link, are secondary corridors and their potential could be strengthened through tarring;
- Tertiary Corridors: identified provide vital linkages to service satellites in the district and ensure connectivity with service delivery in the communities.

#### Ingwe Local Municipality

- Primary Corridor: R617 is a Primary Corridor as it has greatest potential in terms of tourism and service growth due to the relatively high volumes of traffic on the route. This route links Drakensberg Resorts to Pietermaritzburg;
- Secondary Corridor: R612 through Bulwer Station, Donnybrook, and Ixopo is a secondary corridor;
- Tertiary Corridor: These corridors are a series of district roads through Wards 4, 3, 2 and 1;
- Rail Corridor: This corridor is intended to revitalise the railway system traversing the district and Ingwe with the view to using it for passengers, timber and tourism transportation. The rail corridor adds significant value to the tourism potential of the area, particularly since it is linked to the Eastern Cape as part of a national tourism route.

#### uBuhlebezwe Local Municipality

- Primary Corridors: R56 link is a primary corridor within the Municipality providing high linkages with surrounding municipalities and economic nodes;
- Secondary Corridors: R612 link is a secondary corridor which has a potential to be strengthened through tarring;

- Tertiary Corridors: They provide linkages to service satellites in the district and ensure connectivity with service delivery in the communities.

#### Kwa-Sani Local Municipality

- Primary Corridors: R617, M126, MR27-2 and the MR318 are the primary corridors within the Municipality providing high linkages with surrounding municipalities and economic nodes;
- Secondary Corridors: MR265 through Coleford Nature Reserve is a secondary corridor with a potential of being strengthened through tarring;
- Primary Tourism Corridors: MR318 to Garden Castle is a primary tourism corridor and is to be maintained and strengthened to attract tourism in the municipality.

#### uMzimkhulu Local Municipality

- Primary Corridors: R56 link is a primary corridor within the Municipality providing high linkages with surrounding municipalities and economic nodes;
- Secondary Corridors: The district road passing through Riverside in an east-to-west direction is a secondary corridor and its potential could be strengthened through tarring;
- Tertiary Corridors: They provide linkages to service satellites in the district and ensure connectivity with service delivery in the communities.

#### Nodes

In terms of the Harry Gwala District Municipality SDF, the Settlement Hierarchy proposed for the municipal area is as follows:

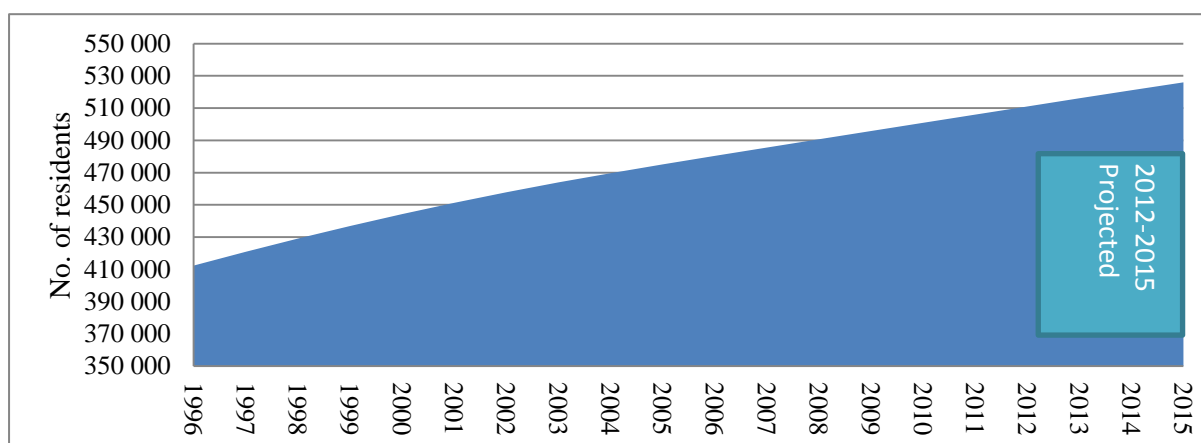
- Primary Nodes: These were identified to be Kokstad, Ixopo, and Matatiele because of economic activities and forces to these areas in the district;
- Hubs: Cedarville, Creighton, Himeville, Swartberg, and Underberg in the district were identified as hubs as they render services to the surrounding communities;
- Secondary Nodes: These Donnybrook, Highflats, Franklin, and Bulwer were identified as secondary nodes;
- Service Satellite nodes: Stepmore, Ncwadi, Pevensy, Jolivet, Centacow Mission, and Ntwasahlobo were also identified as satellite nodes;
- Tourism and Recreation Nodes: The following areas have been identified as tourism and recreation nodes. Bushmans Nek, Garden Castle and Sani Pass

## 5.2 DEMOGRAPHICS

The Harry Gwala District Municipality is a rural district with a fast expanding population which has grown from 412,383 residents in 1996 to more than 500,892 in 2010. Currently the district has a total population of **511 727 people convened into 122,163 households**. It is predicted that this level of growth will continue into the second decade of the new millennium, and will reach 525,975 in 2015.

The Harry Gwala District Municipality population accounted for 5.1 percent of the provincial population in 2010, with the population distributed across the following five municipalities as follows: Ingwe Local Municipality 23 percent; Kwa-Sani Local Municipality 3 percent; Greater Kokstad Local Municipality, 9 percent; uBuhlebezwe Local Municipality 16 percent; and uMzimkhulu Local Municipality 49 percent.

**Figure 1 Population distribution Harry Gwala District Municipality, 1996-2015**



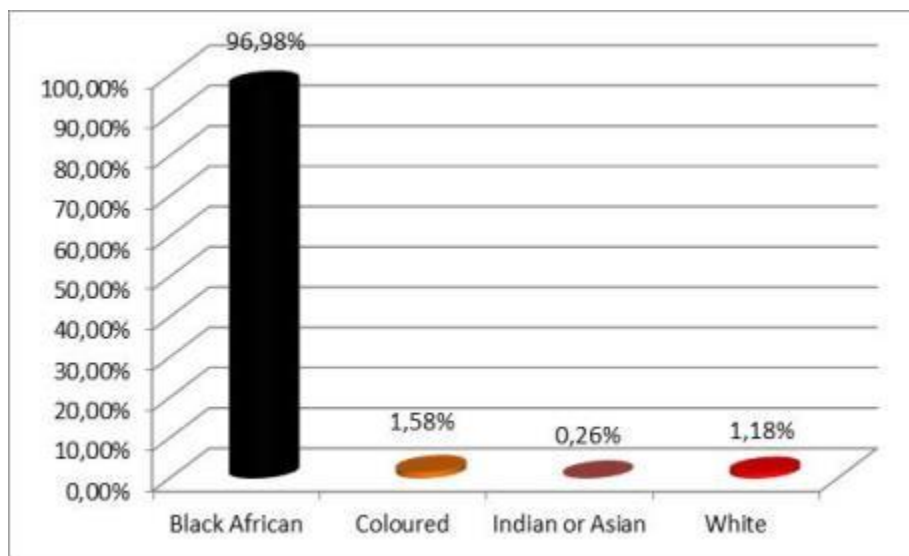
Source: Global Insight MetaData 2011

The growing district population in Harry Gwala is located in 122,163 households. The average household size in South Africa has fallen from 4,7 people to 3,7 people or by almost a quarter since 2005. According to the evidence for the Harry Gwala District Municipality average household size in 2010 was just over 4 members, which is significantly smaller than in 1996 when households on average accounted for 5 members. The rate of urbanisation in the Harry Gwala District Municipality has increased only slowly from 11.8 percent in 2002 to 14.2 percent in 2009 in contrast to other district municipalities where urban centres have experienced more significant levels of growth. Most of these households are rural with the demographic analysis noting that 80.8 percent of the population in the district was rural in 2010.

### 5.2.1 ETHNIC GROUPS

The District is dominated by black people who account for more than 96.9% of the total population as shown in the **figure** below. This indicates the need for programmes and strategies that enhance the empowerment of blacks. In addition, the District should strive towards developing the area to be attractive to all races.

**Figure 2 Ethnic Groups**

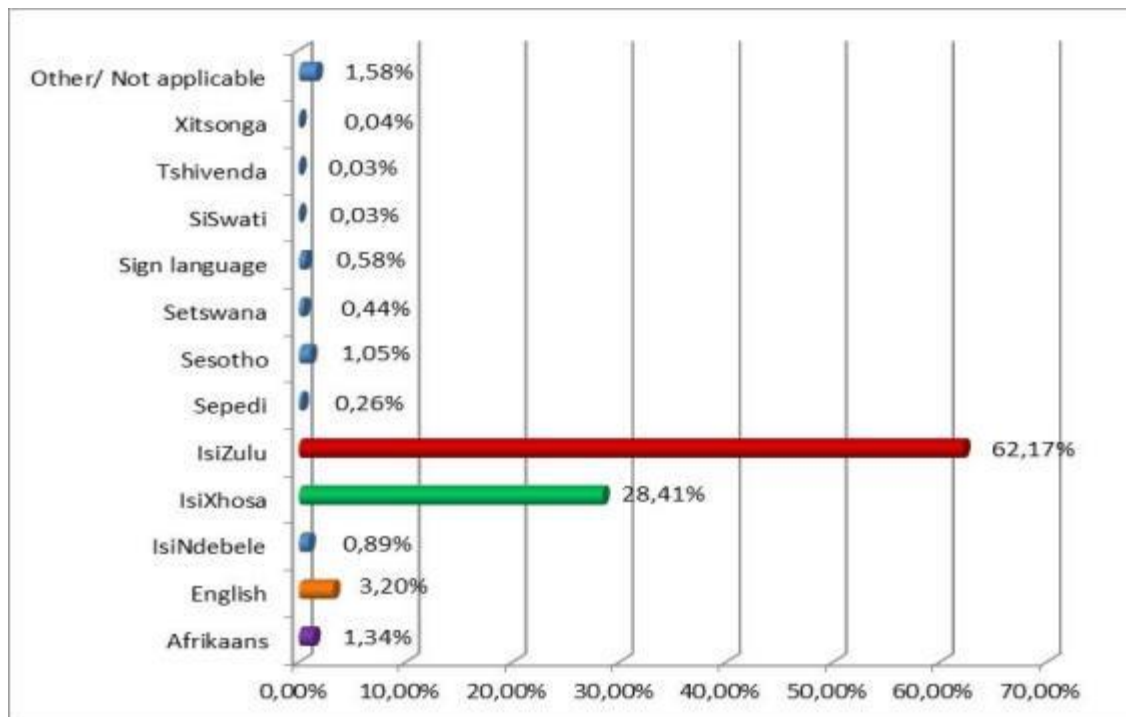


Source: Quantec 2013

### 5.2.2 SPOKEN LANGUAGES

As indicated in **figure** below, people in Harry Gwala District are diverse and converse in many of the official languages, but the majority speak isiZulu (62.17%), followed by IsiXhosa (28.41%). This trend points to the need of developing economic and developmental programmes and strategies in the most spoken languages of the area.

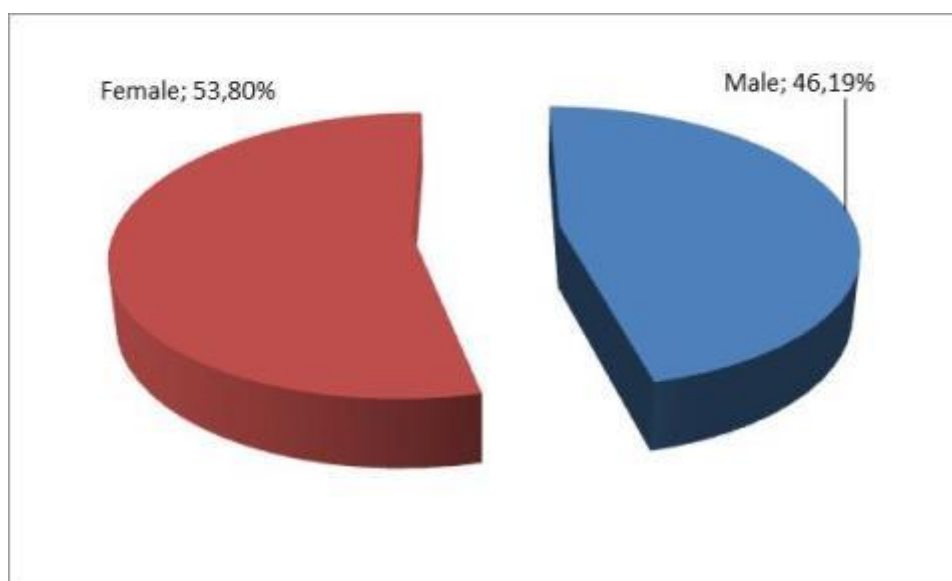
Figure 3: Spoken Languages



Source: Quantec 2014

### 5.2.3 GENDER GROUPS

The population of Harry Gwala District Municipality is slightly imbalanced in terms of gender. Females outnumber their male counterparts. As indicated in **figure** below, females account for 53.8% of the population, while males amount to 46.1%. This signifies the need for women development and empowerment programmes and strategies in the District. However, the higher representation of women could be attributed to factors such as the impact of political violence, which engulfed this area in the mid to late 1990's, and a degree of male absenteeism that characterises most rural areas where the men work in cities while the women stay behind to look after the children and homesteads.

**Figure 4 Gender Groups**

Source: quantic 2013

#### 5.2.4 AGE GROUPS

The age distribution in **table** below shows that the district municipality has a predominantly young population with 72.79% of the people being under the age of 34 years. Because of this, the youth of Harry Gwala constitute an important factor to consider in long-term planning needs.

This situation is likely to create a demand for education and social life hence putting the District under pressure to provide educational and recreational facilities / resources in the District Municipality in the near future. In the longer term, there will also be a surge in the demand for job creation. All these aspects point to the need for youth development programmes in stimulating Municipal economic growth.

**Table 1 Age Groups**

Age	%	Age	%
Ages 00-04	13,71%	14 to 35 Youth	<b>72,79%</b>
Ages 05-09	12,21%		
Ages 10-14	11,87%		
Ages 15-19	12,23%		
Ages 20-24	9,47%		


Ages 25-29	7,62%		
Ages 30-34	5,68%		
Ages 35-39	4,90%	36 to 69	24,01%
Ages 40-44	4,30%		
Ages 45-49	4,01%		
Ages 50-54	3,49%		
Ages 55-59	3,01%		
Ages 60-64	2,58%		
Ages 65-69	1,72%		
Ages 70-74	1,23%	70 and more	3,20%
Ages 75-79	0,88%		
Ages 80-84	0,65%		
Ages 85+	0,44%		

Source: quantec 2013

### 5.2.5 LEVEL OF EDUCATION

Approximately 10.3% of the population had no schooling, while 41.25% had some primary education. 33.54% of the population has some secondary schooling. It is worrying to note that only 0.74% of the population has a tertiary education.

**Table 2 Levels of Education**

Levels of Education	%		
Grade 0/No schooling	10,38%	10.38%	
Grade 1/Sub A	5,01%	41,25%	
Grade 2/Sub B	6,07%		
Grade 3/Standard 1	5,50%		
Grade 4/Standard 2	5,40%		
Grade 5/Standard 3	6,24%		
Grade 6/Standard 4	6,42%		
Grade 7/Standard 5	6,62%	33,54%	
Grade 8/Standard 6/Form 1	7,16%		
Grade 9/Standard 7/Form 2	6,57%		
Grade 10/Standard 8/Form 3/NTC1	5,58%		
Grade 11/Standard 9/Form 4/NTC11	6,18%		
Grade 12/Standard 10/Form 5/Matric/NTC111	5,64%		
Less than matric & certif/dip	0,73%		
Certificate with Grade 12	0,59%		



Diploma with Grade 12	1,08%		
Bachelor's Degree	0,27%	0,74%	
Bachelor's Degree and Diploma	0,23%		
Honours degree	0,16%		
Higher Degree (Master's, Doctorate)	0,08%		
Other/Unspecified/NA	14,09%	14,09%	

Source: *quanec 2013*

## 5.2.6 INCOME LEVELS

Income simply deals with total income that individuals and households receive. Average annual household income levels serve as an important tool when assessing a local area's level of socio-economic development. It reflects the living standards of a household and influences factors such as asset ownership. An integral part of the economic structure of an area is the spending power and multiplier effect of spending within the local economy. The following table provides an indication of the levels of income in Harry Gwala.

### 5.2.6.1. INDIVIDUAL INCOME

**Table 3: Monthly Income Levels/Population**

Income levels by person	%	Trends	%
Monthly income: No income	13,69	No income	13,69
Monthly income: R 1 - R 400	5,2	R 1 - R 6400	67.7
Monthly income: R 401 - R 800	11,32		
Monthly income: R 801 - R 1600	26,24		
Monthly income: R 1601 - R 3200	15,73		
Monthly income: R 3201 - R 6400	9,21		
Monthly income: R 6401 - R 12800	9,31	R 6400- R 25600	13.94
Monthly income: R 12801 - R 25600	4,63		
Monthly income: R 25601 - R 51200	1,32	R 25600- R 102400	1.55
Monthly income: R 51201 - R 102400	0,23		
Monthly income: R 102401 - R 204800	0,11	R 102400- and more	0.24
Monthly income: R 204801 or more	0,13		
Monthly income: Unspecified	2,89	Unspecified	2,89

Source: *Quantec 2013*

**Table** above summarizes the income levels of Harry Gwala population as follows:

- ⇒ Approximately 13,69% of the population in Harry Gwala has no income. This provides an indication that the internal spending power of the population in Harry Gwala District Municipality is very limited;

- ⇒ Majority (67.7%) of the population earn between R400 and R6400 per month, followed by 13.95%, which earn between R12 800 and R25 600;
- ⇒ Others (1.79%) earn more than 25600 per month

#### 5.2.6.2. INCOME LEVELS BY HOUSEHOLD

The following **table 8** shows that the majority (70.43%) of households in the Harry Gwala District earn between R4801-R38 400 per annum

**Table 4 annual Income Levels/ Households**

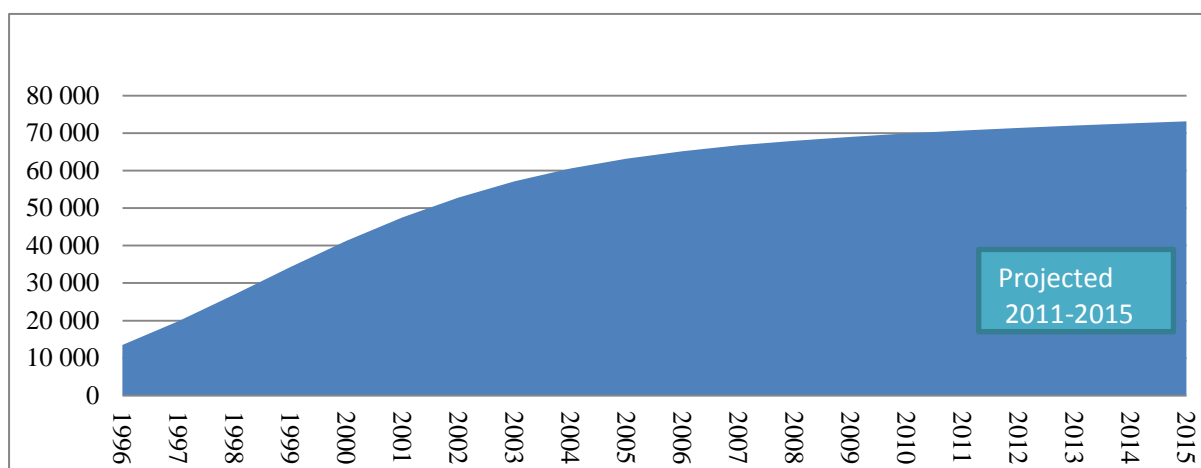
INCOME LEVELS BY HOUSEHOLD	%	Trends	%
Annual household income: No income	15,22%	No Income	<b>15.22%</b>
Annual household income: R1 - R4 800	5,96%	R1-R38400	<b>65.07%</b>
Annual household income: R4 801 - R 9 600	11,83%		
Annual household income: R9 601 - R 19 200	25,34%		
Annual household income: R19 201 - R 38 400	21,94%		
Annual household income: R38 401 - R 76 800	9,10%	R38400 to R614400	<b>19.13%</b>
Annual household income: R76 801 - R153 600	5,31%		
Annual household income: R153 601 - R307 200	3,19%		
Annual household income: R307 201 - R614 400	1,53%	R614400 and more	<b>0.57%</b>
Annual household income: R614 401 - R1 228 800	0,31%		
Annual household income: R1 228 801 - R2 457 600	0,15%		
Annual household income: R2 457 601 and more	0,11%	No answer	5,25%
Response not given	5,25%		

Source: Quantec 2013

#### 5.2.7 HIV AIDS TRENDS

At the same time, HIV/AIDS is contributing to household poverty and further demographic changes as households 'rebundle' in the wake of the death of wage-earners; posing difficult challenges for municipal governments. Evidence suggests that HIV/AIDS is still a significant problem: in 1996 only 13,504 individuals in the Harry Gwala District Municipality were HIV+, by 2010 69,924 people in the district were reported as HIV+ (Global Insight analysts are expecting the number of HIV+ individuals to increase to 73,151 in 2015).

**Figure 5 HIV+ Population Estimates: Harry Gwala District Municipality, 1996-2015**



Source: Global Insight MetaData 2011

HIV/AIDS can, as international and local literature has made clear, place excessive burdens on the capacity and resources of local governments. The predict continuance of high levels of HIV/AIDS prevalence in the Harry Gwala District Municipality, although lower than the KwaZulu Natal average, will have major implications for increasing the number the economically active population<sup>1</sup> (EAP) in the district municipality. HIV/AIDS can adversely affect workers and employers and thus also local economic development.

### 2013 HIV/AIDS Trends

HIV/AIDS has a major impact on the quality of life of communities and families as well as the economy. A number of initiatives have been implemented through the National Department of Health to combat the current epidemic. However, major challenges remain.

Within Harry Gwala District, the number of HIV positive persons has increased recording an average annual growth rate of 5.99% between 2009 and 2013, bringing the percentage of the population with HIV to 14.77% of the total population.

The number of AIDS related deaths has increased at an average annual growth rate of 15.92% between 2009 and 2013, with AIDS deaths accounting for about 58.28% of total deaths in the District. This highlights the severity of the current situation and the need for interventions that target and attempt to address these HIV/AIDS challenges.

<sup>1</sup> Every citizen in a country can be classified as either; economically active or economically inactive. If an individual is economically active, he or she must be between the ages 15 and 65, and able and willing to work.

**Table 5 HIV and Death**

Trends	Pop	%
HIV positive	74146	14,77
AIDS deaths	5954,167	58,28
Other deaths	4261,594	41,72
Total deaths	10215,76	100

Source: Quantec 2013

**Table 6: HIV and Death Trends**

	HIV positive		AIDS deaths		Other deaths	
Age Group	Pop	%	Pop	%	Pop	%
0-4 Year(s)	3535,427	4,77	530,8617	8,92	768,1728	18,03
5-9 Year(s)	2755,518	3,72	321,2384	5,40	48,84034	1,15
10-14 Year(s)	231,6362	0,31	161,6063	2,71	50,51613	1,19
15-19 Year(s)	4209,886	5,68	4,460768	0,07	122,7669	2,88
20-24 Year(s)	11607,82	15,66	133,5563	2,24	148,9487	3,50
25-64 Year(s)	51617,63	69,62	4763,454	80,00	1477,038	34,66
65+ Year(s)	189,0009	0,25	38,98936	0,65	1645,311	38,61
Total	74146,91	100	5954,167	100	4261,594	100

Source: Quantec 2013

The following **table** indicates that AIDS and other related deaths are concentrated in people aging from 15 to 64 years. This is justifiable as the district is predominantly (72.79%) dominated by youth.

The following are the likely effect of HIV/AIDS on social systems:

- ⇒ Poor households become more vulnerable and the epidemic is likely to deepen poverty and compromise upward mobility;
- ⇒ Increased demand for housing, education and other community facilities;
- ⇒ A greater demand for health care services and facilities;
- ⇒ A greater demand for financial support for orphans, child-headed households and households run by grandparents, and
- ⇒ A negative population growth rate that is affects the sustainability of projects that are based on certain population projections.

The following are the likely effect of HIV/AIDS on the economic systems:

- ⇒ Possibility of a shift from savings to current expenditure, limiting fixed investment and economic growth;
- ⇒ Possibility of 'technological deepening' of the economy as a result of higher absenteeism rates: Machinery will replace people in the labour market, with negative outcomes in the long term for job creation;
- ⇒ Further erosion of household savings and skills shortage, and
- ⇒ Increased spending on pharmaceuticals and funerals

In light of the above, the agricultural and other labour intensive sectors will suffer most as they rely heavily on the availability of a physically active workforce.

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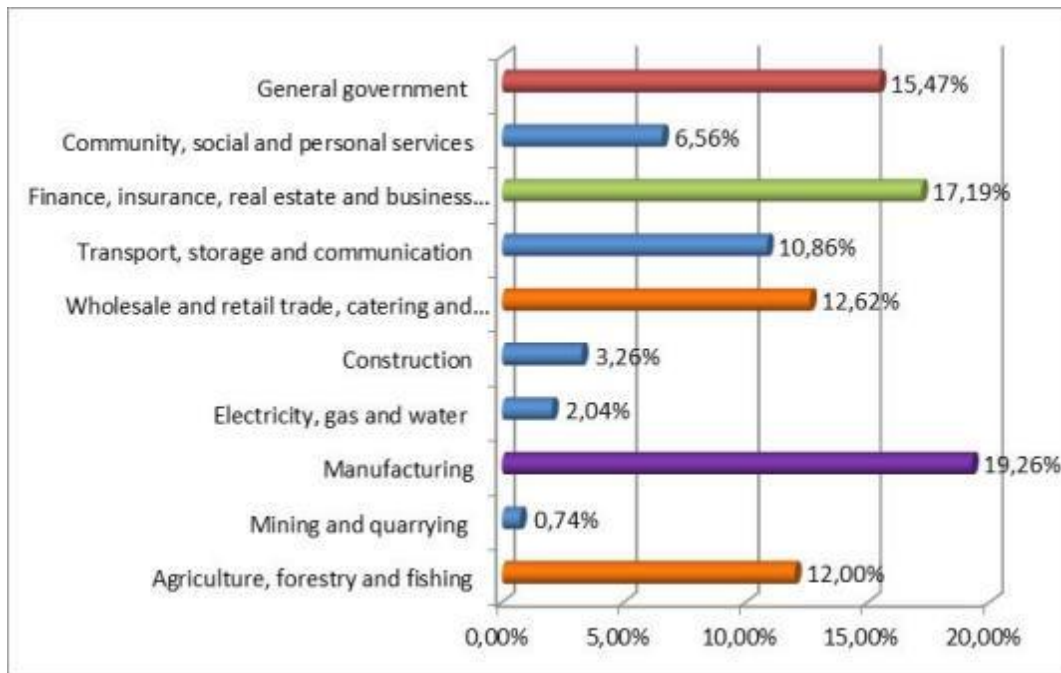
#### 5.2.8 CHOLERA AND OTHER RELATED DISEASES

The occurrence of these diseases is a direct result of the absence of potable water as well as the lack of proper sanitation in the rural areas of the Harry Gwala District Municipality; resulting in the contamination of natural water resources. This may lead to outbreaks of disaster proportions and these are characteristics of the rural areas. These diseases are life threatening and require constant monitoring. The District area has a number of health facilities but not all areas are well serviced. Certain areas have medium to higher concentrations of people who have no access to proper health facilities. Measures would therefore need to be put in place to ensure that these areas have access to health care services.

#### 5.3 SECTORAL CONTRIBUTION TO GVA

The figure below displays the sectoral contribution to total Gross Value Added (GVA) within the District Municipality, which is a measure of the regional gross domestic product contribution.

**Figure 6: Sectoral Contribution to GDP**



Source: Quantec 2013

The largest contributors to the Harry Gwala economy include the following:

- ⇒ Manufacturing sector with 19.26%
- ⇒ Finance, insurance, real estate and business services sector with 17.19%,
- ⇒ General government services with 15.47%,
- ⇒ Wholesale and retail trade, catering and accommodation sector with 12.62%, and
- ⇒ Agriculture forestry and fishing with 12%

The transport, community, social and personal services and construction sector contribute also with respectively 10.86%, 6.56% and 3.26%.

Other remaining key economic sectors including have little contribution to the GVA of Harry Gwala District Municipality.

### 5.3.1 SECTORAL CONTRIBUTION TO THE EMPLOYMENT

The primary sector of the economy only contribute 11.7% to total employment within Harry Gwala , with agriculture contributing 11.12% and mining 0.58%. This trend is alarming as it highlights the low level in employment within the primary sector, which, together with the secondary sector forms the foundation of the economy, and is generally more labour intensive than the tertiary sector. Major intervention will be required to ensure that the agricultural sector is reinvigorated to absorb more labour and stimulate economic activity.

The secondary sector contributed 18.62% to the total employment within Harry Gwala. The manufacturing sector contributed 12.08% and the construction sector contributed 6.54% to the employment in the District.

The community, social and personal services is the largest employer in Harry Gwala providing approximately 18.50% of total employment opportunities. The general government sector contributes 26.80%, while the wholesale and retail trade, catering and accommodation contributes 17.99%.

Finance, insurance, real estate and business services, transport, storage and communication, electricity, gas and water contribute also to the GVA of the District with respectively 11,98%, 4,15%, 0,26%.

**Table 7 Sectoral Contribution to GVA**

Sectors	No	%
Agriculture, forestry and fishing	6887,642	11,12
Mining and quarrying	359,225	0,58
Manufacturing	7482,703	12,08
Electricity, gas and water	158,8992	0,26
Construction	4049,743	6,54
Wholesale and retail trade, catering and accommodation	11142,07	17,99
Transport, storage and communication	2573,289	4,15
Finance, insurance, real estate and business services	7422,975	11,98
Community, social and personal services	11459,77	18,50
General government	10407,49	16,80
Total	61943,8	100

Source: Quantec 2013

### 5.3.2 EMPLOYMENT AND UNEMPLOYMENT TRENDS

Of the total population of Harry Gwala, 23.59% are employed in both formal and informal sectors. However, 54.3% of the population are not-economically active. This indicates that a large portion of the population financially depends on a small portion of the population.

**Table 8 Employment Trends**

<b>Trends</b>	<b>Number</b>	<b>%</b>
employed	62307	23,59
Unemployed	34767	13,16
Discouraged work-seeker	23610	8,94
Other not economically active	143426	54,31
Unemployment rate (%)		30,53
Labour force participation rate (%)		30,92
Total	264110	100

Source: Quantec 2013

The following table presents the preceding employment trends by racial groups from the district.

**Table 9 Racial Employment Trends**

<b>Racial Groups</b>	<b>Number</b>	<b>%</b>
Black African: Employed	56688	90,98
Coloured: Employed	2225	3,57
Indian or Asian: Employed	567	0,91
White: Employed	2531	4,06
Other: Employed	296	0,48
Total	62307	100
Black African: Unemployed	33984	97,75
Coloured: Unemployed	595	1,71
Indian or Asian: Unemployed	55	0,16
White: Unemployed	85	0,24
Other: Unemployed	48	0,14
Total	34767	100
Black African: Discouraged work-seeker	23430	99,24
Coloured: Discouraged work-seeker	123	0,52
Indian or Asian: Discouraged work-seeker	17	0,07
White: Discouraged work-seeker	22	0,09
Other: Discouraged work-seeker	18	0,08



Total	23610	100
Black African: Other not economically active	139990	97,60
Coloured: Other not economically active	1981	1,38
Indian or Asian: Other not economically active	375	0,26
White: Other not economically active	892	0,62
Other: Other not economically active	188	0,13
Total	143426	100

Source: Quantec 2013

From the preceding table, it is clear that the black population dominates almost all trends highlighted; this is mainly because the demographics of the district shows as well that the overwhelming majority of the people is black (96%).

#### 5.4 ACCESS TO SERVICES

The following table presents a snapshot of the district in terms of access to various services

**Table 10 Access to Service**

ENERGY SOURCES	No of HHS	%	Comments
Energy for lighting: Electricity	70230	62,55	The Majority of the population in the district uses electricity 62.25%
Energy for lighting: Candles	38618	34,39	
Energy for lighting: Paraffin	2137	1,90	
Energy for lighting: Solar	366	0,33	
Energy for lighting: None	628	0,56	
Energy for lighting: Gas	306	0,27	
SOURCE OF WATER	No of HHs	%	
Access to piped water: Inside dwelling/ institution	16549	14,74	37,86% of the population in the district uses the Regional/ local water scheme (operated by municipality or other water services provider).  25,49% have access to the water from the River/ stream.
Access to piped water: Inside yard	20238	18,02	
Access to piped water: On community stand more than 200m from dwelling	23742	21,14	
Access to piped water: On community stand between 200m and 500m from dwelling	8112	7,22	
Access to piped water: On community stand between 500m and 1km from dwelling	2913	2,59	
Access to piped water: On community stand more than 1km from dwelling	1734	1,54	
Access to piped water: None	38997	34,73	
Regional/ local water scheme (operated by municipality or other water services provider)	42506	37,86	
Borehole	11106	9,89	

Spring	16114	14,35	
Rain water tank	2532	2,26	
Dam/ pool/ stagnant water	4412	3,93	
River/ stream	28618	25,49	
Water vendor	901	0,80	
Water tanker	4362	3,88	
Other	1734	1,54	
<b>DWELLING TYPE</b>	<b>No of HHs</b>	<b>%</b>	<b>Comments</b>
House or brick/ concrete block structure on a separate stand or yard or on a farm	38894	34,64	<p>54.20% of the population in the district uses Traditional dwelling/ hut/ structure made of traditional materials.</p> <p>This category is followed by House or brick/ concrete block structure on a separate stand or yard or on a farm accounting for 34,64%</p>
Traditional dwelling/ hut/ structure made of traditional materials	60853	54,20	
Flat or apartment in a block of flats	3996	3,56	
Cluster house in complex	321	0,29	
Townhouse (semi-detached house in a complex)	303	0,27	
Semi-detached house	120	0,11	
House/ flat/ room in backyard	2288	2,04	
Informal dwelling (shack; in backyard)	1737	1,55	
Informal dwelling (shack; not in backyard; e.g. in an informal/ squatter settlement or on a farm)	2448	2,18	
Room/ flatlet on a property or larger dwelling/ servants quarters/ granny flat	639	0,57	
Caravan/ tent	122	0,11	
Other	564	0,50	
<b>DWELLING SIZE (NUMBER OF ROOMS)</b>	<b>No of HHs</b>	<b>%</b>	<b>Comments</b>
Number of rooms: 1 Room(s)	18409	16,40	With regard to the number of rooms, many dwellings have from One to 5 rooms
Number of rooms: 2 Room(s)	17558	15,64	
Number of rooms: 3 Room(s)	16749	14,92	
Number of rooms: 4 Room(s)	19620	17,47	
Number of rooms: 5 Room(s)	15263	13,59	
Number of rooms: 6 Room(s)	10828	9,64	
Number of rooms: 7 Room(s)	6926	6,17	
Number of rooms: 8 Room(s)	3699	3,29	
Number of rooms: 9 Room(s)	1702	1,52	
Number of rooms: 10+ Room(s)	1531	1,36	
<b>TENURE STATUS</b>	<b>No of HHs</b>	<b>%</b>	<b>Comments</b>
Owned and fully paid off	57105	50,86	Many households in Harry Gwala owns the houses that have been fully paid off (50.86%)
Owned but not yet paid off	9745	8,68	
Rented	16119	14,36	
Occupied rent-free	25368	22,59	
Not applicable/ Other	3948	3,52	
<b>REFUSE REMOVAL</b>	<b>No of HHs</b>	<b>%</b>	<b>Comments</b>

Removed by local authority at least once a week	23368	20,81	65.99% of the population in the district uses their own refuse dump
Removed by local authority less often	1379	1,23	
Communal refuse dump	2068	1,84	
Own refuse dump	74091	65,99	
No rubbish disposal	9744	8,68	
Other	1635	1,46	
<b>TOILET FACILITIES</b>	<b>No of HHs</b>	<b>%</b>	<b>Comments</b>
Flush toilet (connected to sewerage system)	19892	17,72	41,15% of Households uses Pit latrine without ventilation
Flush toilet (with septic tank)	3557	3,17	
Chemical toilet	5983	5,33	
Pit latrine with ventilation (VIP)	26568	23,66	
Pit latrine without ventilation	46205	41,15	
Bucket latrine	989	0,88	
Other	5601	4,99	
None	3490	3,11	
<b>OTHER HOUSEHOLD FACILITIES</b>	<b>NO OF HHS</b>	<b>%</b>	<b>COMMENTS</b>
<b>TELEPHONE FACILITIES</b>	<b>No of HHs</b>	<b>%</b>	<b>Comments</b>
Household owns landline/ telephone and cell-phone	4225	3,76	The majority of Household owns cell-phone only
Household owns landline/ telephone only	451	0,40	
Household owns cell-phone only	88305	78,65	
Household owns none	19301	17,19	
<b>INTERNET ACCESS</b>	<b>No of HHs</b>	<b>%</b>	<b>Comments</b>
Internet access: From home	2780	2,48	79,78% of households do not have access to the internet connection
Internet access: From cell phone	14277	12,72	
internet access: From work	2208	1,97	
Internet access: From elsewhere	3435	3,06	
Internet access: None	89582	79,78	
<b>Motorcar And Computer</b>	<b>No of HHs</b>	<b>%</b>	<b>Comments</b>
Household owns motorcar and computer	4191	3,73	Only 3.73% of the households that owns both a motorcar and computer
Household owns motorcar only	10798	9,62	
Household owns computer only	2163	1,93	
Household owns none	95130	84,72	
<b>Satellite and Television</b>	<b>No of HHs</b>	<b>%</b>	<b>Comments</b>
Household owns Satellite and Television	10646	9,48	Only 9.48% of the households owns both satellite and television
Household owns Satellite only	629	0,56	
Household owns Television only	47680	42,46	
Household owns none	53327	47,49	
<b>Radio and DVD player</b>	<b>No of HHs</b>	<b>%</b>	<b>Comments</b>
Household owns Radio and DVD player	31772	28,30	28,30% of the households in the district owns both Radio and DVD player
Household owns Radio only	34695	30,90	
Household owns DVD player only	10889	9,70	
Household owns none	34926	31,11	

<b>Washing machine or Vacuum cleaner</b>	<b>No of HHs</b>	<b>%</b>	<b>Comments</b>
Household owns Washing machine and Vacuum cleaner	2992	2,66	93,76% of the households in the district do not have Washing machine and vacuum cleaner
Household owns Washing machine only	2686	2,39	
Household owns Vacuum cleaner only	1330	1,18	
Household owns none	105274	93,76	
<b>Refrigerator or Electric/ gas stove</b>	<b>No of HHs</b>	<b>%</b>	<b>Comments</b>
Household owns Refrigerator and Electric/ gas stove	38140	33,97	33,97% of households that have Refrigerator and Electric/ gas stove
Household owns Refrigerator only	8055	7,17	
Household owns Electric/ gas stove only	18500	16,48	
Household owns none	47587	42,38	
<b>Mail delivery</b>	<b>No of HHs</b>	<b>%</b>	<b>Comments</b>
Mail delivered at residence and Mail post box/bag	3051	2,72	Only 2.72% of the households have Mail delivered at residence and Mail post box/bag
Mail delivered at residence only	8917	7,94	
Mail post box/bag only	14398	12,82	
None	85916	76,52	

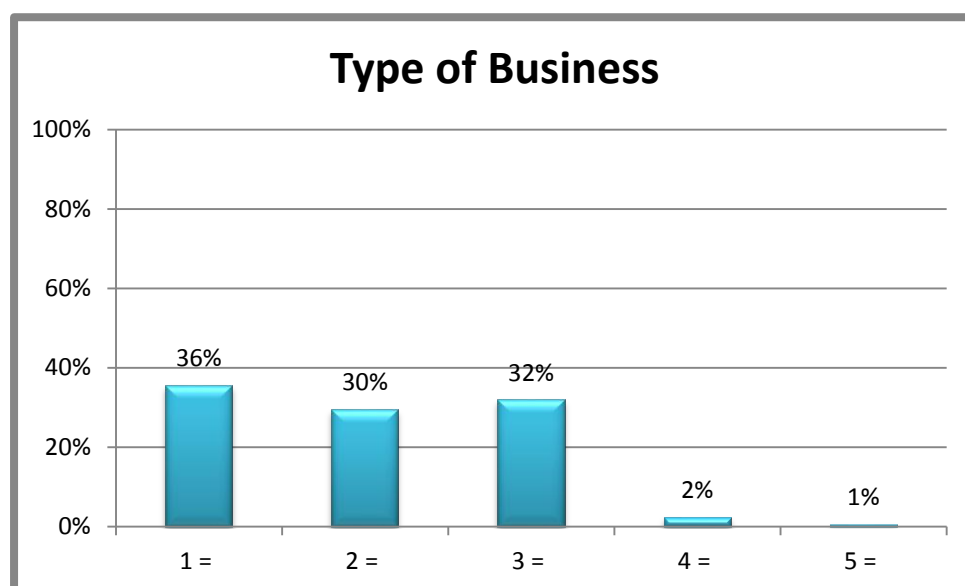
Source: Quantec 2013

## 6 Audit Findings

This serves as the audit findings section which stems from the SMME & Cooperative Audit that was conducted across Harry Gwala District Municipal Area.

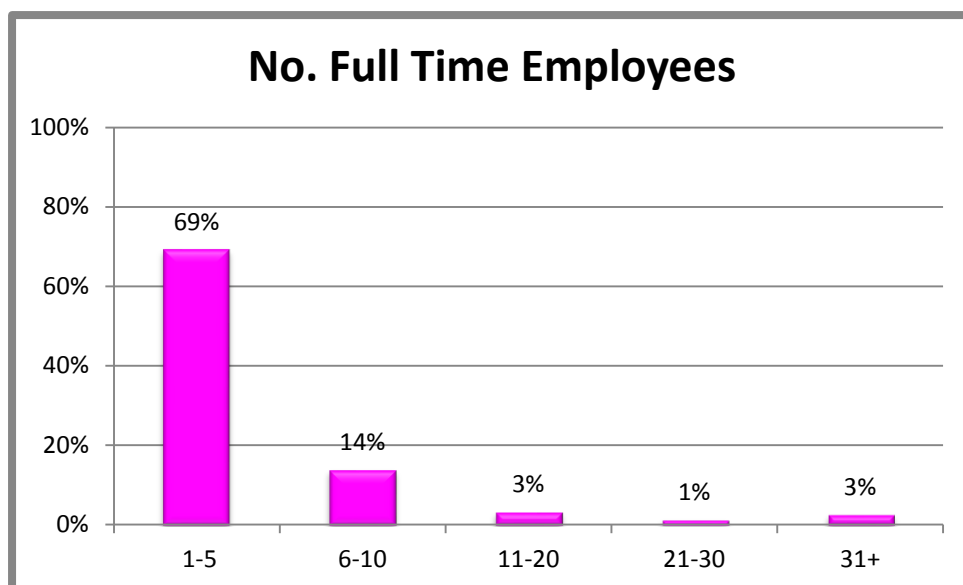
### 6.1 Type of Business

The bar chart below reflects that majority of registered entities were Cooperatives which registered 36%; followed by PTY LTDs at 32% and Close Corporation at 30%. This reflection indicates that majority of enterprises that were engaged have got legal status certificates for their entities.



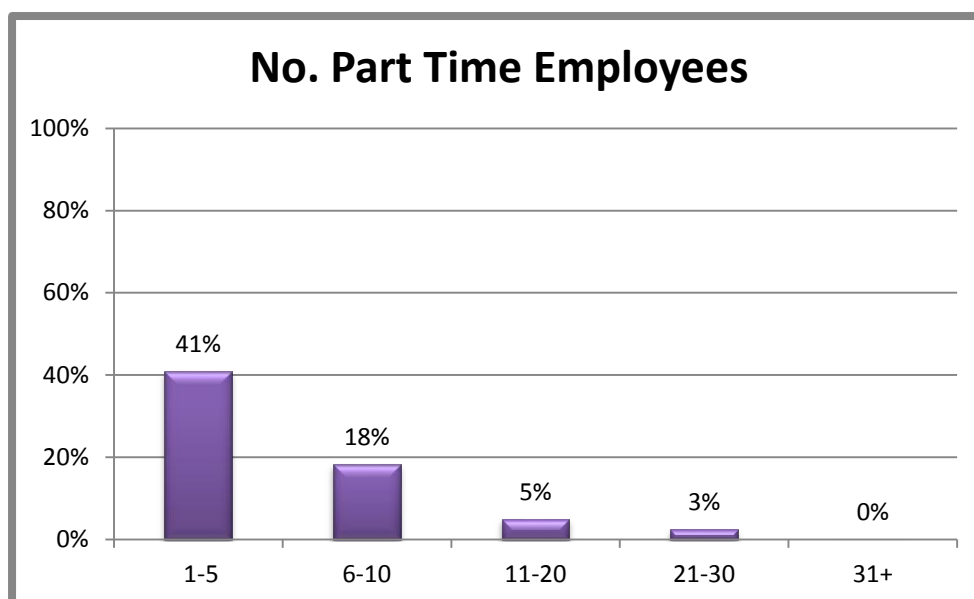
### 6.2 Number of Full Time Employees

The bar chart below reflects that majority of entities registered 69%; which indicates their full time employees ranges between 1 – 5 employees and 14% was registered by the entities that employs between 6 – 10 employees. This bar chart reflects that enterprises also contribute towards the elimination of high unemployment rate.



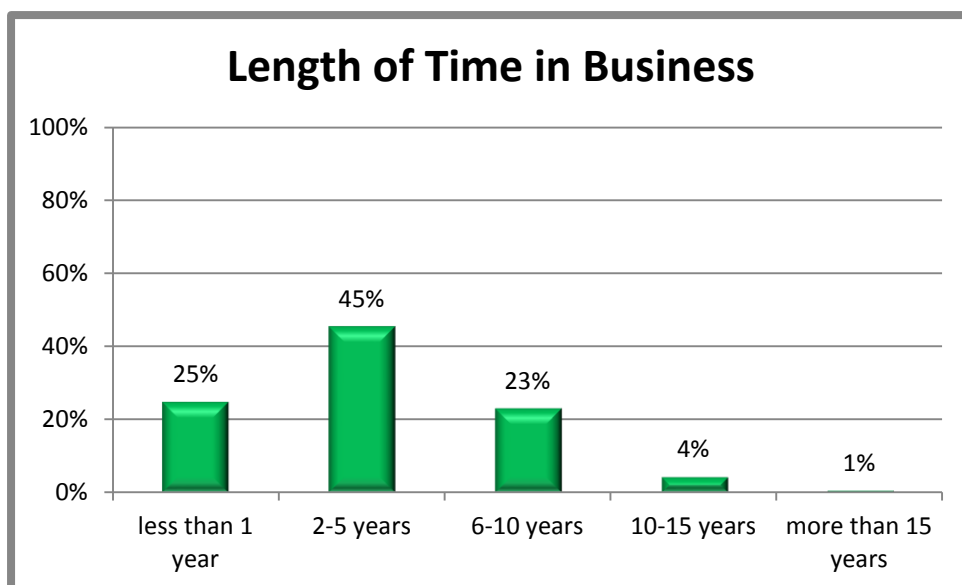
### 6.3 Number of Part Time Employees

The bar chart below reflects that majority of entities registered 41%; which indicates their part time employees ranges between 1 – 5 employees and 18% was registered by the entities that employs between 6 – 10 part employees.



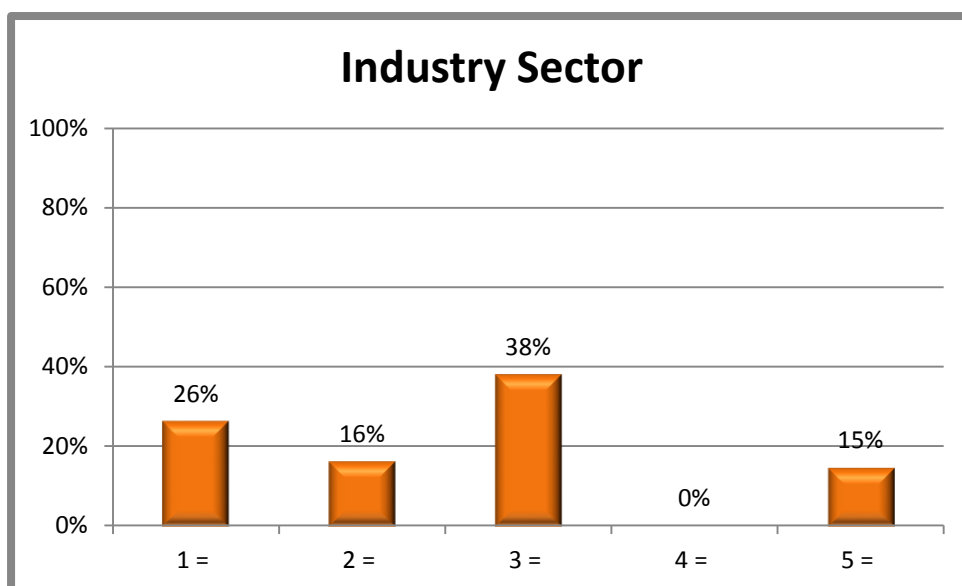
### 6.4 Length of Time in Business

The bar chart below reflects that majority of entities have been in existence between 2 – 5 years hence it registered 45%; whilst other entities have been in existence for more than 6 – 10 years .



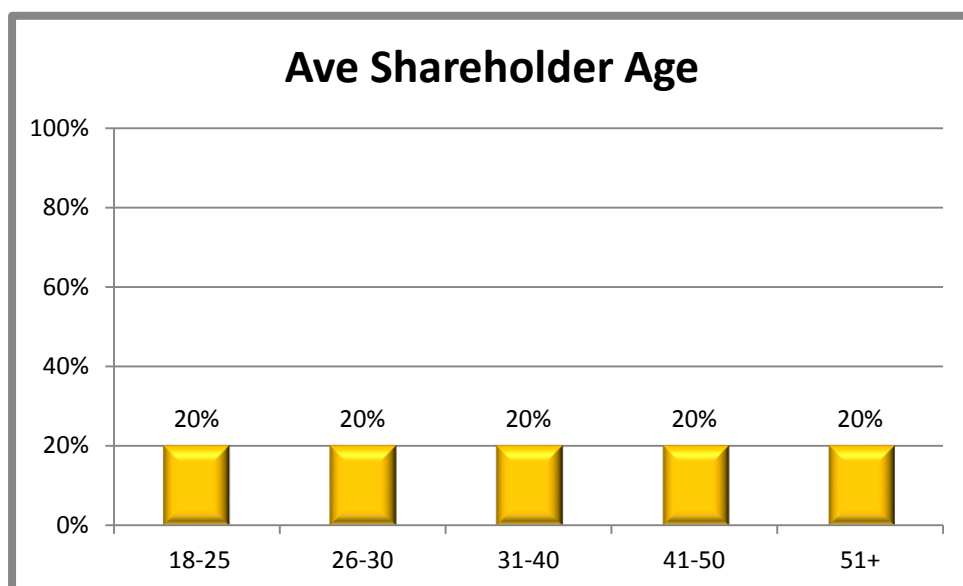
#### 6.5 Industry Sector

The bar chart below reflects that majority of entities are participating within the construction sector space hence it registered 38%; whilst agricultural sector registered 26%; catering registered 16 and service sector registered 15% .



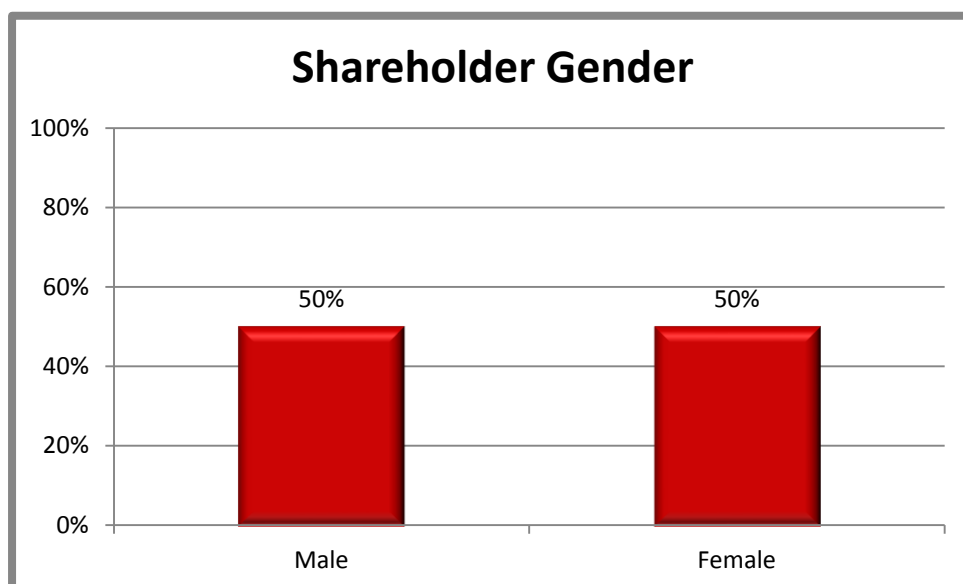
### 6.6 Average Shareholder Age

The bar chart below reflects that there was an even spread of average shareholder age as it is reflected below.



### 6.7 Shareholder Gender

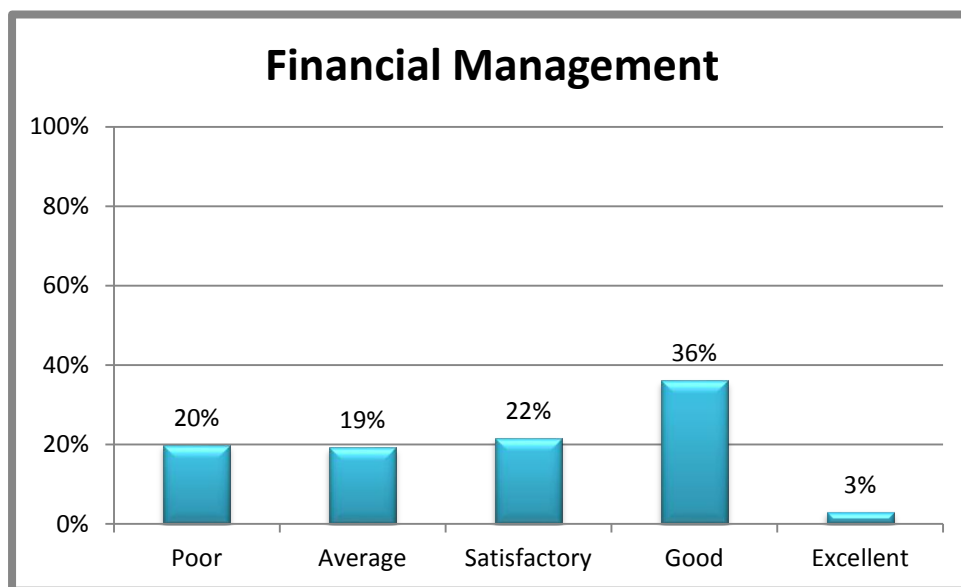
The bar chart below reflects that there was an even distribution of shareholder ship between males and females who own enterprises from the registered entities during the audit.



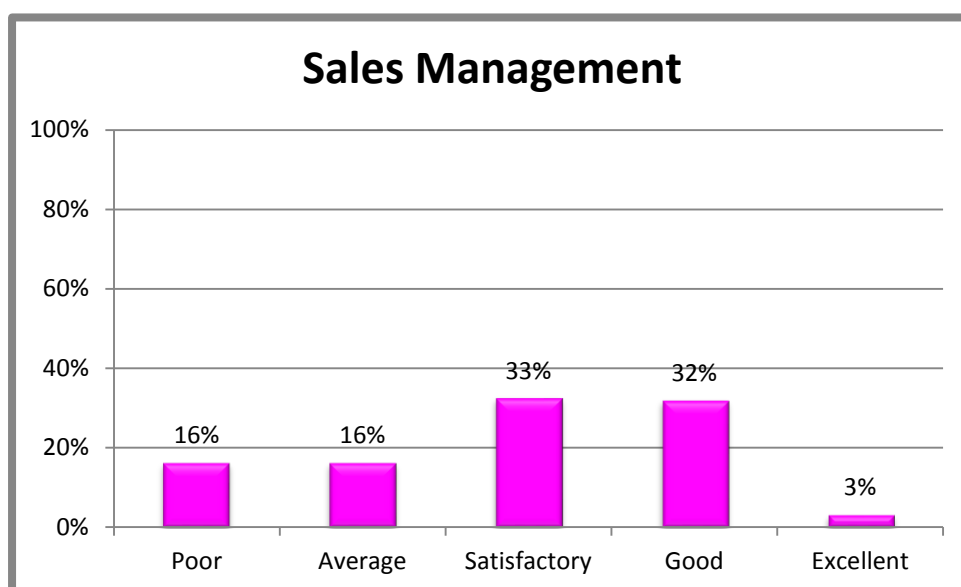


**Required Interventions:****6.7 Financial Management**

The bar chart below reflects that majority of enterprises require basic training on financial management in order to run their businesses efficiently and effectively.

**6.8 Sales Management**

The bar chart below reflects that majority of enterprises require training on sales management in order to be in a position to push numbers of goods and services that they produce to the relevant markets.



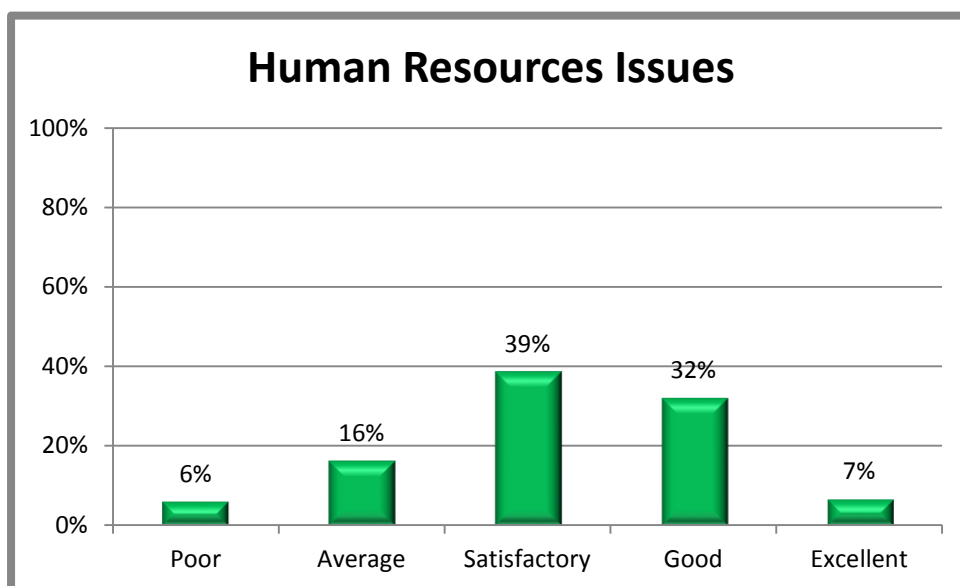
### 6.9 Business Management

The bar chart below reflects that majority of enterprises require training on business management that will enable enterprises to have full understanding of business management processes.



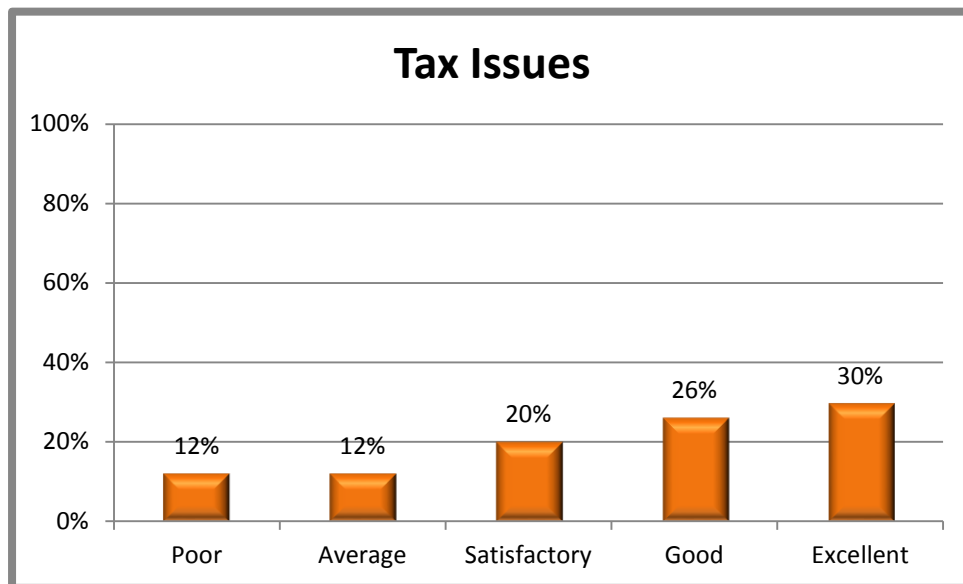
### 6.10 Human Resources Issues

The bar chart below reflects that majority of enterprises require mentorship on human resources issues hence the employees are the cornerstone of their enterprises.



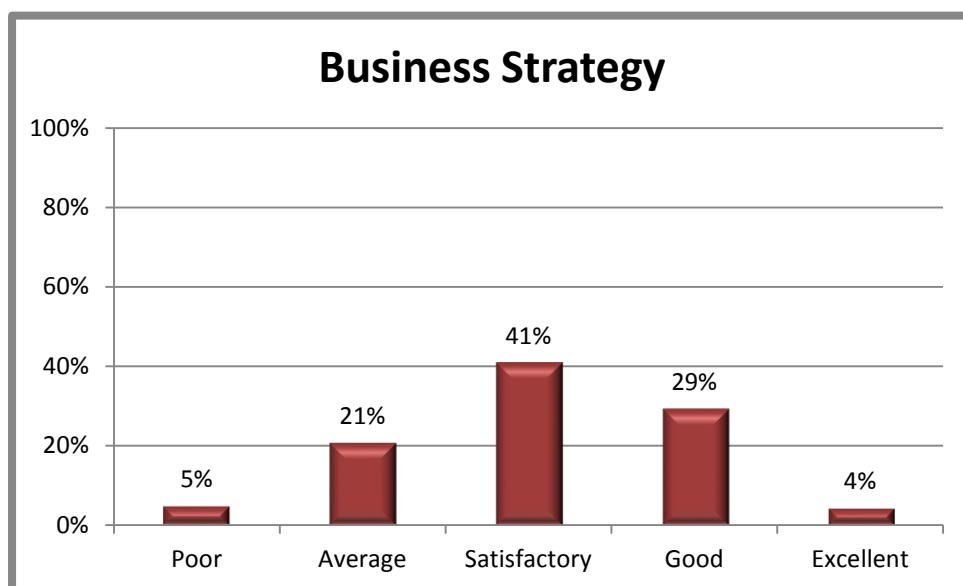
### 6.11 Tax Issues

The bar chart below reflects that majority of enterprises require mentorship on tax issues in order to ensure full compliance with South African Receiver of Revenue.



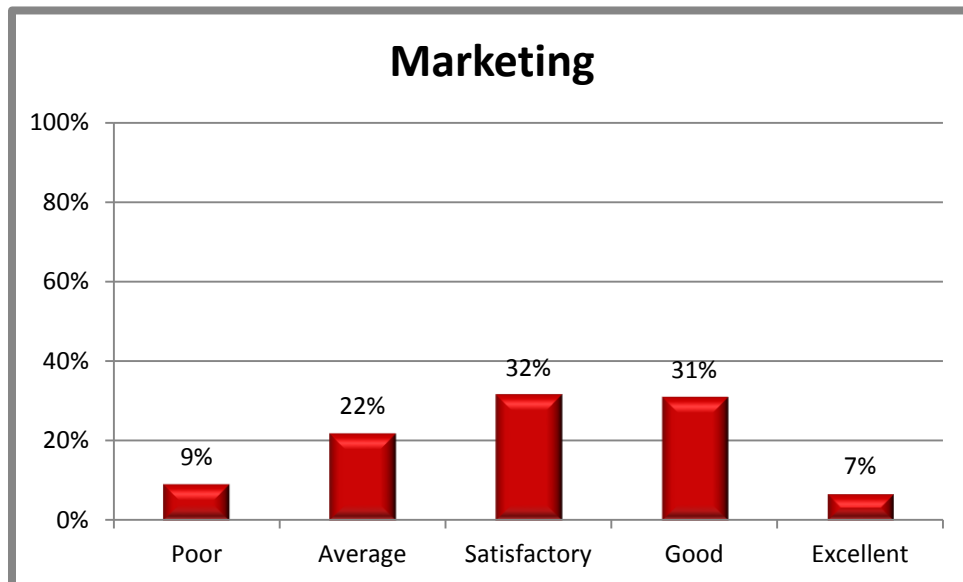
### 6.12 Business Strategy

The bar chart below reflects that majority of enterprises require comprehensive intervention on how to develop and implement business strategy.



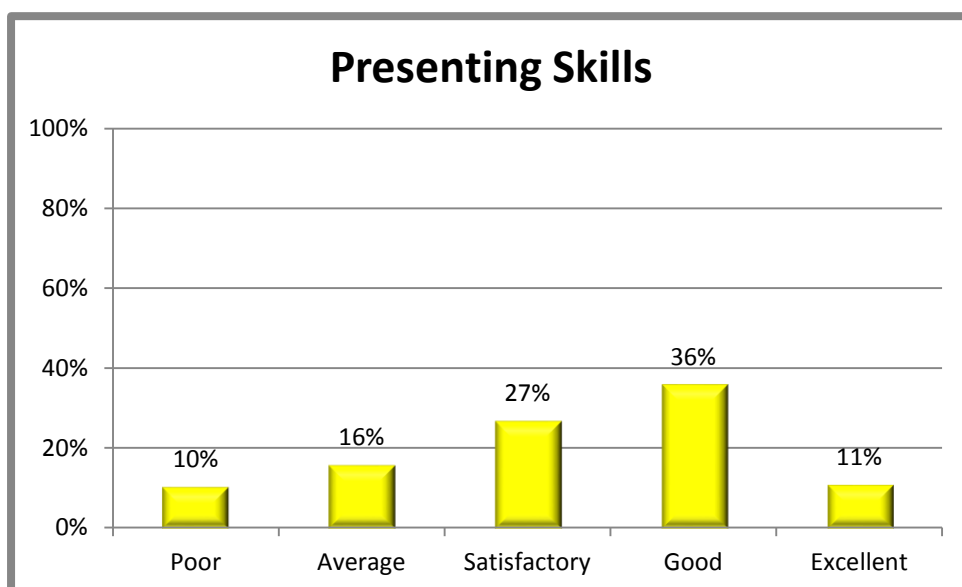
### 6.13 Marketing

The bar chart below reflects that majority of enterprises require comprehensive intervention on how to market their business hence marketing is key in ensuring that goods and services that are produced and rendered by enterprises are known to the target market.



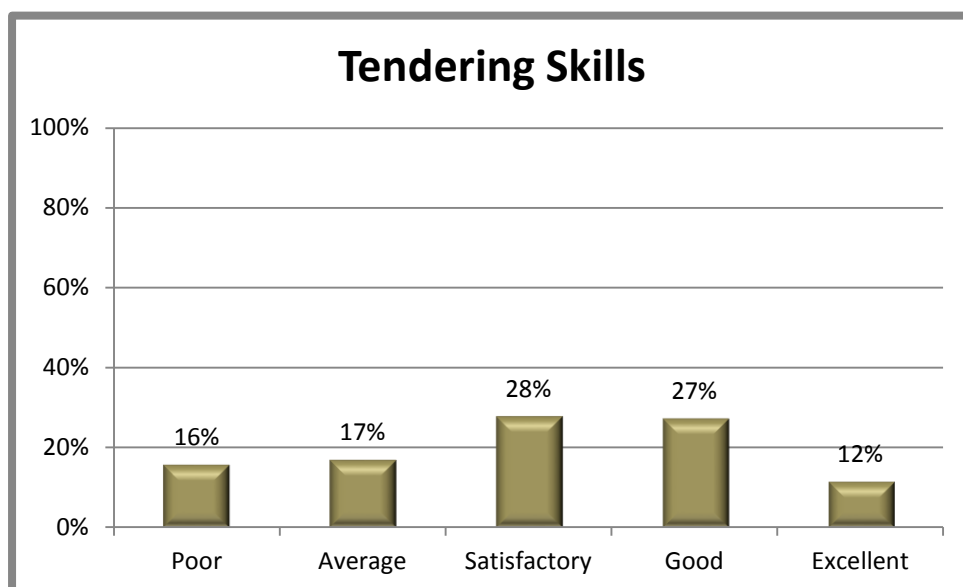
### 6.14 Presentation Skills

The bar chart below reflects that majority of enterprises require basic training on presentation skills. This will enable the enterprises to present their business case accordingly.



### 6.15 Tendering Skills

The bar chart below reflects that majority of enterprises require basic training on tendering skills. It is recommended that the tender advice workshops must be conducted with strategic partners involved within the tendering system.



## 7. Strategy Formulation

The small business sector plays a crucial role in the national economy. The SMME sector is vital in developing economies, providing a balance between supply and demand in the job market, bringing competition among businesses that leads to the more efficient utilization of resources, the development of skills and technology, and thus the overall development of the economy. It is considered to be one of the major sources for employment creation and community growth. As identified in the National Small Business Act, No. 102 of 1996, "small business" means a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy and which can be classified as a micro-, a very small, a small or a medium enterprise.

An SMME can be also defined as an enterprise, which is owner operated and functions with the primary focus of providing a livelihood for the owner and the immediate employees. An SMME distinguishes itself from 'Big business' as it typically has a smaller turnover, marginal asset value, smaller number of employees, simpler organisational structures and generally lower barriers to entry and less onerous legal obligations and regulative compliance issues. A further distinguishing element of an SMME, when compared to 'Big Business' is that often, the growth, development and ultimate survival of the SMME hinges on the skills level, morality, innovation and resources applied by its owner. The National Small Business Act (Act 102 of 1996) provides definitions for various following SMME categories:

### 7.1 Micro-Enterprises

Micro-enterprises have a turnover below the VAT registration limit and have less than 5 paid employees. These enterprises tend to lack formality in terms of registration for tax purposes, labour legislation, business premises and accounting procedures. Examples of micro enterprises are spaza shops, mini taxis, and household industry. In the category of micro enterprises, there are survivalist enterprises. Survivalist enterprises run with few paid employees and minimal asset value. The enterprises generate income below the minimum income standard or the poverty line, and their main aim is to provide minimal subsistence means for the unemployed and their families. Most entrepreneurs in this category are involved in hawking, vending, and subsistence farming. This category has great potential for the absorption of unskilled labour, as has been confirmed by the correlation between the unemployment rate and the amount of self-employed in unregistered, mainly survivalist enterprises that prevails in informal settlements and rural areas.

## 7.2 Very Small Enterprises

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

## 7.3 Small Enterprises

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

## 7.4 Medium Enterprises

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

Using the National Small Business Amendment Act (Act 26 of 2003) as a starting point, the following table summarises the 'qualification criteria' based on employee numbers and turnover for SMMEs.

The table below shows various sectors, but there each sector has its own sub-sectors which will not be mentioned in the table.

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

Sector or sub-sectors in accordance with the Standard Industrial Classification	Size or class	Total full-time equivalent of paid employees <i>Less than:</i>	Total annual turnover <i>Less than:</i>	Total gross asset value (fixed property excluded) <i>Less than:</i>
Agriculture	Medium	100	R 4.00 m	R 4.00 m
	Small	50	R 2.00 m	R 2.00 m
	Very small	10	R 0.40 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
Mining and Quarrying	Medium	200	R30.00 m	R18.00 m
	Small	50	R 7.50 m	R 4.50 m
	Very small	20	R 3.00 m	R 1.80 m
	Micro	5	R 0.15 m	R 0.10 m

Sector or sub-sectors in accordance with the Standard Industrial Classification	Size or class	Total full-time equivalent of paid employees <i>Less than:</i>	Total annual turnover <i>Less than:</i>	Total gross asset value (fixed property excluded) <i>Less than:</i>
Manufacturing	Medium Small Very small Micro	200 50 20 5	R40.00 m R10.00 m R 4.00 m R 0.15 m	R15.00 m R 3.75 m R 1.50 m R 0.10 m
Electricity, Gas and Water	Medium Small Very small Micro	200 50 20 5	R40.00 m R10.00 m R 4.00 m R 0.15 m	R15.00 m R 3.75 m R 1.50 m R 0.10 m
Construction	Medium Small Very small Micro	200 50 20 5	R20.00 m R 5.00 m R 2.00 m R 0.15 m	R 4.00 m R 1.00 m R 0.40 m R 0.10 m
Retail and Motor Trade and Repair Services	Medium Small Very small Micro	100 50 10 5	R30.00 m R15.00 m R 3.00 m R 0.15 m	R 5.00 m R 2.50 m R 0.50 m R 0.10 m
Wholesale Trade, Commercial Agents and Allied Services	Medium Small Very small Micro	100 50 10 5	R50.00 m R25.00 m R 5.00 m R 0.15 m	R 8.00 m R 4.00 m R 0.50 m R 0.10 m
Catering, Accommodation and other Trade	Medium Small Very small Micro	100 50 10 5	R10.00 m R 5.00 m R 1.00 m R 0.15 m	R 2.00 m R 1.00 m R 0.20 m R 0.10 m
Transport, Storage and Communications	Medium Small Very small Micro	100 50 10 5	R20.00 m R10.00 m R 2.00 m R 0.15 m	R 5.00 m R 2.50 m R 0.50 m R 0.10 m
Finance and Business Services	Medium Small Very small Micro	100 50 10 5	R20.00 m R10.00 m R 2.00 m R 0.15 m	R 4.00 m R 2.00 m R 0.40 m R 0.10 m
Community, Social and Personal Services	Medium Small Very small Micro	100 50 10 5	R10.00 m R 5.00 m R 1.00 m R 0.15 m	R 5.00 m R 2.50 m R 0.50 m R 0.10 m

Source: Schedule 1 to the National Small Business Act of 1996, as revised by the National Small Business Amendment Bill of March 2003.



## 7.5 Constraints Facing the SMME Sector<sup>2</sup>

There can be no doubt that, compared to big business, small businesses face a wider range of constraints and problems and are less able to address problems on their own, even in effectively functioning market economies. The constraints relate, among others, to the legal and regulatory environment confronting SMMEs, the 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 poor areas and, in some cases, the tax burden. In the South African context for example, the constraints have been particularly hard on entrepreneurs in rural areas and on women. In addition to sector-specific differences of constraints, the legacy of apartheid constitutes an important factor in the inability of black owned or controlled small enterprises to face business development constraints.

Much has been written about these issues over the past few years and debated at public forums internationally as well as in South Africa. This study deals specifically with Harry Gwala Development Agency and specific challenges faced by SMMEs in this area will be presented in the sub section dealing with Harry Gwala Development Agency's SMME profile.

## 7.6 Factors Influencing SMMEs Performance<sup>3</sup>

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

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<sup>2</sup> These general and broad SMME constraints are sourced from various documents from DTI, ILO, Government gazette, referenced in the back of this document.

<sup>3</sup> Sourced from Department of Trade and Industry (DTI), 2004, Review of ten year of small business support in South Africa 1994-2004, Entrepreneurial Empowerment, Job creation, and Equity facilitated An Analysis of the evolution of public sector support for small enterprises in South Africa.

## 8. Creating an Enabling Legal Framework

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

### 8.1 Streamlining Regulatory Conditions

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

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

### 8.2 Access to Information and Advice

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

### **8.3 Access to Marketing and Procurement**

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

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

### **8.4 Access to Finance**

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

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

### **8.5 The Physical Infrastructure**

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

## **8.6 Training in Entrepreneurship, Skills and Management**

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

## **8.7 Industrial Relations and the Labour Environment**

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

## **8.8 Access to Appropriate Technology**

Just like training, finance and business premises, technology is often seen as an important factor influencing the success of small enterprises, but is not always accessible to them. This applies to both ends of the technology spectrum, viz. sophisticated technology needed for the competitiveness of small enterprises in the modern manufacturing and services sectors, and “appropriate” technology for small enterprises operating in the labour-intensive, low-skill spheres. Both these areas deserve more attention and may justify some government support.

## **8.9 Encouraging Joint Ventures**

The needs of small and medium enterprises are often so complex that even a comprehensive range of support services cannot do justice to all the requirements. The most effective way to acquire experience and skills, enter new markets, structure additional financing and meet market competition is quite often a joint venture with an experienced local or foreign partner. This can happen among small numbers of co-operative partners,

it can be a black/white partnership, a big business/small enterprise link-up, a franchise relationship or some three-pronged foreign/local venture. In other developed countries, such joint ventures are far more prevalent than in South Africa, where racial segmentation, oligopolistic exclusiveness and sanctions, as well as disinvestment, have prevented such developments in the past. Lack of experience and the effect of economic stagnation have also strengthened distrust around joint ventures in the past.

#### **8.10 Capacity-Building and Institutional Strengthening**

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

#### **8.11 Differential Taxation and Other Financial Incentives**

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

To sum up, this sub-section detailed SMME in terms of definition, SMMEs best cases and factors influencing SMME performance. The National Small Business Act, No. 102 of 1996, defines it as a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy and which can be classified as a micro-, a very small, a small or a medium enterprise.

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

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

## 9. SMME Policy Framework.

The following policy instruments have been identified during the research as important for the development of SMMEs.

### 9.1 New Growth Path

The New Growth Path is a statement of government's commitment to forging a developmental consensus. It is meant to lead the way by:

- 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 mobilise domestic investment around activities that can create sustainable employment; and
  - Strong social dialogue to focus all stakeholders on encouraging growth in employment-creating activities.

It contains policies that speak to industry, rural development, competition, education and skills development, enterprise development, BBBEE, labour and technology. These are to be expressed through job drivers in the form of spatial development, social capital, new economies and the main economic sectors. (NGP, 2010).

### 9.2 National Framework for LED in South Africa

The National Framework for LED in South Africa identifies LED as a Key Performance Area (KPA) for local government and sets out the roles and responsibilities of government in terms of LED.

The National Framework for LED in SA aims to support the development of “sustainable, robust and inclusive local economies exploiting local opportunities, real potential and competitive advantages, addressing local needs and contributing to national development objectives.”. Strategies to implement these outcomes include:

- Improving good governance, service delivery, public and market confidence in municipalities through an alignment of national, provincial and local programmes.
- Identifying and exploiting competitive advantage
- Instituting Sustainable Developmental Community Investment Programming

- Intensifying enterprise support

In terms of the National LED Framework, the primary provincial government responsibility is to ensure adequate leadership at a local level, while local government is responsible for direct policy making (i.e. by-laws, proper rezoning of land, administering policy programmes and projects, and initiating economic development programmes). In promoting LED the primary focus of local government is to: provide infrastructure and quality services; manage spatial policies; ensure land use regulation and the administration of development applications; manage service tariff policies; market the area; and manage a progressive property tax system (LED, 2006).

### **9.3 The Constitution of the Republic of South Africa**

The Constitution provides for three spheres of government namely, national, provincial and local. It also provides the basic legislative framework and the vesting of legislative authority in each of the spheres of government. Some of the developmental duties of municipalities provided by the Constitution include the following:

A municipality must structure and manage its administration and budget and plan processes to give priority to the basic needs of the community, and to promote the social and economic development of the community. A municipality must also participate in national and provincial development programmes.

In addition, the Constitution provides that municipal government is responsible for “trading regulations” and “street trading” within its area of jurisdiction; a municipal government has the objective to promote social and economic development and the local government has the legislative powers to create an environment conducive to SMME growth and to make by-laws for the effective administration of matters over which they have these rights.

#### *The relevance of the Constitution to Harry Gwala Development Agency SMMEs*

The relevance of the Constitution to the Harry Gwala Development Agency SMMEs and SMME service provision is that it provides power to municipal officials to create an enabling environment for the growth of SMMEs.

#### 9.4 National Strategy for the Development and Promotion of Small Business in South Africa

The National Strategy for the Development of SMMEs was developed through the following legislative process:

- The White Paper on the Development and Promotion of SMMEs;
- National Small Enterprise Act 102 of 1996;
- National Small Business Amendment Act 26 of 2003; and
- National Small Business Amendment Act 29 of 2004.

The main objective of the National Strategy on SMMEs is to regulate, stimulate and promote small business activities in South Africa. Throughout the world it has been found that SMMEs play a critical role in absorbing labour, penetrating new markets and generally expanding economies in creative and innovative ways. SMMEs are an important vehicle to address the challenges of job creation, economic growth and equity in South African society. The stimulation of SMMEs must be seen as part of an integrated strategy to take South African economy onto a higher road, one where the economy is diversified, productivity is enhanced, investment is stimulated and entrepreneurship flourishes.

The key objectives of the National Small-Business Strategy are to:

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

##### *The relevance of this Strategy to Harry Gwala Development Agency SMMEs*

The relevance of the National Strategy for the Development and Promotion of Small Business to the Harry Gwala Development Agency SMMEs and SMME service provision includes:

- An emphasis on the development of entrepreneurs as opposed to simply creating jobs;
- The acknowledgement that entrepreneurs can have businesses of varying sizes and in different sectors, and it encourages the development of businesses of different sizes;



- An emphasis on the importance of entrepreneurship to vulnerable groups and previously disadvantaged communities.

### 9.5 Integrated Small Enterprise Development Strategy (ISED)

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

*The relevance of the ISED to Harry Gwala Development Agency SMMEs is that it:*

- Creates an environment that reduces the disparities between urban and rural enterprises;
- Creates sustainable long-term jobs in the small enterprise sector;
- Increases the competitiveness of the small-enterprise sector and its enabling environment so that it is better able to take advantage of opportunities emerging in national, African and international markets;
- Prepares small businesses to comply with the challenges of an Internationally competitive economy; and
- Improves the access to various services including finance for SMMEs.

### 9.6 Accelerated and Shared Growth Initiative for South Africa (ASGISA)

ASGISA marks a departure from Growth Employment And Redistribution South Africa (GEAR) and the previous Reconstruction and Development Programme (RDP) focus by placing emphasis on both growth and redistribution. An important point to note is that accelerating growth and the rate of productive investment goes hand in hand with:

- Promoting opportunities and improving the livelihoods of marginalised communities;
- Maintaining and improving social security, community services and human development;
- Improving state capacity in service delivery and crime prevention; and
- International partnerships for growth and development.

In attempting to bridge the growth/redistribution divide, it emphasises the phasing of interventions, e.g. job creation can be promoted in the short term through the expanded public works programme, but investments in economic infrastructure and an effective competition strategy are needed for sustained economic growth. Within the social sector, housing infrastructure can be accelerated, but it must be better aligned to spatial plans, job creation and community services.

The shared growth strategy has been designed to help eradicate inequality and poverty, which are the desired outcomes of the development of the local economy, including the second economy.

The core objective of ASGISA is to halve poverty and unemployment by 2014. It responded to a range of constraints that included skills shortages and the challenges faced by small, medium and micro sized enterprises and emphasised partnerships with business, labour and civil society. Selected interventions would address challenges related to infrastructure, sector strategies, education and skills, the second economy, public administration as well as macro-economic issues.

Throughout ASGISA, Government is supporting efforts to establish new venture funds for SMMEs. The R1 billion programme recently announced by the IDC and the National Empowerment Fund's venture fund will make a considerable impact on the growth of small businesses. These large interventions are supported by the development of the Small Enterprise Development Agency based at the DTI, which is rolling out its services, making a stronger operational distinction between small and medium businesses and micro businesses. Additionally, ASGISA has chosen three priority sectors, specifically tourism, business process outsourcing and off-shoring (BPO & O) and bio-fuels.

*The importance of ASGISA to Harry Gwala Development Agency includes the following:*

- **It focuses the attention of the municipality on investing in hard infrastructure such as business facilities, business incubators, roads, rail etc., and soft infrastructure, such as skills development and human resources improvement.**
- **It encourages the formation of SMMEs and the provision of necessary services to the SMMEs at all levels in urban as well as rural areas.**
- **It emphasises the importance for the local authority to have an adequate level of capacity to provide the necessary services to the community it serves as a whole and to SMMEs in particular.**

## **9.7 The National Local Economic Development (LED) Framework**

Objectives of the framework include the following:

- 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 a litany of non-viable projects or start-ups;
- To support local economies in realising their optimal potentials and making local communities active participants in the economy of the country. This implies to support and encourage local community members to start SMMEs and to form cooperative businesses;

- To elevate the importance and centrality of effectively functioning local economies in growing the national economy;
- To wage the national fight against poverty more effectively through local level debates, strategies and actions;
- To improve community access to economic initiatives, support programmes and information;
- To improve the coordination of economic development planning and implementation across government and between government and non-governmental actors;
- To build greater awareness about the importance and role of localities and regions which globally are playing an increasingly significant role as points of investment facilitated by supportive national policies.

The National Local Economic Development Framework introduces the concept of Sustainable Developmental Community Investment Programming (SDCIP). SDCIP is concerned with moving beyond project-based community economic development and has a more empowering approach, utilising innovative instruments to systematically build community competence and capacity. SDCIP entails the building of the community, and using a powerful cultural dynamic as the main vehicle and partner for local economic development together with the resourcing of organised communities to carry out key local functions, provide services and become important productive units. To do this, a new balance has to be struck between globalisation and “localisation”. Localisation requires a new set of policies and programmes to exist. It further requests as a specific outcome that all municipalities have innovative spatial development strategies, land use policies, by-laws and implementation capacity to facilitate fast and effective business establishment and functioning especially for informal/street traders and SMMEs and provides an analysis of the dual economy.

#### *The relevance of the National Economic Development Framework to Harry Gwala Development Agency SMMEs*

The relevance of this policy to Harry Gwala Development Agency SMMEs is that it directs local economic development in the country, including local authorities and therefore Harry Gwala Development Agency as well. Hence it provides local authorities with direct actions for improving all local economic development components including SMME development.

### **9.8 Broad-Based Black Economic Empowerment Act 53 of 2003**

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

In the Act “Black people” refers to Africans, Coloureds and Indians. “Broad-based black economic empowerment” means the economic empowerment of all Black people including women, workers, youth,

people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to:

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

#### *The relevance of this Act to Harry Gwala Development Agency SMMEs*

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

### **9.9 The Local Government: Municipal Systems Act 32 Of 2000**

The Municipal Systems Act obliges municipal councils to consult the local community about municipal services. Communities should have a say in the way in which services are delivered (for example, by the municipal administration or through a service agreement); the level of services (for example, VIP latrines or waterborne sanitation); the quality of services (for example, how quickly the municipality processes planning applications) and the range of services which are provided (for example, whether the municipal council should provide recycling facilities).

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

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

### *The relevance of the Municipal Systems Act to Harry Gwala Development Agency SMMEs*

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

### **9.10 PUBLIC FINANCE MANAGEMENT ACT 1 of 1999 (PFMA)**

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

The key objectives of the Act include:

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

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

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

### *The relevance of the PFMA to Harry Gwala Development Agency SMMEs*

The main importance of the Public Finance Management Act to SMMEs in Harry Gwala Development Agency is that it requires the district and municipalities to improve their financial management through the elimination

of waste as well as the elimination of corruption in the use of public assets (for instance, during the procurement of goods, services and works that are supplied by the local SMMEs).

### 9.11 Municipal Finance Management Act 56 Of 2003

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

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

*The relevance of the Municipal Finance Management Act to Harry Gwala Development Agency SMMEs*

The main importance of the Municipal Finance Management Act to SMMEs in Harry Gwala Development Agency is that it requires the district and municipalities to develop supply chain policies that set various thresholds for the procurement of goods, services and works (which mainly are supplied by local SMMEs).

### 9.12 Companies Act 71 Of 2008

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

The main parts of the Act include:

- Structural arrangements;
- Decriminalisation and depolarisation;
- Transparency and accountability;

- Transactions and takeovers;
- Corporate governance;
- The concept of business rescue.

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

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

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

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

#### *The relevance of the Companies Act to Harry Gwala Development Agency SMMEs*

The new Companies Act reduces the regulatory and red tape burdens that were encountered by SMMEs in the district.

With the new concept of rescuing of businesses rather than judicial management of failing businesses, SMMEs in the district can now operate without fear of an economic crisis.

### **9.13 National Youth Enterprise Strategy (YES)**

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

- To identify the linkages that can be made with existing national policies influencing youth enterprise opportunities (including the national small business strategy);
- To identify the linkages that can be made with existing programmes and institutions influencing youth enterprise opportunities;
- To present a framework of services, programmes and instruments that can be used by a range of actors in support of youth enterprises;
- To describe the role of key actors in youth enterprise promotion and propose roles for other potential actors where necessary;
- To speak with one voice to provide a consistent message regarding the priorities and directions for youth enterprise promotion.

#### *The relevance of YES to Harry Gwala Development Agency SMMEs*

The Youth Enterprise Strategy encourages policy-makers, programme managers and practitioners as well as other Harry Gwala Development Agency officials to be innovative in this field and to look beyond the bureaucracy of programmes and past young people as target groups with problems and needs. Officials and other services providers need to recognise the resourcefulness and value of young people as the key future entrepreneurial resources of the district and that they therefore need to be supported.

#### **9.14 Strategic Framework on Gender and Women's Economic Empowerment**

This Strategic Framework on Gender and Women's Economic Empowerment provides guidance, focus and specific recommendations for the support required to ensure women's full participation in our economy. As such, it is an important milestone in the economic emancipation of women in South Africa. The objectives of the strategy are:

- To challenge the direct and indirect barriers in enterprise, industry and trade which prevent women from having equal access to and control over economic resources;
- To facilitate women's equal access to economic and productive resources by strengthening their capacity and networks as well as their ability to benefit from dti policies and programmes;
- To increase women's easy access to finance by assessing existing programs that provide access to finance for women and suggesting improvements to address existing gaps in a sustainable manner;
- To work towards gender parity in all enterprise, industry and trade and structures including boards, councils and missions;
- To ensure that the life experience and views of South African women contribute equally to the reform of trade, investment and enterprise development;
- To conduct research, and put in place indicators and monitoring systems to measure the gendered impact of dti policies and programmes;



- To ensure that the dti budget benefits women and men equitably and that specific resources are allocated for helping to overcome the particular disadvantages faced by women.

*The relevance of Strategic Framework on Gender and Women's Economic Empowerment to Harry Gwala Development Agency SMMEs*

The Strategic Framework on Gender and Women's Economic Empowerment provides a clear picture to SMME services providers in the district to encourage full participation of women in the economy. This might be achieved through some preferential criteria being given to SMMEs owned and managed by women.

#### **9.15 Preferential Procurement Policy Framework Act 5 Of 2000**

Preferential procurement is one of the tools that is used to transform the socio-economic landscape in South Africa.

The Preferential Procurement Policy Framework Act and the regulations issued in terms of the Act set out a framework for the implementation of a preferential procurement policy. In terms of section 2(1) of the Act an organ of state must determine its preferential procurement policy and implement it within the framework prescribed in the Act.

The main purpose of the Act is to enhance the participation of historically disadvantaged individuals (HDIs) and small, medium and micro enterprises (SMMEs) in the public sector procurement system. It is envisaged that the complete implementation of these regulations will enhance the involvement of black businesses in the public tendering system and will contribute to the upliftment of disadvantaged communities. It will further assist in the inclusion of the informal business sector into the main stream of the economy.

*The relevance of the Preferential Procurement Policy Framework Act to Harry Gwala Development Agency SMMEs*

As per its objective, it is clear that the Act promotes the growth of SMMEs, especially BEE SMMEs as it encourages the participation of historically disadvantaged individuals (HDIs) in the public sector procurement system. Worth noting is that the Act broadens its support by even including entrepreneurs from the informal sector to participate in the procurement of municipalities.

### 9.16 Construction Industry Development Board (CIDB)

The objects of the CIDB include:

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

#### *The relevance of the CIDB to Harry Gwala Development Agency SMMEs*

Harry Gwala Development Agency accounts for a number of emerging SMMEs in the construction sector (especially in uBuhlebezwe Local Municipality). The CIDB therefore helps these emerging and other existing SMMEs to sustainably grow by meeting national and local construction demand and requirements that include among other things advancing the social and economic development of the districts.

## **Provincial and Local Policy Framework**

*The local policies presented below are relevant to both SMMEs and Cooperatives in Harry Gwala Development Agency. To this extent, they will not be presented under the cooperatives' policy framework sub-section*

In line with the identification of the District as an ISRDP node, the Strategy Framework for Growth and Development 2004-2014 (SFGD) and the Provincial Growth and Development Plan 2004-2014 highlight the promotion of rural enterprises based on sustainable utilisation of natural resources as one of the keys to poverty eradication in ISRDP areas. Programmatic implications include: Support in development of animal husbandry opportunities (including processing and marketing), with particular emphasis on communal grazing areas; harnessing agricultural potential and linking it to downstream production (agro-processing); and targeting tourism as a key growth sector based on the strength of natural resources and beauty. Related and supporting interventions are infrastructural, institutional and human resource development.

The envisioned growth and development for the KWAZULU NATAL is quantified in the PGDP 2004-2014 by the setting of targets against objectives relating to sustained economic growth, particularly in respect of manufacturing and tourism development, systematic poverty eradication as well as to the transformation of the agrarian economy and establishment of food security. Furthermore, the PGDP emphasises the importance of promoting competitiveness, financial sustainability and global integration in LED initiatives and re-iterates that the focus of local government should be on development facilitation, governance and administration, regulation and service delivery rather than on the direct creation of jobs and the of financing small local projects. PGDP flagship programmes are aimed at leading development in the Tourism, Agro-processing and timber industries. ASGISA-EC further supports agriculture and forestry related projects within the District and Harry Gwala Development Agency.

### **9.17 Kwazulu Natal Provincial Spatial Development Plan**

This plan gives guidance on the principles that should underpin the strategic approach to spatial development and management in the province. To this end, a targeted and phased approach to development is recommended based on:

- **Settlement hierarchy:** This involves focusing investment strategically at three levels of support. The plan promotes identification of nodes and corridors with opportunity and targets development initiatives which promote consolidation of settlements to facilitate cost effective development.
- **Flexible zoning:** allowing for flexibility for special kinds of investment.
- **Resources sustainability:** Monitoring of the use of resources to ensure sustainability and minimization of environmental impacts in all land developments

- Restricted development zone: identification of environmentally sensitive areas and ensuring that developments do not occur, for example wetlands, state forest, dune systems, river estuaries, game and nature reserves, heritage sites etc.
- Spatial Integration: promotion of integrated development with maximum spatial benefits, integrating communities and the spatial economy.(PSDP, 2010)

#### 9.18 Kwazulu Natal Rural Development Strategy

The Kwazulu Natal Rural Development Strategy is a sustained and long-term programmatic intervention in response to endemic poverty in the province. It is premised on the belief that through self-organisation of communities, government, the private sector and other actors in the developmental arena, inroads can be made in the fight against chronic poverty in the province.

The rationale for a rural development strategy that caters to the specific needs of the province can be found in the status of:

- Structural factors that lead to marginalisation of societies and inequality of opportunities
- The historical political economy, whose legacy in rural hinterlands is experienced through low levels of economic integration
- Land and agrarian relations, which give rise to a skewed distribution of natural resources
- Settlement and migration patterns that lead to a divide between rural and urban areas
- A marked need for improved food security, based on agrarian transformation linked to indigenous ways of life
- Past initiatives, that have had mixed fortunes in their ability to **deliver a lasting impact on rural development**

In order to achieve the dual goals of transformed rural areas that are socially and economically developed, and a conducive institutional environment for rural development, the following pillars will give effective articulation to the rural development strategy:

- |                           |                                |
|---------------------------|--------------------------------|
| • Land reform             | • Infrastructure development   |
| • Agrarian transformation | • Social and human development |
| • Non-farm rural economy  | • Enabling environment         |

### 9.19 Kwazulu Natal Provincial Local and Regional Economic Development Strategy (LREDS)

The Local and Regional Economic Development Strategy (LREDS) was developed by the Kwazulu Natal provincial Department of Economic Development and Environmental Affairs (DEDEA). It aims to address some of the identified bottlenecks in capacity to deliver LED at a local level.

The LREDS provides a more structured and comprehensive approach to local economic development than before through a framework within which “top-down” policy programme managers interact with “bottom-up” beneficiary and target groups. It was identified that top-down-bottom-up planning can suffer from weaknesses at both levels, with top-down on its own suffering from knowledge deficit at policy level and bottom-up on its own suffering from capacity deficit and populism.

The LREDS approach aims **to build the capacity of locally based institutions, interest groups and communities to enable them to act as effective partners** by:

- Understanding the local economy;
- Identifying and communicating needs;
- Developing appropriate responses/opportunities;
- Managing integrated regional plans;
- Managing local action plans; and
- Monitoring progress – learning from experience

### 9.20 Strategy and Implementation Plan for Support and Development of Co-operatives

DEDEA's Strategy and Implementation Plan for Support and Development of Co-operatives in the KWAZULU NATAL Province targets the establishment and development of a programme aimed at building and supporting sustainable cooperative enterprises. The strategic objectives of this plan include to:

- Ensure the efficient and effective establishment of an institutional framework in the province to support co-operatives and other similar collective enterprises from the local to the provincial level;
- Pool the resources of government and other partners to catalyse and support the growth of community and socially-owned capital;
- Ensure that adequate and **tailor made** co-operative support programmes are in place to ensure sustainability and growth of co-operatives in the KWAZULU NATAL;
- Ensure that the growth of the co-operative movement in the KWAZULU NATAL is autonomous and independent of government and is aligned to the co-operatives sectors and organisational types identified in the Co-operatives Act No. 14 of 2005;
- Ensure that there is continuous access to best practice through research, database and knowledge management, networking amongst co-operatives and the creation of linkages both locally and internationally;
- Clarify the role of all stakeholders, agencies, government departments, communities and co-operatives themselves in the development of co-operatives in the KWAZULU NATAL; and to
- Create proper alignment between the co-operatives development programmes and all other provincial government support programmes and also with municipalities.

The Co-operatives Support Strategy and Programme will support cooperatives at all levels of the economy, with special emphasis on promoting worker cooperatives in the sectors identified by the industrial strategy and at levels of the value chains where value is produced, rather than at the level of raw material production only. (DEDEA, 2008).

## 10. Understanding of the Cooperative Sector

### 10.1 Definition of Cooperative

In its most basic form cooperatives refer to an autonomous association of persons united voluntarily to meet their common economic and social needs and aspirations through a jointly owned and democratically controlled enterprise organised and operated on cooperative principles<sup>4</sup>.

Cooperatives vary from relatively simple organisational structures to extremely complex ones. The definition above is therefore intended as a basic statement describing the most fundamental principle of a cooperative. The description does not cater for the most complex and extended forms of cooperatives. It is intentionally broad in scope, recognizing that members of the various kinds of cooperatives will be involved differently and that members must have some freedom in how they organise their affairs. This definition emphasises the following characteristics of a cooperative:

1. The cooperative is *autonomous* – it is as independent of government and private firms as possible
2. It is an *association of persons*. Cooperatives are free to define ‘persons’ in any legal way they choose – individual and or legal persons
3. The persons are united ‘*voluntarily*’. Membership should not be compulsory. Members should be free to join or to leave
4. Members of a cooperative ‘*meet their common economic, social and cultural needs*’. Indeed in the future helping to provide a better way of life – cultural, intellectual and spiritual – may become one of the most important ways in which the cooperatives can benefit their members and contribute to their communities
5. The cooperative is a ‘*jointly-owned and democratically-controlled enterprise*’. Within the cooperative control is distributed among members on a democratic basis. The dual characteristics of ownership and democratic control are particularly important in differentiating cooperatives from other kinds of organisations.

### 10.2 Principles of cooperatives

Many people understand principles as ironclad commandments that must be followed literally. In one sense that is true in that Principles should provide standards of measurement. In another sense, they should restrict, even prohibit, certain actions while encouraging others.

The Principles that form the heart of cooperatives are not independent of each other. They are subtly linked; when one is ignored, all are diminished. Cooperatives should not be judged exclusively on the basis of any one principle; rather they should be evaluated on how well they adhere to the principles as an entirety.

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<sup>4</sup> Cooperative Act No 14 of 2005

The first three principles essentially address the internal dynamics typical of any cooperative; the last four affect both the internal operations and the external relationships of cooperatives.

### **1st Principle: Voluntary and Open Membership**

Cooperatives are voluntary organisations; open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

### **2nd Principle: Democratic Member Control**

Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are organised in a democratic manner.

### **3rd Principle Member Economic Participation**

The most important aim of a cooperative is to provide services to its members. The goal of a cooperative is to provide services to its members at affordable prices, or to create work for its members. The needs of members come first. The members of a service cooperative may want to market their products at a good price, they may want to buy goods at a bargain, or they may want to be able to get a loan at a reasonable interest rate.

Any service provided by a cooperative must be provided mainly to its members. Members contribute to the “capital” of their cooperative and control the economic affairs of the cooperative in a democratic way. Capital is the money and equipment the cooperative uses to carry out its goals. Some (and possibly all) of the capital the cooperative uses actually belongs to the members, usually in the form of shares and bonus shares. Each member invests some money and receives some shares in return. The shares show that the member owns some of assets (the money and property) of the cooperative. Any other capital the cooperative uses belongs to cooperative as a whole.

### **4th Principle: Autonomy and Independence**

Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

### **5th Principle: Education, Training and Information**

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public—particularly young people and opinion leaders—about the nature and benefits of cooperation.



### 6th Principle: Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative business by working together through local, national, regional, and international structures.

### 7th Principle: Concern for Community

While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

## 10.3 Difference between Cooperative and Other Business

Cooperative organisations differ from other businesses in three key ways:

**A Different Purpose:** cooperatives have to meet the common needs of their members, whereas most investor-owned businesses exist to maximize profit for shareholders.

**A Different Control Structure:** cooperatives use a system of one-member/one-vote, not one-vote-per-share. This helps them to serve common interests and to ensure that people, not capital, control the organisation.

**A Different Allocation of Surplus System:** cooperatives share surplus among their member-owners on the basis of how much they use the organisation, not on how many shares they hold.

Values, principles, ethics and business competence constitute the cooperative advantage for members and for the communities in which they operate. Cooperatives put people first – they are member-owned; they are controlled under democratic principles; and they are competitive enterprises which are at least as efficient in their business operations and use of capital as others in the market place.

## 10.4 Forms of Cooperatives

The South African Cooperative Act makes recognises three basic forms of cooperatives:

**Primary cooperatives:** primary cooperatives – are made up of individual human beings who join as members. The minimum number of members that would compose a primary cooperative is prescribed by the law.

**Secondary cooperatives:** secondary cooperatives – are made up of more than one primary cooperative. The main function of a secondary cooperative is to provide support services to primary cooperatives. Secondary cooperatives can also be deemed to be sectoral or federal bodies. Primary cooperatives could affiliate to more than one secondary cooperative for support services.

**Tertiary cooperatives:** tertiary cooperatives – are made up of secondary and/or primary cooperatives. The main aims of tertiary cooperatives are also to provide support services to members. In a country tertiary

cooperatives are sometimes deemed to be the “apex” body representing different cooperative sectors and primary cooperatives. “apex national bodies” are meant to be the national voice of cooperatives in a country and are meant to represent its members in policy formulation and to devise strategies and programs for the development of cooperative activities. Tertiary cooperatives can also operate geographically in a local area or province, for instance.

### 10.5 Types of Cooperatives

Many different types of cooperatives can be developed and are also found in practice. Some of the more popular types of cooperatives are listed below. This is however not an exclusive list and other types and combinations of types of cooperatives may be found.

**Agricultural cooperatives:** an agricultural cooperative produces, processes or markets agricultural products; it might also supply agricultural inputs and services to its members.

**Consumer cooperatives:** a consumer cooperative buys goods/services (for example, groceries) and sells them to its members at a special discount. These cooperatives can also sell to non-members to improve the viability of the enterprise. Only members, however, will benefit from any surplus that the cooperative makes.

**Marketing and supply cooperatives:** these cooperatives supply production inputs to members and market and/or process their members' products. An example is a sewing cooperative that provides fabric and sewing machines to its members, and then markets the items that members sew.

**Housing cooperatives:** a housing cooperative can operate as either a primary cooperative or a secondary cooperative. As a primary cooperative, it would provide housing to its members. As a secondary cooperative, it would provide technical services to primary housing cooperatives.

**Financial services cooperatives:** these are primary cooperatives that provide financial services (such as banking, insurance or loans) to members. In a savings and loan cooperative, for instance, members pool their savings and make loans to each other.

**Social cooperatives:** a social cooperative provides social services to members, such as care for the elderly, children and the sick.

**Burial society cooperatives:** these societies provide funeral benefits to members and their dependants, such as funeral insurance

**Service cooperatives:** these are cooperatives that solely or primarily render services (such as housing, financing, insurance, artificial breeding, electricity, or telephone) as distinguished from handling commodities.

**Workers' cooperatives:** a worker cooperative provides employment to its members by running enterprises in which workers are both employees and decision-makers.

## 10.6 Roles of Cooperative

According to the World Bank, cooperatives have three major roles to contribute to development and poverty alleviation including opportunity, empowerment and security<sup>5</sup>.

**Opportunity** means that poor people have the chance to lift themselves out of poverty and all the other forms of deprivation that go with it. On the supply side, opportunities are created when economic growth is stimulated and markets are made to work for poor people. On the demand side, poor people must have the capacity to take advantage of the opportunities, and this means building self-confidence through education, training, and self-organisation. Cooperatives have a contribution to make both on the supply and demand sides. They open up markets by organising supply of inputs and marketing of outputs. They provide a means by which credit can be given when needed, and a safe form in which poor people's savings can be invested. Because they tend, through natural extension, to federate into larger bodies, national and international markets can be opened up.

**Empowerment** is defined as 'the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives'. It means expanding the freedom of choice and action to shape one's life. In the development process, it means that wherever possible poor people should have as much control as possible over the resources being invested, and over the decision-making process. Four elements that are usually present in successful efforts at empowerment include access to information, inclusion and participation, accountability and local organisational capacity.

**Security** means taking measures to reduce poor people's vulnerability to risks. There are natural risks such as from flooding, droughts or earthquakes, health risks from epidemics, personal injuries or the effects of old age, social risks from crime, domestic violence, civil strife or war, political risks from riots and coups, and environmental risks from pollution or deforestation. They can occur at the micro or macro levels, affecting individuals, villages or entire countries.

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<sup>5</sup> Rediscovering the cooperative advantage, Poverty reduction through self-help, by Johnston Birchall  
International Labour Office, Geneva, Cooperative Branch, 2003

## 10.7 Best Cases

The cases presented here illustrate the relationship between the cooperatives and poverty reduction. The examples used are genuine cooperatives that meet all cooperative principles and were selected to best illustrate how cooperatives alleviate poverty.

### 10.7.1 Cooperatives in Kenya

Cooperatives are one of the pillars supporting Kenya's economic growth since independence. In 2007 the cooperatives mobilized 31 % of the national savings. The following figures show the significant involvement of cooperatives in Kenya's economy:

The turnover of the cooperative sector rose from Kshs. 10.9 billion to 30 billion.

63 % of Kenyans derive their livelihoods directly/indirectly from cooperative based activities.

250 000 people are directly employed by cooperative based institutions.

38 % of agriculture-based cooperative societies were dealing with coffee, dairy, pyrethrum and cereals in December 2006.

As an integral part of the Government strategy of wealth creation and poverty reduction, cooperatives activity cut across all the sectors of the national economy that include agriculture, finance, housing, transport, building and construction, manufacturing and distribution trade. Cooperative activities concern mainly the financial sector (44 %) and the agricultural sector (38 %).

The cooperative movement is well structured with more than 11.000 registered Cooperative Societies in 2007. The Kenya National Federation of Co-operatives is the national apex cooperative organization and eight other National cooperative organizations/institutions are bringing together cooperatives per main activity as bank, insurance, college, etc. Cooperatives are gathering at least 7 million members in Kenya.

### 10.7.2 Dairy Cooperatives in Bangladesh

Bangladesh is a country of small farmers, who are mostly living on or below the poverty line, and who are subject to the risk of flooding by the rivers and deltas that punctuate the country's low-lying but fertile flood plains. One way to increase incomes is to diversify into different farm products, especially those that can bring in a regular cash income. Dairying is ideal in these respects, because it provides a daily product that can find a ready market both for milk and other milk-derived products such as cheese and yoghurt. The initial investment in livestock is high and a system of veterinary services to maintain it is necessary.

There is the added advantage, crucial in a situation of absolute poverty, that the farmers' families can also consume the milk, thereby contributing to the health of their children. Milk does have some disadvantages, though. It is perishable and difficult to transport. There needs to be some means of collecting small amounts from large numbers of farms daily, and distributing it effectively to urban areas, so distribution costs can be expensive. To overcome these disadvantages, private dealers often invest in dairies and convert part of the

product to less perishable commodities that also have added value. This puts them in a position of monopoly from which they can exploit the farmers. When the distributors are able not just to fix prices but also to lend money at high rates of interest to see farmers through the bad times, or to pay for farm inputs, then the situation becomes desperate. Only cooperation by farmers in dairy cooperatives, or a system of state-owned dairies and marketing boards with guaranteed prices, can enable them to break out of the poverty trap.

### **Bulk provision of services**

In Bangladesh, shortly after independence in 1974 the government set up the Bangladesh Cooperative Milk Producers' Union, as part of its Cooperative Dairy Development Programme, with financial and technical help from United Nations Development Programme (UNDP) and Food and Agriculture Organisation (FAO), and grants in kind from the Danish International Development Agency (DANIDA). The long-term policy objective was to raise the subsidiary agricultural income of small and poor farmers in relatively remote rural areas, to strengthen support services for livestock development and to ensure the supply of hygienic milk to urban populations.

Known by its brand name 'Milk Vita', the cooperative provided services for milk production, collection, processing and distribution, and a comprehensive range of technical support services, from institutional development of cooperatives and credit schemes at community level to organising milk distribution in urban centres. In other words, Milk Vita broke the buyers' Bangladesh. It became Bangladesh's leading supplier of fresh milk and dairy products such as butter and yoghurt to the capital city, Dhaka. While at both ends of the production chain – farming and urban milk distribution – it set up cooperatives, the company itself was run by civil servants accountable not to the farmers but to government. The dumping of imported powdered milk also affected the market adversely. Milk Vita was only just breaking even and, when provision for depreciation and loan interest was made, was actually making a loss and in constant need of subsidy.

### **Training and commitment**

In 1991 the government withdrew, leaving the Union to be run by an independent board of directors, elected mainly by the 390 village primary milk cooperative societies, and by a newly appointed group of professional managers. The transition to a genuine farmer-owned cooperative was a difficult one, but it was made easier by an ongoing commitment to management training and technical help with animal health, processing and marketing from the FAO, with continued funding from DANIDA. Soon

Milk Vita was in profit. A move to a more commercial business approach helped, along with a higher throughput of milk and a steep decline in the import of powdered milk. From a modest start with a membership of only 4,300 very poor, landless households, it has become a 'successful commercial dairy enterprise'.

### Poverty reduction

In 1998, 40,000 farmer members earned a total of US\$9.3m from sale of 30 million litres of milk. In 2000, dividends paid to producers totalled US\$1.5m. Milk Vita is planning to expand into four new areas of Bangladesh where traditional small-scale milk production still prevails. The evidence for poverty reduction is compelling. Farmers' earnings have increased ten-fold, lifting the household earnings of around 300,000 people (including family members) to well above the poverty line. The returns from farming are reliable and constant.

Furthermore, in many households the income from milk production is managed by the women, and so has a direct impact on food security and nutrition. Savings generated from the milk sales help to cushion households against flooding, and 2,200 employment opportunities have been created in the urban areas from milk distribution (1,200 employees of the primary cooperatives, 300 city milkshaw pullers, and 700 employees of the five dairy plants and the head office). In addition, urban consumers benefit from safe, pasteurized milk products.

However, there are people who are even poorer than the farmer members of Milk Vita. Landless tribal people who were living on the equivalent of twenty US cents a day were not benefiting from the dairy cooperative system. The Grameen Fisheries and Livestock Foundation, sister organisation to the Grameen Bank, began by helping these landless people to gain an income through fish farming. Then, helped by a US\$3 million grant from the UNDP and technical assistance from the FAO, it began to train user groups and created veterinary and breeding services based on the Milk Vita model. Now almost 4,000 villagers have begun to earn an income from keeping cows. They are organised into 880 groups that received micro-credit loans to buy livestock. This demonstrates that, with the right kind of technical support, even the poorest rural communities can benefit from agricultural cooperation.

### 10.7.3 The Yebo Cooperative in South Africa

Yebo Cooperative is a self-help and self-responsibility structure. It was created in 2003 by various self-help groups, cooperatives and burial societies throughout SA and has since been making a meaningful contribution towards social and economic empowerment. Yebo helps its member-groups to organise themselves so that they have more bargaining power to reach their goals, to grow their businesses and make a better living. Yebo's aim is to help and support its cooperative members to implement self-help, self-administration and self-responsibility values as a practical strategy to meet their current and future economic and social challenges. Yebo Cooperative Limited is a service and support cooperative and is registered with the Registrar of Cooperatives. Yebo complies with all the requirements of the Cooperative Act 14 of 2005, which regulates cooperatives in South Africa.

*Specific benefits that Yebo coop provides to its members include among others the following:*

Yebo Cooperative specialises in teaching people how to generate their own money and how best to use their disposable income to create sustainable businesses for poverty alleviation. As a result, Yebo provides its members with a broad range of services and support activities. Through Yebo, members can get everything they need to run and grow their businesses. In accordance with cooperative principles, the members decide together what services and support activities to give to all the members. Here follow some examples of services that Yebo provides to members:

#### *Bulk buying*

Yebo co-ordinates and organises bulk buying of anything that the members need. For example, bulk buying of consumables like maize meal, flour, cement, paraffin, fertiliser, seeds. Members immediately enjoy lower prices and higher profit margins. Groups have more negotiating power with big suppliers. When groups buy in bulk they can negotiate better prices, better service and better delivery. In this way they save time and money.

#### *Advice and counselling*

Yebo organises business advice and counselling to help run business. For example, Yebo can help to draft a business plan or a marketing plan.

#### *Training about cooperative and self-help group matters*

Yebo teaches members how to run their own cooperatives and self-help groups. YEBO provides cooperatives / groups training on corporate governance and business principles.

#### *Business support and business services*

Yebo organises skills training and training in how to run and grow a business and helps its members' businesses to become self-sustaining. Yebo also helps its members to find markets where they can sell their products. Depending on the need and request from members, Yebo provides continuous training to determine the impact and viability of the business and thus provides on-the-job training for managing the growth of the business.

#### *Financial services*

Yebo organises all the financial services that its members need, such as:

Giving credit to its group / cooperative members;

Bulk / pool savings, to get better investment returns. Yebo provides advice on the establishment and further development and management of cooperative / village banks to enhance regional and local economic development.

Yebo Cooperative has put together an innovative savings scheme for its members. Members' investments, starting from as little as R50, earn very attractive interest rates. The savings scheme will be the foundation for establishing a cooperative bank, owned and controlled by its members.

## 11. Cooperative Policy Instruments

### 11.1 The Cooperative Policy Of 2004

Cooperative policy outlines government's broad guideline to develop and support co-operatives. It outlines the government's approach to defining the co-operative enterprises as well as the policy instruments that will be utilized to achieve the objectives. The policy applies to established co-operatives but the emphasis is on supporting emerging co-operative enterprises:

**Emerging co-operatives:** These co-operatives have been identified as struggling for survival and lacking training, skills, and markets.

**Established co-operatives:** These are co-operatives that are mainly operating in agriculture and controlled by the white minority, although they do exist even in other sectors.

The purpose and objective of the cooperative policy included the following:

- Create an enabling environment for co-operative enterprises which reduces the disparities between urban and rural businesses, and is conducive to entrepreneurship
- Promote the development of economically sustainable co-operatives that will significantly contribute to the country's economic growth
- Increase the number and variety of economic enterprises operating in the formal economy;
- Increase the competitiveness of the co-operative sector
- Encourage persons and groups who subscribe to values of self-reliance and self-help to formalise
- Enable such co-operative enterprises to register and acquire a legal status/legal persona separate from their members;
- Defines genuine co-operatives for targeted support purposes
- Promote greater participation by black persons, especially those in rural areas, women, persons with disability and youth in the formation of and management of co-operatives.
- Establish a legislative framework that will preserve the co-operative as a distinct legal entity.
- Facilitate the provision of support programmes that target co-operatives that will create employment or benefit disadvantaged groups.
- establishes a code of conduct for co-operative promoters for basic principles to be respected



### 11.2 The National Cooperative Development Strategy (2004-2014)

The Cooperative Development Strategy recognises the potential of cooperative enterprises in creating and developing income-generating activities and sustainable decent employment; developing human resources capacities and knowledge, strengthening competitiveness, increasing savings and investment; improving social and economic well-being, contributing to sustainable human development; establishing and expanding a viable and dynamic distinctive sector of the economy and in contributing to broad-based economic empowerment.

The strategy highlights the importance of the cooperative model in promoting entrepreneurship in South Africa. The vision of the strategy encompasses striving towards a cooperative movement where there is no dualism and where all cooperatives are supported and promoted equally and can compete in an equal economic environment. It also envisions a cooperative sector, which has established and emerging cooperatives in all sectors of the economy.

#### Objectives of the Cooperatives Development Strategy

In the period from 2004 – 2014, the Cooperative Development Strategy will pursue the following objectives:

- Ensure the establishment of cooperatives of all types in all sectors of the South Africa economy.
- Ensure the implementation of effective support structures & programmes across all government institutions, departments & private sector
- Ensure that cooperatives are making a meaningful contribution to economic growth, employment creation, social & cultural development & income generation.
- Ensure the existence of strong, viable, self-reliant, autonomous & self-sustaining cooperative enterprises.
- Ensure a situation where cooperatives are serving as effective vehicles for broad-based empowerment e.g. ESOPS, TRUSTS, and Work Cooperatives.
- Create an enabling legislative environment exists that fosters the promotion & development of cooperatives.
- Ensure that emerging Black cooperative enterprises are competing successfully on a national and global scale.

#### Fundamental principles of the Cooperatives Development Strategy

Several principles need to be followed when designing the Cooperatives Development strategy, which involves partnerships between government, NGOs, parastatals and private sector involved in promoting cooperative enterprises. These principles help to guide the private sector, parastatals, non-government organisations and other stakeholders

### 1. Find a balance between the main roles of government

The government upholds and subscribes to the universally accepted principles of cooperation. The cooperative principles are the universally accepted guidelines by which cooperatives put their values into practice. The government also recognises the thin line between support and control. Experience shows that extensive government interference may break the cooperative movement but government support can help create a strong cooperative movement in any country. The government of South Africa commits to providing an enabling environment in which cooperatives will thrive through policy development, the revision of the current legislation and strategy development, while also ensuring the participation of all spheres of government, government institutions and private sector.

### 2. Closely integrate cooperative development with the broader macro-economic and development frameworks of government

This principle positions cooperative development within the broader development frameworks of government. The Government recognises that cooperative development contributes to the achievement of national economic and social development goals. Cooperative development should be linked to private sector development, black economic empowerment strategies, and a range of other key initiatives. It will support regional and local development initiatives, and complement poverty reduction measures. Promotion of cooperatives will also be in line with Integrated Rural Development and Urban Renewal Strategies. In the case of the dti there is also the Integrated Manufacturing Strategy. The type of cooperatives to be promoted will also be derived from the IMS not undermining the LED and Integrated Development Plans (IDP's). The promotion of cooperatives is also linked to all government departments and their plans will also be observed.

### 3. Respond to the diverse needs, capacities and opportunities found in the cooperative sector with market-oriented and strategically focussed interventions

This principle recognises the need for segmentation in the provision of development support for cooperatives. The needs, capacities and opportunities of businesses within the cooperatives sector vary dramatically and the Cooperative Development Strategy has been designed to accommodate these variations. There are cooperative enterprises that have received heavy subsidies from government in the past (characterised by majority of white owners and mostly in the agricultural sector) and there are the others that are weak and lack basics. Although the policy applies to both established and emerging cooperatives, emphasis for support will be given to emerging cooperatives.

### 4. Connect national cooperative development interventions with those at provincial and local levels

The integration of national, provincial and local cooperative development support is a fundamental principle underlying the design of the Cooperative Development Strategy. This is consistent with the decentralisation of government services and the important roles played by local and provincial authorities in development planning. Cooperatives are based in local communities and affected by the government policies, laws and regulations at local, provincial and national levels. Thus, integration across all levels of government is essential. The most distinguishing characteristic of cooperatives is that they are meant to keep people in their communities, encouraging them to mobilise resources they have within their communities.

#### 5. Holistic support services

Cooperative development requires a holistic approach. The Government will therefore commit to review the holistic needs of cooperatives before offering support so as to respond to immediate needs. It is important to commit towards a dynamic, demand-driven and creative approach that in the first instance recognises the multiplicity of needs of cooperatives. Institutions that are already providing these services to small businesses will play a very crucial role to cooperative enterprises as well

#### 6. Cooperatives as a vehicle for social development

The government recognises the role that can be played by cooperatives in job-creation, sustainable employment and improvement of the quality of life of their members and communities around them. Government's role is to support these initiatives financially and also to ensure sustainability.

#### 7. Cooperatives as a mechanism for black economic empowerment

Cooperatives are a proper model to achieve real broad-based economic empowerment in which all citizens of South Africa will benefit not just a few elite. This is characterised by the sense of ownership that is built into all the members of a cooperative enterprise. The government of the Republic of South Africa has recognised the existence of two economies in the country: the first economy, which is well-organised and has access to resources requires and the second economy that is characterised by lack of capacity and lack of resources. One of the effective ways of addressing the issue of the second economy has been identified by the dti as the promotion of cooperatives.

#### 8. Cooperatives and the formal economy

The policy recognises the existence of informal groups such as stockvels etc and also some cooperative groups. The new Act accommodates cooperative groups to register as such. The aim of the strategy is to formalise informal groups into the mainstream of the economy. The government is also aware of individual entrepreneurs who are presently operating on an informal basis and are not yet aware of the benefits the

cooperative model can bring to them if they work together. The plan is to have a registration campaign in all provinces to teach groups and individuals on the benefits of forming a cooperative.

#### 9. Cooperation and collaboration among cooperatives

Cooperation among cooperatives is one of the principles of cooperation. This can be achieved through the formation of secondary cooperatives which promote cooperation, co-ordination and networking amongst cooperatives in specific sectors and regions so that services such as marketing, research and development, skills acquisition and even production can be shared. Through such cooperation cooperatives can achieve, economies-of-scale benefits enjoyed by large firms.

#### 10. Strategic public expenditure in the cooperative sector

All government departments and spheres will be encouraged to target cooperatives for some of its procurement needs that these enterprises can provide. Cooperatives will also be prepared to gain in the government's Expanded Public Works Programme as part of growth and development strategy (GDS) implementation.

#### 11. The need for streamlined, market-oriented and sustainable institutions

In its policy, the government states that institutions that are already being utilised for small business support should also be extended to provide for cooperatives and in response to their needs. Some of the needs of cooperatives are similar to those of small businesses. For specific needs of cooperatives, the cooperative movement in the form of the apex body should also play a part. Also the cooperatives Advisory Board should be in a position to advise accordingly.

### **11.3 The Cooperatives Act 14 Of 2005**

The general provisions of the Act include the following:

- To promote the development of sustainable cooperatives that comply with cooperative principles, thereby increasing the number and variety of economic enterprises operating in the formal economy;
- To encourage persons and groups who subscribe to values of self-reliance and self-help, and who choose to work together in democratically controlled enterprises, to register cooperatives in terms of this Act;
- To enable such cooperative enterprises to register and acquire a legal status separate from their members;

- To promote equity and greater participation by black persons, especially those in rural areas, women, persons with disability and youth in the formation of, and management of, cooperatives;
- To establish a legislative framework that preserves a cooperative as a distinct legal entity;
- To facilitate the provision of support programmes that target emerging cooperatives, specifically those cooperatives that consist of black persons, women, youth, disabled persons or persons in the rural areas and that promote equity and greater participation by its members;
- To ensure the design and implementation of the cooperative development support programmes by all the agencies of national departments including but not limited to Khula, NEF, NPI, SEDA, IDC, SAQI, SABS, CSIR, PIC, DBSA, SALGA and SETA'S, and compliance with uniform norms and standards prescribed by this Act;
- To ensure the design and implementation of the cooperative support measures across all spheres of government, including delivery agencies, and adherence to a uniform framework of established norms and standards that reflect fairness, equity, transparency, economy, efficiency, accountability and lawfulness;
- To facilitate the effective coordination and reporting mechanism across all spheres of government through the department.

Like the 2005 bill, the 2005 Cooperatives Act also identifies the following forms of cooperatives:

- Primary cooperative
- Secondary cooperative and
- Tertiary cooperative

Furthermore, after the enactment of the 2005 Act, cooperatives can now be divided roughly into two groups, namely so-called worker cooperatives and user cooperatives:

Worker cooperatives are cooperatives that are linked to trade unions or, more specifically, are existing businesses that are purchased in order to save and secure jobs for the employees. In such cases the employees will receive out-sourced contracts for providing services or membership in the converted cooperative. Therefore these are cooperatives where the employees are both workers and employers (owners).

User cooperatives include financial, agricultural, housing (including social housing initiatives) and consumer cooperatives. User cooperatives can be used to reduce poverty in a widespread spectrum of activities in poor communities. The members of user cooperatives use the economic services of the cooperative rather than being workers therein.

Worldwide user cooperatives have proven to be more successful in the mobilisation of the widest participation and provide an important framework for the functioning of the worker cooperative. However, user

cooperatives have not been as successful in South Africa as they have abroad. It is not seen as a more successful alternative to the worker cooperative, where jobs and a democratic working environment are created, as opposed to the ordinary environment. Therefore, these are cooperatives where the members are members with their own households and enterprises and aim to obtain goods at more favourable prices or to use the cooperative in marketing their products.

In addition, neither variation limits the number and variety of the different kinds of cooperative, but both give an indication as to the possible kinds that can come into existence:

- Housing cooperatives
- Worker cooperatives
- Social cooperatives
- Agricultural cooperatives
- Burial cooperatives
- Financial services cooperatives
- Consumer cooperatives
- Market and supply cooperatives
- Services cooperatives

#### **11.4 A Cooperatives Advisory Board**

The Cooperative Advisory Board is established under section 85 of the cooperatives Act of 2005. This is a completely new concept in South African cooperative law. The Cooperative Advisory Board aims to assist the Minister of Trade and Industry with aspects that affect cooperatives specifically and to assist the minister in improving cooperative policies. Furthermore, the appointment of the members of the Cooperative Advisory Board is done by the minister, subject to the provisions of section 87 and 88 of the Cooperatives Act of 2005.

**The CAB's terms of reference could include the following functions:**

- Monitor the implementation of the new policy on cooperative development, and propose modifications if needed
- Advise the Minister on matters related to cooperative development
- Propose amendments to the provisions of the Cooperative Act, both current and future, and of any other relevant law
- Promote the coordination and alignment of public and private sector initiatives related to the promotion of cooperative development
- Propose standards and guidelines for support services that would be performed by a variety of agents, but using public funds (e.g. criteria that would form the social audit for vetting funding applications from

### 11.5 Cooperative Banks Act, No 40 of 2007

The general provisions of the Act include the following:

- To promote and advance the social and economic welfare of all South Africans by enhancing access to banking services under sustainable conditions
- To promote the development of sustainable and responsible cooperative banks
- To establish an appropriate regulatory framework and regulatory institutions for cooperative banks that protect members of cooperative banks
- To provide for the registration of deposit-taking financial services cooperatives as cooperative banks;
- To establish supervisors to ensure appropriate and effective regulation and supervision of cooperative banks, and to protect members and the public interest;
- To establish a Development Agency for Cooperative Banks to develop and enhance the sustainability of cooperative banks

Cooperative Banks Act identifies the following forms of cooperatives:

- A primary savings cooperative bank
- A primary savings and loans cooperative bank
- A secondary cooperative bank and
- A tertiary cooperative bank

#### Primary Savings Cooperative Bank

A Primary Savings Cooperative Bank means a cooperative registered as a primary cooperative under the Cooperatives Act and as a primary savings cooperative bank under this Act that may provide the banking services and perform the following functions:

- Solicit and accept deposits from its members
- Open savings accounts for its members, in the name of each member, into which that member may deposit or withdraw money and from which that member may instruct the cooperative bank to transfer or pay money
- Borrow money from the Agency and members, other than deposits referred to in paragraph (a), up to a percentage of the assets held by it as prescribed by the Minister
- Open a savings account or cheque account in the name of that cooperative bank with any banking institution
- Make, draw, accept, endorse, or negotiate negotiable instruments that are paid to the order of or made out and endorsed by that cooperative bank
- Provide trust or custody services to members

- Conduct any additional banking services as may be prescribed by the Minister and
- Invest money deposited with it in investments prescribed by the Minister

### **Primary Savings and Loans Cooperative Bank**

A primary savings and loans cooperative bank means a cooperative registered as a primary cooperative under the Cooperatives Act and as a primary savings and loans cooperative bank under this Act that may provide the banking services and perform the functions similar to those performed by a primary savings cooperative bank;

### **Secondary Cooperative Bank**

A secondary cooperative bank means a cooperative registered as a secondary cooperative under the Cooperatives Act and as a secondary cooperative bank under this Act that may provide the banking services and perform the functions similar to the preceding cooperatives

### **Tertiary Cooperative Bank**

A tertiary cooperative bank means a cooperative registered as a secondary or tertiary cooperative under the Cooperatives Act and as a tertiary cooperative bank under this Act that may provide the banking services and perform the functions similar to those performed by a primary savings cooperative bank

### **Supervisors of cooperative banks**

The South African Reserve Bank must, subject to the approval of the Minister, appoint a suitable employee in its service as the supervisor of cooperative banks with the authority to exercise the powers and perform the functions conferred on the supervisor by or in terms of this Act in respect of:

- Primary cooperative banks that hold deposits in excess of 20 million Rand;
- Secondary cooperative banks; and
- Tertiary cooperative banks.

The Agency must, subject to the approval of the Minister, appoint a suitable employee in its service as the supervisor of cooperative banks with the authority to exercise the powers and perform the functions conferred on the supervisor by or in terms of this Act in respect of primary cooperative banks that that hold deposits of 20 million Rand or less.

If a primary cooperative bank holds deposits in excess of 20 million Rand for a continuous period of three months, the Agency must inform the South African Reserve Bank within one month of the expiry of that three



month period that the primary cooperative bank is subject to its authority and provide the South African Reserve Bank with the necessary information.

If a primary cooperative bank holds deposits of less than 20 million Rand for a continuous period of three months the South African Reserve Bank must inform the Agency within one month of the expiry of that three-month period that the primary cooperative bank is subject to its authority and provide the Agency with the necessary information.

#### **11.6 Black Economic Empowerment (Bee) Policy (1998)**

South Africa's policy of black economic empowerment (BEE) is not simply a moral initiative to redress the wrongs of the past, it is a pragmatic growth strategy aiming to realise the country's full economic potential. Black economic empowerment is not affirmative action, although employment equity forms part of it. Nor does it aim to merely take wealth from white people and give it to blacks. It is simply a growth strategy, targeting the South African economy's weakest point: inequality. "No economy can grow by excluding any part of its people, and an economy that is not growing cannot integrate all of its citizens in a meaningful way".<sup>6</sup>

Accordingly, government defines BEE as an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the numbers of black people that manage, own and control the country's economy, as well as significant decreases in income inequalities. Thus BEE processes will include elements of human resource development, employment equity, enterprise development, preferential procurement, as well as investment, ownership and control of enterprises and economic assets.

Societies that are characterised by racial or ethnically defined wealth disparities are not likely to be socially and politically stable. The process of BEE seeks to accelerate the deracialisation of the South African economy and fast track the re-entry of historically marginalised communities into the mainstream of the economy. A more equitable economy will benefit all South Africans, individuals and enterprises. The process of BEE is an inclusive one, and all enterprises operating within South Africa can, and indeed should, participate in this process. This strategy will be implemented throughout all sectors of the economy and is not limited only to those enterprises that derive income from government procurement or those where the sector is regulated by government. BEE as a South African growth strategy can be utilised in to grow cooperative sector through the unlocking of entrepreneurial skills of the previously disadvantaged and marginalised individuals.

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<sup>6</sup> South Africa's Economic Transformation, 2003

### 11.7 National Framework for Local Economic Development (2006)

Local Economic Development, as defined by the DPLG<sup>7</sup>, is an outcome based on local skills and initiatives and driven by local stakeholders. It involves identifying and using primarily local resources and skills to stimulate sustainable economic growth, regeneration and development.

LED is about promoting local approaches to respond to local needs and conditions, but also within the context of national and global economic trends and events. It aims to base economic activity on social conditions and local resources as well as regional capabilities and local competitive advantage.

The vision set out in the national LED policy Guidelines is “to build robust and inclusive municipal economies at the local level exploiting the local opportunities, real potential and competitive advantages, addressing local needs and contributing to national development objectives, such as economic growth and poverty eradication”.

The aims of LED are:

- “To create robust and inclusive local economies that exploit local opportunities, address local needs and contribute to national development objectives, such as economic growth, jobs and equity”;
- To eradicate poverty and create sustainable work opportunities, this can be achieved through the formation of cooperatives in previously disadvantaged areas.
- To integrate the first and second economies; and
- Practising LED is about creating an enabling environment, building economic capability and facilitating productive networks at the local level”.

### 11.8 Integrated and Sustainable Rural Development (ISRD) Strategy (2000)

The South African Government, in consultation with a wide range of key stakeholders launched a new stage of concerted effort to improve opportunities and well-being for the rural poor. In taking this step, the Government is building on six years of experience with its own rural programmes, as well as assimilating key lessons from similar efforts worldwide. The resulting “Integrated and Sustainable Rural Development Strategy” is idealistic in its vision and practical in its focus on mechanisms of implementation. The ISRD Strategy is designed to realize a vision that will

*“Attain socially cohesive and stable rural communities with viable institutions, sustainable economies and universal access to social amenities, able to attract and retain skilled and knowledgeable people, who equipped to contribute to growth and development”.*

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<sup>7</sup> Department of Provincial and Local Government (DPLG), Local Economic Development: Strategies and Instruments. Transforming Localities 2003

The strategic intent of the ISRDS is to transform rural South Africa into an economically viable and socially stable and harmonious sector that makes a significant contribution to the nation's GDP. The strategy will benefit the rural poor generally, but particular efforts will be made to target women, youths, and the disabled.

To fulfil the ISRDS' vision complementary measures are necessary including in particular:

- Human resource development and capacity building
- Land reform: implement revised programme
- Community based income generation projects including the formation of cooperatives such as savings and credit cooperatives (SACCOs)
- Social assistance and safety-nets
- Rural Finance

## 12. Constraints Facing SMMEs in Harry Gwala Development Agency

There can be no doubt that, compared to big business, small businesses face a wider range of constraints and problems and are less able to address problems on their own, even in effectively functioning market economies. In Harry Gwala Development Agency all SMMEs face a number of constraints, but rural SMMEs are more affected than those in urban areas. Constraints faced by SMMEs are presented in Table.

Table: Constraints faced by Harry Gwala Development Agency SMMEs

Economic and Business Challenges		
SMMEs Constraints		Urban and Rural Areas
Access to markets		<ul style="list-style-type: none"> <li>SMMEs in urban areas face the challenges of markets access.</li> <li>The key challenge in terms of market is the high competition in urban areas.</li> <li>Poor or small market opportunities in the rural areas force SMMEs to either relocate to towns or to close their businesses.</li> </ul>
Access to Raw Materials		<p>The key challenge in accessing raw materials is the high competition in urban areas.</p> <p>Challenges related to raw material access include:</p> <ul style="list-style-type: none"> <li>High transport cost;</li> <li>High cost of raw material;</li> <li>Time consuming to get raw material.</li> </ul>
Access to finance		<ul style="list-style-type: none"> <li>Access to finance is a real challenge as there are limited financial service providers in the area.</li> <li>Rural SMMEs have to travel to towns if they want to access financial services that are available.</li> </ul>
Access to business premises		<ul style="list-style-type: none"> <li>With the construction and other new development in the area, business premises will be available for SMMEs.</li> <li>In rural areas business premises are limited and where they exist, the rent is high and not affordable for local SMMEs.</li> </ul>
Access to land		<ul style="list-style-type: none"> <li>Access to land is a challenge for all SMMEs but especially for those operating in the agricultural sector.</li> <li>The majority of agricultural SMMEs are in the rural areas hence they face the full effect of this challenge.</li> </ul>
	Business management skills	<ul style="list-style-type: none"> <li>Both urban and rural areas face this challenge.</li> <li>SMMEs in rural areas have more challenges than SMMEs in urban areas due to the lack of available trainers.</li> </ul>
	Human	<ul style="list-style-type: none"> <li>This challenge is faced by both urban and rural SMMEs.</li> </ul>

Skills shortage	resources skills	<ul style="list-style-type: none"> <li>• SMMEs in rural areas have to cope with the limited number of business managers.</li> </ul>
	Financial skills	<ul style="list-style-type: none"> <li>• Because of this challenge, urban SMMEs resort to hire the services of private accountants.</li> <li>• With no or a limited number of accountants in rural areas, financial and bookkeeping skills pose a real challenge to SMMEs.</li> </ul>
	Technical skills	<ul style="list-style-type: none"> <li>• Both urban and rural areas face this challenge.</li> <li>• This challenge is intense in rural areas due to the limited number of service providers.</li> </ul>
	IT and computer-related skills	<ul style="list-style-type: none"> <li>• Urban SMMEs face the IT challenge but have an opportunity of accessing it via the private sector (although it is expensive).</li> <li>• SMMEs in rural areas have a great IT challenge as they do not have access to such skills at all.</li> </ul>
Exposure or market visibility		<ul style="list-style-type: none"> <li>• SMMEs in urban areas benefit from the limited number of exposure events, including seminars, BEE forum meeting and seminars as these events make them visible.</li> <li>• SMMEs in the rural areas lack the opportunities that their counterparts in urban areas have.</li> </ul>
Institutional Challenges		
Access to mentorship		<ul style="list-style-type: none"> <li>• Urban SMMEs lack mentorship services; however, they may access it through partnerships with large businesses in the areas.</li> <li>• Rural SMMEs do not have access to mentorship as there are no or a limited number of large businesses in the areas.</li> </ul>
Access to information and advisory services		<ul style="list-style-type: none"> <li>• The limited number of service providers that deal with advisory services in the urban areas make this issue a real challenge for SMMEs.</li> <li>• SMMEs in the rural areas have limited access to information and the advisory services.</li> </ul>
Legal Challenges		
Legal challenges specifically with the MFMA, CIDB, PPPFA		<ul style="list-style-type: none"> <li>• This challenge is faced by both urban and rural SMMEs as they are excluded from accessing some of the municipal benefits.</li> <li>• Rural small businesses face similar challenges as urban SMMEs,</li> </ul>
Business registration		<ul style="list-style-type: none"> <li>• Private agencies in urban areas help businesses to register but charge dearly for their services.</li> <li>• The registration process in the rural areas is difficult for SMMEs as it is a difficult and complicated process.</li> </ul>

Source: SKhunyana Interviews with Key Stakeholders

### 13. Needs of SMMEs in Harry Gwala Development Agency

The needs of SMMEs in Harry Gwala Development Agency are generated from the various constraints that businesses are currently facing. In other words, needs are the opposite side of the challenges that SMMEs are facing. These needs are grouped into institutional, legal and economical or business components as presented in the Table.

Table : Harry Gwala Development Agency SMMEs Needs

Description	SMMEs
<b>Economic or business needs</b>	<ul style="list-style-type: none"> <li>Both urban and rural SMMEs need to be able to access markets easily.</li> </ul>
	<ul style="list-style-type: none"> <li>Access to finance through government grants or risk sharing such as Dti's credit schemes. This will reduce SMMEs' reliance on friends or relatives or non-banking financial agencies with unfavourable terms.</li> </ul>
	<ul style="list-style-type: none"> <li>Urban SMMEs need access to land but mostly access to business premises while rural SMMEs mostly need to access land.</li> </ul>
	<ul style="list-style-type: none"> <li>Rural as well as urban SMMEs are in need of business management skills.</li> </ul>
	<ul style="list-style-type: none"> <li>Rural as well as urban SMMEs are in need of human resources skills.</li> </ul>
	<ul style="list-style-type: none"> <li>Rural as well as urban SMMEs need financial or bookkeeping skills.</li> </ul>
	<ul style="list-style-type: none"> <li>SMMEs in both areas are in need of technical skills related to certain specific sectors.</li> </ul>
	<ul style="list-style-type: none"> <li>Both rural and urban SMMEs need to access IT and computer-related skills.</li> </ul>
<b>Institutional needs</b>	<ul style="list-style-type: none"> <li>Access to mentorship programmes are needed by both urban and rural SMMEs.</li> </ul>
	<ul style="list-style-type: none"> <li>There is a need to improve access to information and advisory services in urban areas and to establish branches for information and advisory services in rural areas.</li> </ul>
	<ul style="list-style-type: none"> <li>There is a need to promote private-public partnerships for information and experience sharing.</li> </ul>
	<ul style="list-style-type: none"> <li>There is a need for partnerships between small and large businesses that may lead to large businesses allocating tenders to SMMEs.</li> </ul>
<b>Legal needs</b>	<ul style="list-style-type: none"> <li>Easy access to municipal procurement and tenders is needed.</li> </ul>
	<ul style="list-style-type: none"> <li>Easy access to business registration processes, especially with the rolling out of the Companies Act 71 of 2008.</li> </ul>

Table: Harry Gwala Development Agency Cooperatives' Major Obstacles

Management Issues	Business Development	General/Others
1. Lack of networking with other cooperatives and stakeholders	1) Shortage and breaking of business equipment	a. Corruption and nepotism inside the municipality in terms of cooperatives appointment and poor maintenance of their database
2. Losing members or members giving up	2) Not enough resources to efficiently work	b. Cooperatives are being neglected by the Municipality mainly because officials have a bad image regarding coops
3. Lazy members who do not want to work	3) Not getting enough profit	c. Not knowing the appropriate departments to address queries or to look for market opportunities
4. No cooperation between members	4) No Business premises	d. The strikes and the world cup have disrupted cooperatives efficient running/functioning
5. Members do not have time for the co-op and are not interested in cooperative issues	5) Difficult to get markets and contracts	e. Red tape from government on: <ul style="list-style-type: none"> <li>• Tender applications and approvals</li> <li>• Information sharing and flow</li> <li>• Annual changes of tender application forms</li> <li>• Delay in payment by the municipality after cooperatives have done the job which leads to coop members to fight amongst each other.</li> <li>• Loss of payment invoices within the municipality which also cause a delay in payment</li> </ul>
6. Members live far from each other and cannot attend meetings	6) Difficult access the loans from banks	
7. Reluctance from members in paying their membership fees	7) Do not understand how the business work	
8. Business skills shortages (shortage of technical skilled workers)	8) No cooperative insurance	
9. Limited time dedicated for meetings with cooperative members.	9) Some large businesses are not familiar with using cooperatives as sub-contractors	

Management Issues	Business Development	General/Others
10. High level of competition with well-established business, no room for coops	10) Sidelineing cooperatives or bad image attached to doing business with cooperatives	<ul style="list-style-type: none"> <li>In most cases, it is the municipality that determines how much they will pay the coops without negotiating with them e.g. 16 cents a square meter for grass-cutting coops</li> <li>Maintenance of equipment getting more expensive e.g. price of petrol has gone up but the square meter is still 16 cents.</li> </ul>
11. Not knowing how to quote: cooperatives do not have the necessary skills when it comes to quoting for the work done. They under-quote their work and not making profit to sustain the cooperative	12 Difficult to register cooperative in various Municipal databases  11) Limited access to finance and financial issues: <ul style="list-style-type: none"> <li>Cooperative members are black-listed and cannot access finance and other advantages,</li> <li>Banks want security to cover the loan when lending money to cooperatives and lots of documents that cooperatives do not have'</li> <li>Most cooperatives do not have the necessary skills to write an acceptable business plan,</li> <li>cooperatives do not have fixed contracts in place to secure funding,</li> <li>cooperatives do not have the 10% that is required by DTI before funding cooperatives,</li> <li>Most cooperatives do not have the start-up capital required to start their cooperatives</li> <li>Most cooperatives do not know which other institutions they can approach when trying to access funding and how to fill-in the documents required by financial institutions.</li> </ul>	



The preceding table has presented a large number of challenges that currently cooperatives are faced with in Harry Gwala Development Agency . This indicates that a solution driven and an implementable cooperative strategy is a must if Harry Gwala Development Agency wants indeed to adhere to its constitutional obligation of promoting socio-economic development in its area of jurisdiction.

### 13.1 Key Needs of Cooperatives

Cooperatives in Harry Gwala Development Agency indicated their needs as derived from the constraints that they are currently facing in running their businesses. In other words, the needs of the cooperatives also represent the challenges that they face. These needs and challenges are grouped into managerial needs, business development needs and others as presented in the following table

Table: Cooperatives Needs for Growth

Management Needs	Business development Needs
<b>1. Training in:</b> <ul style="list-style-type: none"> <li>• Information technology</li> <li>• Tender process</li> <li>• Functionality of cooperative</li> <li>• And other technical trainings (sawing, quoting, IT, Butchery,)</li> </ul>	<b>1) Open business opportunities to all cooperatives</b>
<b>2. Cooperatives from same field to be grouped into a secondary cooperative</b>	<b>2) Financial assistance</b>
<b>3. Mentor cooperatives</b>	<b>3) Work and business premises</b>
<b>4. Establish cooperatives forum</b>	<b>4) Assist co-ops with work material</b>
<b>General/Other Needs</b>	
<b>a. Record all cooperatives in the data base</b>	
<b>b. Workshop to fight corruption</b>	
<b>c. Pay visits to co-op sites and see how they struggle</b>	
<b>d. Give priorities to new established cooperatives rather than existing ones</b>	
<b>e. Stop sidelining cooperatives</b>	
<b>f. Give cooperatives an amount of money every month</b>	

Source: SKhunyana

In summary, it should be noted that the Harry Gwala Development Agency has put a great effort and resources to mobilise and form cooperatives as a means of alleviating poverty in its area. However, the cooperatives' survey has indicated that only a small number of cooperatives (12.2%) in Harry Gwala Development Agency n is growing and the majority of them (54.4%) is stagnant. Therefore, more work still need to be done in order to avoid the waste of this great effort and resources that have been spent in promoting cooperatives' development.

### 13.2 SWOT analysis

This sub-section serves as the concluding section to the Situational Analysis report and provides a breakdown of the SMMEs and cooperative sector's Strengths, Weaknesses, Opportunities and Threats (SWOT). The strengths and weaknesses are based on the present situation while the Opportunities and Threats consider the future implications of various factors. It should be noted that SWOT analysis leads to the understanding of strengths to be worked upon as well as weaknesses to be counteracted in this cooperative sector.

#### HARRY GWALA DEVELOPMENT AGENCY SMMEs

<b>Strengths</b>	<ul style="list-style-type: none"><li>-Existence of National and Provincial SMME programmes and Strategies</li><li>-Existence of SMME Institutional structure and various financial and non-financial stakeholders.</li><li>-Numerous tourism sites and diverse facilities</li></ul>
<b>Weaknesses</b>	<ul style="list-style-type: none"><li>-Narrow view of SMMEs</li><li>-Lack of equilibrium in addressing SMME issues</li><li>-Lack of Institutional Framework and capability</li><li>-Lack of finance and difficult access to funding</li><li>-Poor services and rural road infrastructure</li><li>-Lack of effective SMME partnerships</li><li>-Absence of SMME Strategic framework in Harry Gwala Development Agency</li></ul>
<b>Opportunities</b>	<ul style="list-style-type: none"><li>-a large portion of the population in Harry Gwala Development Agency is constituted by youth that can be targeted</li><li>-SMME is a labour intensive sector</li><li>-Tourism underutilised potentialities exist in the area.</li></ul>
<b>Threats</b>	<ul style="list-style-type: none"><li>-High level of competition</li><li>-Lack of skills and poor education levels</li><li>-Crime and HIV / AIDS</li><li>-Interruption to supply and growing costs of electricity.</li><li>-National and provincial programmes not known at the local level and not well channelled to the local level.</li></ul>

## HARRY GWALA DEVELOPMENT AGENCY COOPERATIVES

### Strengths

#### 1. Existence of National and Provincial Cooperative Policy, Strategy and Programme

The cooperative sector has backbone policy that regulates the entire sector (Act No 14 of 2005), there is a national cooperative strategy and there is KZN Cooperative Development Programme at the provincial level. This cooperative framework regulates the sector and deals with cooperatives in terms of financial support, training and skills development, advisory services, marketing, and BEE development.

#### 2. Existence of cooperative financial and non-financial stakeholders

A number of departments and private stakeholders deal with cooperatives trends including the DTI, banks, Further Education and Training, Supply Chain Management, etc.

### Weaknesses

1. Narrow view on Cooperatives: People in the Municipality, including some officials, think that cooperative means a black social business or social assistance. This narrow view on cooperatives restricts and prevents many SMME support service providers to assist cooperatives.
2. Lack of coordination between service providers has resulted in difficult access to services by emerging cooperatives
3. Interference of stakeholders in the internal matters of cooperatives
4. Limited information flow between cooperatives and stakeholders
5. Cooperatives own challenges: coops have their own challenges grouped into:
  - Management Challenges
  - Business Challenges
  - General Challenges (access to finance, markets, skills shortage, etc)

### Opportunities

1. Opportunities for the entrepreneurship development
2. Opportunities for a variety of trainings to be provided to cooperative members
3. Existing business opportunities in
  - intensive agricultural project, agricultural processing of fruits and vegetables,
  - manufacturing including clothing, shoes, car services, car panel beating, car security and audio systems, car seat cover sewing and furniture,
  - construction including tilling, house building, and plumbing,
  - services including cleaning, grass cutting and security services (guards),
  - trading including wholesaling and retail,
  - tourism including art and craft making and tour guiding.
  - Opportunity to create employment via new cooperatives
  - Opportunities to create secondary and tertiary cooperatives
  - Opportunities to establish wholesale cooperatives in the Municipality

### Threats

1. Sidelining cooperatives
2. Lack of an entrepreneurship culture and reluctance to enter into the business sphere
3. Lack of innovation by business owners

4. Red Tape and corruption
5. The strikes are threatening cooperative development

#### **HARRY GWALA DEVELOPMENT AGENCY OTHER POTENTIALITIES**

<b>Strengths</b>	<ul style="list-style-type: none"><li>-Harry Gwala Development Agency has a climate conducive to both informal and formal economy development, specifically in agriculture, tourism and business trade.</li><li>-Further, the availability of the agricultural land in rural areas is another crucial advantage for business especially in agricultural sector.</li><li>-Harry Gwala Development Agency has a relatively good infrastructure in CBD. These include roads, taxi ranks etc.</li></ul>
<b>Weaknesses</b>	<ul style="list-style-type: none"><li>-Poor services and rural road infrastructure</li><li>-Limited number of people with management &amp; technical skills</li><li>-Weak networking amongst businesses</li><li>-<b>The Traditional Authority areas are under-utilised and are not productive because the land is not farmed effectively.</b></li></ul>
<b>Opportunities</b>	<ul style="list-style-type: none"><li>-Natural beauty of the areas provides opportunities for tourism Projects</li><li>-The area has a large pool of semi-skilled people available for employment</li></ul>
<b>Threats</b>	<ul style="list-style-type: none"><li>-weak and interruption of electricity</li><li>-<b>The high incidence of HIV/AIDS is having an impact in the workplace and this is likely to continue accelerating in the near future.</b></li><li>-Businesses have not developed competitive advantages.</li><li>-Crash in farmer confidence due to issues of safety and security.</li></ul>

## 14. Strategic Planning Framework

This strategy framework section follows the preceding situational analysis section that assessed the existing SMMEs and cooperatives' situation and trends of the Municipality. In the conclusion of the situational analysis section, a breakdown of the Harry Gwala Development Agency's SMMEs and cooperatives in terms of Strengths, Weaknesses, Opportunities and Threats (SWOT) was presented.

The current section deals with the formulation of a strategic framework and interventions that are necessary to turn around the current state of SMMEs and cooperatives in Harry Gwala Development Agency. This will be achieved through the creation of a vision, mission and strategy which take into consideration the projects within the area as well as stakeholder linkages and project implementation.

The section starts by presenting the developed vision, mission and a number of thrust that will be taken into consideration in the implementation of various suggested key interventions. Then comes the projects.

### 14.1 SMME and cooperative DEVELOPMENT VISION

*Harry Gwala Development Agency to grow and develop the employment and GDP contribution of SMME sector and to bridge the gap between the second and the first economies in the process;*

*And to facilitate the establishment of self-sustained cooperatives in variety of economic sectors that will generate income, create employments and liberate people from poverty*

*This will be achieved by*

- *Improving the capacity of entrepreneurs in each of the above groups;*
- *Improving their operating circumstances; and*
- *Providing them with support services including access to resources and by reducing their actual and opportunity costs.*

### 14.2 Mission

*To set up and implement a comprehensive SMEs and cooperative support network and mechanisms that will achieve the effective establishment and development of self-sustainable SMMEs and cooperatives*

## 14.3 Strategies and projects

### 14.3.1 SMME Strategies

The main aim in developing these strategies is to provide an appropriate environment for the establishment and promotion of self-sustainable SMMEs which participate meaningfully in both the first second economy of the Municipality. This is achieved by:

1. Creating a conducive regulatory and institutional environment for SMMEs development;
2. Improving access to finance and business premises;
3. Improving access to skills, markets and market exposure;
4. Provision of bulk infrastructure to small businesses.

#### 14.3.1.1 A conducive regulatory and INSTITUTIONAL ENVIRONMENT for SMMEs development;

An environment conducive to SMME growth is made up of a number of key elements, including efficient policies and regulations. But as time passes, some policies become outdated and therefore turn out to be a bottleneck to SMME development. Therefore, there is a crucial need to set a mechanism for policy review once a bottleneck is identified. This will permit SMMEs to grow under a conducive updated regulatory environment.

Currently there are complex processes to be followed before getting a tender from the municipality: tenders must be given only to SMMEs that are in the municipal database, while many SMMEs in Harry Gwala Development Agency are not registered on the database. Another condition to get a tender is the payment of a tender fee which is not refundable. All these requirements constitute real challenges for emerging black SMMEs to access opportunities available in the municipality.

Further, Harry Gwala Development Agency does not have a Small Business Unit to manage the sector. There is very little co-operation among SMME stakeholders and institutions in the municipality for the development, management, marketing and growth of SMMEs. As a result, there may be a duplication of services. It should be indicated that the SMME sector does not operate in a vacuum and collaboration among stakeholders is crucial since it helps them to pool their efforts to change and develop the sector, to eliminate barriers, and to increase opportunities for success.

In this context the projects are:

- to organise workshops grouping the municipal supply chain and stakeholders to review all bottlenecks discovered in the legislation and policies,
- to develop a common SMME database in the municipality,

- to establish a small business Forum in the municipality for all stakeholders to share their services provided to SMMEs for the improvement of the sector,
- Current LED staff to undergo extensive SMME development related training (SMME coaching, facilitation, mentorship and advisory services).

#### **14.3.1.2 Improving access to finance and business premises;**

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

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

Therefore key projects include:

- Municipality to facilitate access to all available sources of funds for SMMEs,
- Municipality to facilitate easy access to land and business premises for SMME development,
- To promote the development of clusters and joint ventures for SMMEs to share costs.

#### **14.3.1.3 Improving access to skills; markets and market exposure**

The acquisition of relevant vocational, technical and business skills is generally regarded as one of the critical factors for success in small enterprises. In addition, literacy and entrepreneurial awareness are seen as particularly important to enable people to advance from survivalist activities into larger and better-earning enterprises. It is evident from the IDP and LED that there is a need to develop skills and to provide other studies within the Municipality as it has been shown that skills shortages are a problem for business development, especially survivalists and emerging SMMEs. The lack of business skills such as business management, customer care, human resources skills, financial skills, technical skills, IT and computer-related skills constitute a major threat to SMMEs and impede them to become active participants in the economy of the District. If not adequately addressed, this lack of skills will continue to threaten the further growth of the sector.

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

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

Therefore key tasks are:

- to provide training to SMMEs via the existing training institutions and FET Colleges,
- To organise a small SMME fair such as SMME flea market once a year in the municipality where SMMEs can access market opportunities and meet with larger businesses to explore outsourcing opportunities; and
- To develop and roll out a mentorship programme in the Municipality.

#### **14.3.1.4 Provision of Bulk Infrastructure for SMME Development**

SMMEs in Harry Gwala Development Agency face a number of challenges related to infrastructures. Throughout the surveys organised in the municipality, SMMEs pointed out that poor road infrastructure from the purchasing to the trading points, is among the main cause of the high transport cost of their respective goods. This has a major impact on business grow especially for the informal traders and continues to widen the gap between the two economies.

Proposed activities are:

- To provide multimodal transport facilities including bus/taxi rank, rail way station, and the like
- To build and run a small business incubator in Harry Gwala Development Agency.

#### **8.3.2 Coops strategies and projects**

The overall goal is to provide an appropriate environment for the establishment and promotion of self-sustainable cooperatives which participate meaningfully in both the first second economy of the Municipality. This will be achieved through:

1. A creation of a conducive policy and legal environment
2. Building of a supportive institutional system
3. Provision of capacity building and skills development for cooperatives
4. Provision of support services for cooperatives



#### **14.3.2.1 A Creation of a Conducive Policy and Legal Environment**

Inappropriate or unduly restrictive legislative and regulatory conditions are often viewed as critical constraints on the access of cooperatives into the business sphere and as obstacles to their growth. Since government at national, provincial and local level is responsible for the legislative and regulatory framework and its on-going adjustment, it is also responsible for ensuring the appropriateness of these rules and regulations for the cooperative sector. It is worth noting that the province has a constitutional mandate and role to play in creating a climate for cooperatives to operate without being frustrated by any biased policy. This environment needs to have few or no legal barriers to market participation, permitting cooperatives to evolve under a regulatory setting.

The Harry Gwala Development Agency has a constitutional mandate and role to play in creating a climate that is conducive for cooperatives to operate without being frustrated by any biased policy. It should be indicated that this conducive environment needs to have few or no legal barriers to market full participation for cooperatives in the Harry Gwala Development Agency's economy

To this extent, key operations that urgently need to be undertaken include:

- The monitoring of the Cooperative Policy of 2004, the Cooperative Act no 14 of 2005 and the Cooperative Banking Act no 40 of 2007,
- Rehabilitation of the underperforming cooperatives,
- The review of any piece of legislation found hindering cooperatives growth in Harry Gwala Development Agency,
- Creating awareness amongst the general public about the nature of cooperatives and the benefits that can accrue to members as a result of cooperation.

#### **14.3.2.2 Building of a Supportive Institutional System**

The Municipal cooperative value chain involves a number of stakeholders, ranging from support service providers to cooperatives themselves. However, the municipality lacks an efficient and integrated coordinator for the total value chain. Therefore, an institutional framework that will harmoniously manage the cooperative value chain ought to be developed in order to build self-reliant and sustainable cooperatives in the municipality.

Specifically the aim of this strategy is to strengthen the institutional capacity of cooperatives both at government level and at the operational level in order to enable the Harry Gwala Development Agency government to efficiently manage and implement all cooperative development programmes in the municipality.

To this extent, the need is for:

- The coordination of all cooperatives development programmes and actions by LED unit,
- The organisation of training, seminars and sensitisation workshops with government personnel in the Municipality to enhance the efficiency and effectiveness of the services rendered by cooperatives.

#### **14.3.2.3 Provision of capacity building and skills development for cooperatives**

Certain cooperative members and stakeholders face a skills shortage in Harry Gwala Development Agency; while others even associate cooperatives with charity organisations. This makes it difficult for both cooperative members and service providers to run and support cooperatives efficiently. To address this, the following are needed:

- To develop and roll out a mentorship programme for coops that will include: technical advice, labour relations, auditing cooperatives, inspecting and controlling cooperatives, monitoring and evaluating cooperatives;
- Train cooperatives on:
  - The functioning of cooperative business
  - SARS, VAT, UIF and CIPC compliance
  - Business administration and management
  - Financial management
  - Human resources management
  - Conflict resolution
  - Quality control
  - Customer care
  - Technical and specific subjects/skills
  - Tendering skills.

#### **14.3.2.4 Provision of support services for cooperatives**

The service delivery mechanism concerns the access to markets and to on-going information. Market access constraints are among the most serious obstacles to the sustainability of cooperatives, and this restricts the ability of cooperatives to compete with other business. One of the concerns with generating market access support

mechanisms specifically for cooperatives is that this may in fact hinder the sustainability of the organisation if overdependence is fostered. This may be achieved through:

- Permanent information distribution (Methods such as fax, cooperative helpline, e-mail, SMS, notice boards and walk-ins can be used to pass information on to cooperatives. This allows cooperatives to expand their activities and grow),
- Facilitating access to finance
- Monitoring and evaluation services
- Development of a municipal cooperative data register
- Provision of the incubator<sup>8</sup>

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<sup>8</sup> National Business Incubation Association (NBIA) – USA, [www.nbia.org](http://www.nbia.org)

## 15. Key Strategy Pillars

This Implementation section follows the preceding strategy formulation section that provided a strategic framework and interventions necessary to improve the current SMME and cooperative sector in Harry Gwala District. The strategy formulation section developed a vision and mission taking into consideration the projects within the area; current economic trends of the municipality, stakeholder linkages and the district's project implementation capability. In the conclusion of the strategic framework, key anchor projects were suggested which have specific initiatives to give effect to the development of the SMME and cooperative sector in Harry Gwala District.

The implementation framework section is made of a number of sub-sections including:

- Implementation Plan;
- Financial Plan; and
- Institutional Plan;

## 16. Implementation Framework

### 16.1 Implementation Plan

The Project Implementation Plan provides a time-based perspective of the projects and activities relating to the SMME and cooperative sector proposed for implementation. Table below displays the project name and the proposed start and end date. The GANTT chart starts from 2016 as a number of projects should be initiated immediately and then the five years is broken down into blocks of six months.

It should be noted that:

- Where activities did not have a defined end date the end of the five-year term was used as the end date, i.e. 30 December 2020;
- Where a project will be undertaken within a specific six-month period and have a shorter timeframe (i.e. two months) the full six-month block was filled up; and
- A large number of projects start out in the early parts of the five-year term and the potential for achieving this should be reconsidered based on resources, including human capacity and funds, in Harry Gwala Development Agency.

Table: The Project Implementation Plan

No	Projects/Activities	2016	2017	2018	2019	2020
1	<b>SMME PROJECTS</b>					
1.1	to organise workshops for stakeholders to review all bottlenecks in the legislation and policies					
1.2	to develop a common SMME database in the municipality					
1.3	to establish a small business Forum in the municipality for the improvement of the sector					
1.4	Current LED staff to undergo extensive SMME development related training					
1.5	Municipality to facilitate access to all available sources of funds for SMMEs,					
1.6	Municipality to facilitate easy access to land and business premises for SMME development,					
1.7	To promote the development of clusters and joint ventures for SMMEs to share costs.					
1.8	to provide training to SMMEs via the existing training institutions and FET Colleges					
1.9	To organise a small SMME fair such as SMME flea market once a year in the municipality					
1.10	To develop and roll out a mentorship programme in the Municipality					
1.11	To provide multimodal transport facilities including bus/taxi rank, rail way station, and the like					
1.12	To build and run a small business incubator in Harry Gwala District Municipality					
2	<b>COOPERATIVES PROJECTS</b>					
2.1	The monitoring of the Cooperative Policy of 2004, the Cooperative Act no 14 of 2005 and the Cooperative Banking Act no 40 of 2007,					
2.2	Rehabilitation of the underperforming cooperatives					
2.3	The review of any piece of legislation found hindering cooperatives growth in Harry Gwala District,					

No	Projects/Activities	2016		2017		2018		2019		2020	
2.4	Creating awareness amongst the general public about the nature of cooperatives and the benefits that can accrue to members as a result of cooperation.										
2.5	The coordination of all cooperatives development programmes and actions by LED unit										
2.6	The organisation of training, seminars and sensitisation workshops with cooperative members and other stakeholders including government personnel in the Municipality										
2.7	To develop and roll out a mentorship programme for coops										
2.8	Train cooperatives on: the functioning of cooperative business, SARS, VAT, UIF and CIPC compliance, Business administration and management, Financial management, Human resources management, Conflict resolution, Quality control, Customer care, Technical and specific subjects/skills, Tendering skills.										
2.9	Permanent information distribution (methods such as cooperative helpline, fax, e-mail, SMS, notice boards and walk-ins can be used to pass information on to cooperatives)										
2.10	Facilitating access to finance										
2.11	Monitoring and evaluation services										
2.12	Development of a municipal cooperative data register										
2.13	Provision of the incubator										

Source: Skhunyana 2015

## 16.2 FINANCIAL PLAN

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

Table: The Project Financial Plan

No	Description / Type of facility	Nature of the project	Motivation cost	Annual cost
1	<b>SMME PROJECTS</b>	Institutional Project	R1 000 for refreshments during the meeting	R3 000 for three meetings p.a.
1.1	to organise workshops for stakeholders to review all bottlenecks in the legislation and policies	Institutional Project	R0 since it will be internally compiled by the district	R0
1.2	to develop a common SMME database in the municipality	Institutional Project	R1 000 for refreshments during the meeting	R2 000 for the two meetings p.a.
1.3	to establish a small business Forum in the municipality for the improvement of the sector	Capital Project	R50 000 per fair and per local municipality. In most cases, 50% of the budget comes from sponsors	This will make R200 000 p.a. per local municipality
1.4	Current LED staff to undergo extensive SMME development related training	Institutional Project	R3 000 per course and two courses per LED officer and two LED officers per local municipality	R60 000 based on: 2 modules per LED officer, and 2 LED officers per LM
1.5	Municipality to facilitate access to all available sources of funds for SMMEs,	Institutional Project	R0. This will be part of day-to-day functions of DEDT One Stop Shop officials	R0
1.6	Municipality to facilitate easy access to land and business premises for SMME development,	Facilitation Project	R0 since this will be internally done by the district	R0
1.7	To promote the development of clusters and joint ventures for SMMEs to share costs.	Institutional Project	R3 000 per course per SMME	R390 000 for 130 SMMEs per year (this



No	Description / Type of facility	Nature of the project	Motivation cost	Annual cost
				will make 21 SMMEs trained per LM)
1.8	to provide training to SMMEs via the existing training institutions and FET Colleges	Market Project	R1 000 for refreshments during the meeting	R2 000 for two meetings p.a.
1.9	To organise a small SMME fair such as SMME flea market once a year in the municipality	Institutional Project	R0. This will be part of day-to-day functions of DEDT One Stop Shop officials	R0
1.10	To develop and roll out a mentorship programme in the Municipality	Capital Project	R10 m for the feasibility study and the construction of a building that accommodates 20 incubatees	R1 m for the annual cost to run the incubator
1.11	To provide multimodal transport facilities including bus/taxi rank, rail way station, and the like	Regulatory Project	R 150 000 to develop the programme R 100 000/ Mentor coaching up to 20 SMMEs	R150 000 per mentor coaching up to 20 SMMEs
1.12	To build and run a small business incubator in Harry Gwala District Municipality			
2	<b>COOPERATIVES PROJECTS</b>			
2.1	The monitoring of the Cooperative Policy of 2004, the Cooperative Act no 14 of 2005 and the Cooperative Banking Act no 40 of 2007,			
2.2	Rehabilitation of the underperforming cooperatives			

No	Description / Type of facility	Nature of the project	Motivation cost	Annual cost
2.3	The review of any piece of legislation found hindering cooperatives growth in Harry Gwala District,			
2.4	Creating awareness amongst the general public about the nature of cooperatives and the benefits that can accrue to members as a result of cooperation.			
2.5	The coordination of all cooperatives development programmes and actions by LED unit			
2.6	The organisation of training, seminars and sensitisation workshops with cooperative members and other stakeholders including government personnel in the Municipality			
2.7	To develop and roll out a mentorship programme for coops			
2.8	Train cooperatives on: the functioning of cooperative business, SARS, VAT, UIF and CIPC compliance, Business administration and management, Financial management, Human resources management, Conflict resolution, Quality control, Customer care, Technical and specific subjects/skills, Tendering skills.			
2.9	Permanent information distribution (methods such as cooperative helpline, fax, e-mail, SMS, notice boards and walk-ins can be used to pass information on to cooperatives)			
2.10	Facilitating access to finance			
2.11	Monitoring and evaluation services			

No	Description / Type of facility	Nature of the project	Motivation cost	Annual cost
2.12	Development of a municipal cooperative data register			
2.13	Provision of the incubator			

Source: Skhunyana 2015

### **16.3 Institutional Plan**

This sub-section examines the institutional arrangements that would best facilitate the optimal growth of SMMEs in Harry Gwala District Municipal Area. It should be indicated that without a clear institutional framework in place, SMME programmes and projects will be implemented in an uncoordinated fashion that might sometimes lead to duplication and a waste of scarce resources. Therefore, the following suggested institutional framework is crucial for an optimal growth of the SMMEs in Harry Gwala District.

#### **16.3.1 Establishment of Harry Gwala District Small Business Forum**

To implement the Harry Gwala District Enterprise Development Strategy there is a need to establish a small business forum. This forum will include all SMME and cooperative service providers from the municipality but mainly the following people:

- The provincial department of economic development representative;
- SEDA representative;
- Harry Gwala District LED Units representative;
- Business chamber representative;
- Local Colleges and FETs representatives.

The major tasks of the Small Business Forum include, among others, the following:

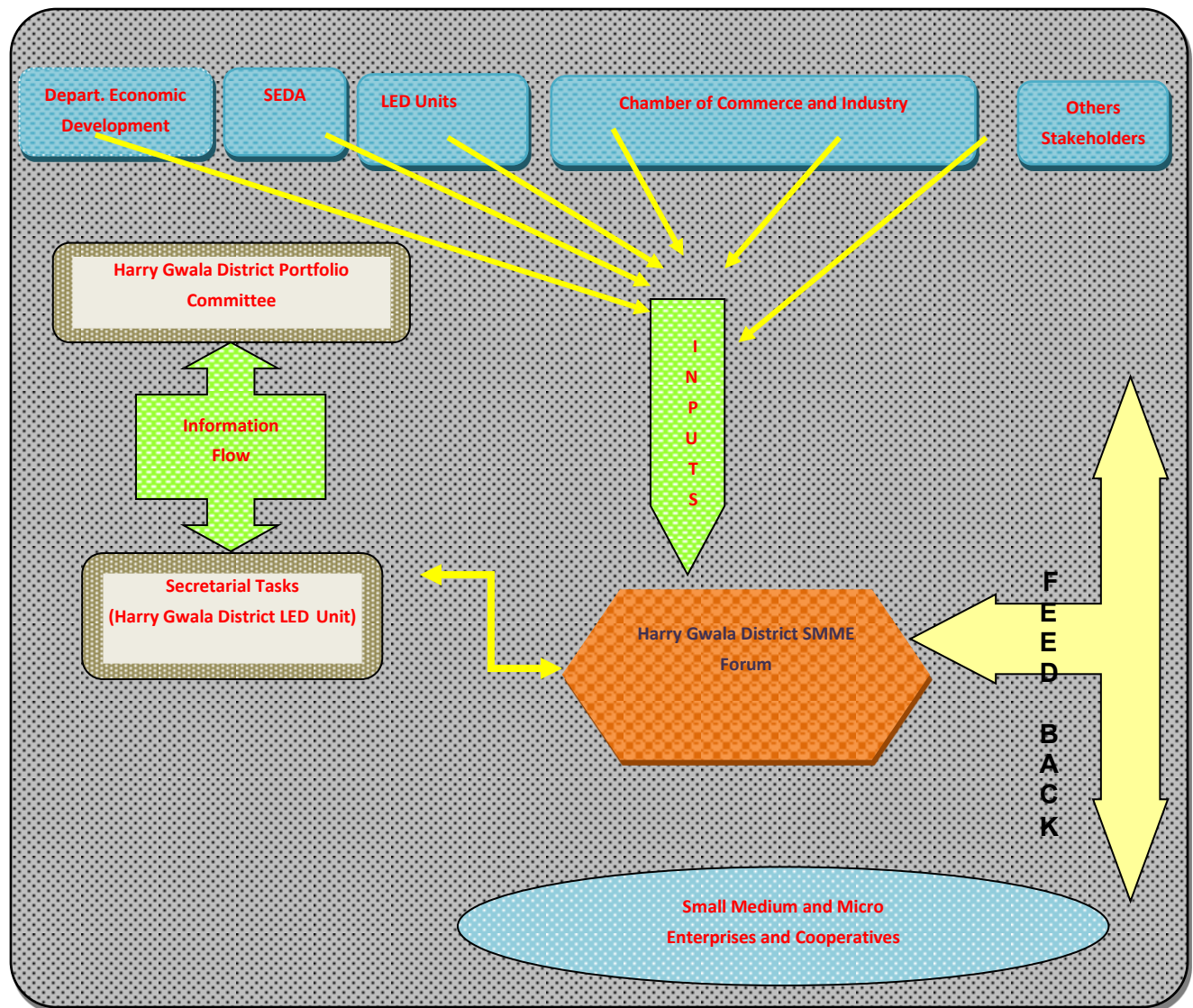
- Advisory inputs to support SMME and cooperative development in Harry Gwala District;
- Advisory inputs to bridge the gap between the two segments of the business sector (formal vs informal businesses);
- Advisory inputs to coordinate SMME and cooperative service provision in the municipality;
- Providing secretarial and logistical services to the Forum;
- Channelling information to the Harry Gwala District Portfolio Committee;
- Executing/implementing Harry Gwala District SMMEs and cooperatives strategy projects;
- Monitoring and evaluation of the Harry Gwala District SMME and cooperative strategy outcome.

It should be indicated that the provision of secretarial and logistical services to the small business forum, the channelling of the information to the Harry Gwala District Portfolio Committee and the execution of the projects will be assumed by Harry Gwala District LED Unit. The following figure shows that SMME and cooperative stakeholders feed their inputs into the Forum, and the outcome is taken to the portfolio committee for approval

before the implementation process takes place. The adopted outcome is therefore implemented and feedback is given to stakeholders in the Forum.

All the above can be presented as follows:

Figure: Harry Gwala District Institutional Plan



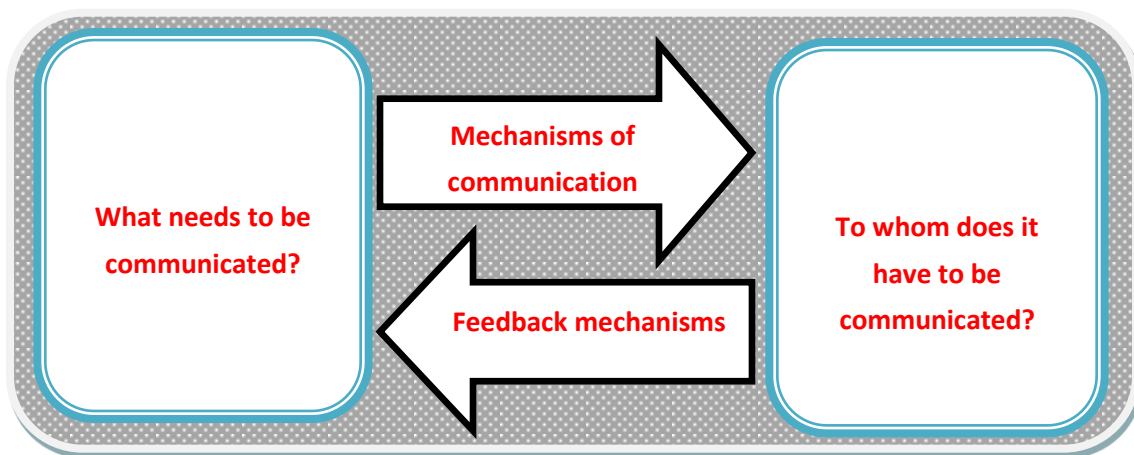
Source: Skhunyana 2015

## 16.4 Communication and marketing Plan

In the communication and marketing model, four components take place including:

- The sphere of what needs to be communicated;
- The sphere of mechanisms to be used during the communication;
- The sphere of to whom does it have to be communicated; and
- The mechanisms of feedback as shown in the Figure below.

Figure: Communication Plan



Source: Skhunyana 2013

### 16.4.1 What needs to be COMMUNICATED?

In the SMME and cooperative sector, the following information needs to be communicated in order to allow this sector to achieve its full potential:

- Current SMME and Cooperative Strategy and all its outcomes;
- Standard Municipal SMME and cooperative regulations;
- National and Provincial SMME and cooperative Support Services;
- National and Provincial SMME and cooperative Support Programmes;
- Harry Gwala District SMME and cooperative Support Services;

- Harry Gwala District SMME and cooperative Support Programmes;
- all market opportunities (tenders, etc).

#### **16.4.2 To whom does it have to be communicated?**

Information needs to be circulated or communicated to the following stakeholders:

- to councillors and municipal officials;
- Provincial government, specifically to the Department of Economic Development;
- Other SMME and cooperative stakeholders including SEDA, Business Chamber, FET Colleges, NGOs, and others;
- SMMEs and cooperatives and their representatives (since they are the beneficiaries).

#### **16.4.3 Mechanisms of Communication**

Communication between SMMEs and service providers has to be channelled through the following mechanisms:

- Letters/ distribution of documents;
- Training, Capacity building and information distribution;
- Workshops;
- Fairs/flea markets;
- Road shows;
- E-mail messages;
- Hotline,
- Cell-phone SMSs.

#### **16.4.4 Mechanisms of Feedback**

As the Harry Gwala District SMME and cooperative Forum is not yet established, the mechanisms of feedback on SMME and cooperative-related matters remain to address all concerns to the Harry Gwala District Municipality LED Unit using all necessary and available means of communication. However, the Harry Gwala District SMME and cooperative Forum, once it has been established, will have the responsibility to analyse and assess the data received and will also suggest solutions.

#### **16.5 Monitoring and Evaluation Tools and Mechanisms**

The monitoring and evaluation (M&E) process is always seen as an essential component used in the process of developing and implementing local economic projects. The objectives of the monitoring and evaluation mechanisms are to:

- Ensure that the correct milestones, as planned, are being achieved;
- Act as an early warning system in cases where targets are unlikely to be achieved;
- Provide regular information to all stakeholders on progress of the projects and an informed basis for any reviews;
- Ensure the continuous sharpening and focusing of strategies and assist in the mobilisation of appropriate interventions.

It should be noted that monitoring and evaluation of the projects would be a continuous implementation review function to provide the main stakeholders with early indications of progress or lack thereof in the achievement of objectives and outputs. The monitoring team (that will be the SMME and cooperative forum members or any established group for such a task) should make use of the following project specific tools and indicators:



Table: Project Monitoring Tools

Projects	Key Performance Indicators (KPI)							
	Project initiated (yes or no)	Project progress (Rand spent)	Percentages of progress	Project completed	Project responsible	Number of Job created to	On schedule/ completed on time (yes or no)	Exception report
<b>SMME PROJECTS</b>								
to organise workshops for stakeholders to review all bottlenecks in the legislation and policies								
to develop a common SMME database in the municipality								
to establish a small business Forum in the municipality for the improvement of the sector								
Current LED staff to undergo extensive SMME development related training								
Municipality to facilitate access to all available sources of funds for SMMEs,								
Municipality to facilitate easy access to land and business premises for SMME development,								
To promote the development of clusters and joint ventures for SMMEs to share costs.								
to provide training to SMMEs via the existing training institutions and FET Colleges								
To organise a small SMME fair such as SMME flea market once a year in the municipality								
To develop and roll out a mentorship programme in the Municipality								

Projects	Key Performance Indicators (KPI)							
	Project initiated (yes or no)	Project progress (Rand spent)	Percentages of progress	Project completed	Project responsible	Number of Job created to	On schedule/ completed on time (yes or no)	Exception report
To provide multimodal transport facilities including bus/taxi rank, rail way station, and the like								
To build and run a small business incubator in Harry Gwala District Municipality								
<b>COOPERATIVES PROJECTS</b>								
The monitoring of the Cooperative Policy of 2004, the Cooperative Act no 14 of 2005 and the Cooperative Banking Act no 40 of 2007,								
Rehabilitation of the underperforming cooperatives								
The review of any piece of legislation found hindering cooperatives growth in Harry Gwala District,								
Creating awareness amongst the general public about the nature of cooperatives and the benefits that can accrue to members as a result of cooperation.								
The coordination of all cooperatives development programmes and actions by LED unit								
The organisation of training, seminars and sensitisation workshops with cooperative members and other stakeholders including government personnel in the Municipality								
To develop and roll out a mentorship programme for coops								
Train cooperatives on: the functioning of cooperative business, SARS,								

Projects	Key Performance Indicators (KPI)							
	Project initiated (yes or no)	Project progress (Rand spent)	Percentages of progress	Project completed	Project responsible	Number of Job created to	On schedule/ completed on time (yes or no)	Exception report
VAT, UIF and CIPC compliance, Business administration and management, Financial management, Human resources management, Conflict resolution, Quality control, Customer care, Technical and specific subjects/skills, Tendering skills.								
Permanent information distribution (methods such as cooperative helpline, fax, e-mail, SMS, notice boards and walk-ins can be used to pass information on to cooperatives)								
Facilitating access to finance								
Monitoring and evaluation services								
Development of a municipal cooperative data register								
Provision of the incubator								

Source: Skhunyana 2013

