



MBHASHE LOCAL MUNICIPALITY

All correspondence to be directed to the office of the Municipal Manager
454 Streatfield Street, Dutywa, Eastern Cape Province
Tel: 047 489 5864/34 • Email: info@mbhashemun.gov.za
www.mbhashemun.gov.za

MBHASHE SMME SUPPORT AND FUNDING POLICY

2018-2019



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SMME FUNDING AND SUPPORT POLICY FOR MBHASHE LOCAL MUNICIPALITY

1. BACKGROUND

The 2014-2019 electoral mandate focuses on the following priorities:

- Radical economic transformation, rapid economic growth and job creation
- Rural development, land and agrarian reform and food security
- Ensuring access to adequate human settlements and quality basic services
- Improving the quality of and expanding access to education and training
- Ensuring quality health care and social security for all citizens
- Fighting corruption and crime
- Contributing to a better Africa and a better world
- Social cohesion and nation building.

In its focus on these priorities, and their elaboration into fourteen key outcomes and associated activities and targets, the MTSF has two over-arching strategic themes – radical economic transformation and improving service delivery.

Radical economic transformation

Government's programme of radical economic transformation is about placing the economy on a qualitatively different path that ensures more rapid, sustainable growth, higher investment, increased employment, reduced inequality and deracialisation of the economy.

The NDP sets an annual growth target of above 5% by 2030 and emphasises measures to ensure that the benefits of growth are equitably shared.

Achievement of economic transformation and inclusive growth will not result from a single intervention, but from a range of mutually supporting initiatives. In many cases, this does not require new strategies, but better implementation of existing ones.

More rapid private sector investment is critical for higher growth, as the private sector accounts for 80% of production and employment. The NDP indicates that South Africa needs to increase its level of investment to at least 30% of GDP by 2030. This requires an economic environment that encourages business investment and rewards competitiveness, especially in sectors that can catalyse longer term growth and job creation.



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2. INTRODUCTION

The Mbhashe LM's Policy Framework provide a comprehensive qualitative and quantitative framework for the development of small, medium and micro enterprises (SMMEs) in Mbhashe Local Municipality. This seeks to encourage business investment and job creation in the area.

It recognizes the unique roles performed by this diverse and dynamic sector in the area in the creation of employment, contribution to economic growth, and the provision of sustainable livelihoods.

This policy builds on the unique features of the LM and demonstrates the ways in which key national, provincial, district and local actors can work together.

It displays the Municipality's commitment to innovation and strengthens its strategic positioning as an agricultural and tourism hub. The policy framework establishes a basis for the design, implementation and assessment of mechanisms and processes that support the development of a more competitive and sustainable SMME sector.

It provides a basis for collaboration and coordination among public, private and community actors and creates the space for these actors to contribute to SMME development in Mbhashe in a mutually reinforcing and synergistic manner, while enhancing the opportunities for mobilising resources that can be used to boost the contribution SMMEs make to sustainable social and economic development in the region.

This policy framework recognises the national policy and legislative framework in which SMMEs are defined, promoted and monitored. Thus, the definitions tabled in the National Small Business Act of 1996 are used to define the sector.

The Act defines a "small business" as 'a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or subsector of the economy'.



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The Act sets criteria that should be used to classify businesses into five categories as defined in the table below.

3. PURPOSE

The purpose and objectives of the SMME development policy are as follows:

- Alleviating poverty, by making it possible for poor people to generate income to meet basic needs;
- Reducing poverty through employment creation;
- Redistribution of wealth, income and opportunities; and
- Contributing to economic growth, by improving innovation and thus competitiveness.
- Guide on how the 30% set aside on state procurement from SMMEs, co-operatives as well as township and rural enterprises will be distributed.

4. LEGAL FRAMEWORK

- 1) Broad-Based Black Economic Empowerment Act No 53 of 2003 of the Employment Equity Act No 55 of 1998;
 - 2) Preferential Procurement Policy Framework Act No 5 of 2000
 - 3) National Small Business Act 102 of 1996;
 - 4) Skills Development Act 97 of 1998
 - 5) Medium Term Strategic Framework (MTSF); 2014 – 2019
 - 6) Preferential Procurement Regulations; 2017
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5. DESCRIPTION OF SMALL, MICRO MEDIUM ENTERPRISES (SMME's)

The National Small Business Act divides SMMEs into the following categories:

Category of SMME	Description
Survivalist enterprises	Operates in the informal sector of the economy. Mainly undertaken by unemployed persons. Income generated below the poverty line, providing minimum means to keep the unemployed and their families alive. Little capital invested, not much assets. Not much training. Opportunities for growing the business very small.
Micro enterprises	Between one to five employees, usually the owner and family. Informal - no license, formal business premises, labour legislation Turnover below the VAT registration level of R300 000 per year. Basic business skills and training Potential to make the transition to a viable formal small business.
Very small enterprise	Part of the formal economy, use technology Less than 10 paid employees Include self-employed artisans (electricians, plumbers) and professionals.
Small enterprise	Less than 100 employees More established than very small enterprises, formal and registered, fixed business premises. Owner managed, but more complex management structure
Medium enterprise	Up to 200 employees Still mainly owner managed, but decentralised management structure with division of labour Operates from fixed premises with all formal requirements.

6. WHY DEVELOP SMALL BUSINESS

Unemployment is one of the most important challenges facing the poor people in our country. This has been made worse by the fact that over the last two decades, the formal economy has been shedding jobs and many workers were retrenched. Furthermore, every



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year hundreds of thousands of new job seekers (the vast majority of them youth) join the army of unemployed.

It is accepted worldwide that the development and growth of small, micro and medium enterprises (SMMEs) can play an important role in turning this situation around. Policies and programmes to support the development of SMMEs are therefore an important part of the democratic government's programmes to create a better life.

A strategy was outlined in a White paper by the Department of Trade and Industry (the lead department for SMME development) entitled: "A National Strategy for the Development of Small Business in South Africa (May 1995)". A year later, the National Small Business Act was passed by Parliament, which provided for the institutions to implement this strategy.

7. CATEGORIES

For the purpose of this policy, SMMEs will be categorised according to the following:-

- 1) Suppliers and Contractors
- 2) Small Enterprises in the manufacturing sector
- 3) Agricultural sector / farming communities
- 4) Informal traders / hawkers
- 5) Co-operatives

Services or funding approaches applicable to each category is:-

1) SUPPLIERS AND CONTRACTORS

- The municipality is assisting the suppliers and contractors through a separate policy named "Incubation Policy"
 - The municipality sets out guidelines for the beneficiation of local SMMEs on 30% procurement from local suppliers
 - The municipality must create database of all the local SMMEs from the Mbhashe Municipal database.
 - The SMMEs must then be categorised in terms of their areas of specialisation
 - For the contractor's benefit; the Principal Contractor will request proposals from the list of suppliers per category as submitted by the municipality. The team comprised of the Principal Contractor representative, the LED official and the representative from the department where the project resides evaluate the bids.
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2) SMALL ENTERPRISES IN THE MANUFACTURING SECTOR

- Many departments have specific strategies in place, for example developing SMMEs in the tourism sector, or developing small and emerging contractors by Housing and Public Works, Land and Agriculture, Arts and Culture and so forth.
- The promotion of SMMEs is also an important part of the different spatial development initiatives.
- As part of the National Skills Development Strategy, the Sector Education and Training Authorities (SETAs) also have a role to play in the development of SMMEs and are supposed to develop programmes that help develop small businesses in their respective sectors.
- There are a number of other government and parastatals which also support small businesses, though mainly at the upper end of the spectrum. These include:-
 - ✓ Independent Development Corporation (IDC): tourism development, venture capital, low interest empowerment and emerging entrepreneur schemes.
 - ✓ South African Bureau of Standards (SABS): through its missing links programme provide quality assistance and awareness to SMMEs.
 - ✓ Economic Development through LRED programs
 - ✓ SEDA
- Therefore, the role of the municipality is organisation of **workshops, training, roadshows** so that the above organisations could present their programs intended for SMME sector.

3) AGRICULTURAL SECTOR / FARMING COMMUNITIES

The farming community of Mbhashe receive different funding, assistance, and support from the municipality through various means. They are the following:-

- MOUs signed in partnership with certain communities – funding will be transferred to them
 - Through IDP process; various commodities are prioritised and funded. In the process; the commodity groups are identified. For this particular group, the municipality procures inputs; renovate the dipping tanks, build and renovate shearing sheds, employ EPWP employees on their behalf, organise training and information days for farmers.
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4) INFORMAL TRADERS /HAWKERS

- The informal trading is regulated by the Street Trading by-law. The By-laws refers to registration by the informal traders and a tariff is reviewed on a yearly basis.
- Support of the informal traders therefore refers to only those who are legitimate street traders.
- Support for informal traders come in different forms as discussed with them.
- The following are some of the examples; (i) Training and capacity building (ii) Hawker Stalls (iii) Any other equipment / furniture that may be required from time to time by different categories of informal traders.

5) CO-OPERATIVES

- Co-operatives are regulated by the Co-operatives Development Act.
- The Act provides for support programmes that target emerging co-operatives, specifically those co-operatives 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;
- This policy will ensure that the implementation of the co-operative development support programmes is linked to all the agencies of government including but not limited to Khula, NEF, NPI, SEDA, IDC, SAQI, SABS, CSIR, PIC, DBSA, SALGA, ECDC, LRED and SETA's, and compliance with uniform norms and standards prescribed by this Act.
- The municipality will assist co-operatives or those wishing to be co-operatives to register, proposal writing, and business plan writing and link them with funders outside the municipality.
- For direct funding by the municipality, the co-operative must fill in the application form. The Co-operative must demonstrate ability to sustain the business beyond funding i.e. a Break Even Analysis will have to be conducted before funding is approved.

8. BUSINESS MANAGEMENT SUPPORT SERVICES

- The municipality must provide a wide range of business management support services to entrepreneurs and small enterprises, such as:
 - ✓ Developing business plans
 - ✓ Doing market research
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- ✓ Managing a small business
- ✓ Legal requirements of small businesses
- ✓ Marketing
- ✓ Business development
- ✓ Advice on government tender processes, etc.

9. TARGETS

The targets for local SMME beneficiation shall be 20% of the total Municipal budget


10. REPORTING

In terms of the MTSF objectives; the SMME reports on local SMME spending should be done on a quarterly basis then on annual basis

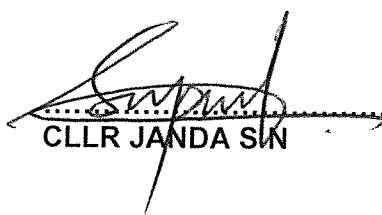
11. POLICY REVIEWAL

The policy shall be reviewed on an annual basis

APPROVED BY THE COUNCIL AND SIGNED BY:


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MR NAKO M
MUNICIPAL MANAGER

02 July 2018
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DATE


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CLLR JANDA S/N

02 July 2018
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DATE