

Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



LIST OF ACRONYMS

AsgiSA	Accelerated & Shared Growth Initiative – South Africa
BEE	Black economic empowerment
B-BBEE	Broad-based black economic empowerment
BUSA	Business Unity South Africa
CHAMSA	Chambers of Commerce & Industry South Africa
CSDF	Corporate Small Business Development Forum
DEAT	Department of Environmental Affairs and Tourism
dplg	Department of Provincial and Local Government
DST	Department of Science and Technology
EIDD	Enterprise and Industry Development Division
EPWP	Expanded Public Works Programme
FED	Forestry Enterprise Development
GDP	Gross domestic product
GEM	Global Entrepreneurship Monitor
GEP	Gauteng Enterprise Propeller
ICT	Information and communications technology
IDC	Industrial Development Corporation
IDP	Integrated Development Plan
ISRDP	Integrated Sustainable Rural Development Programme
LED	Local economic development
Libsa	Limpopo Business Support Agency
Mafisa	Micro-Agricultural Financial Institute of South Africa
NEF	National Empowerment Fund
NGO	Non-governmental organisation
NPI	National Productivity Institute
RIA	Regulatory impact assessment
RIDS	Regional Industrial Development Strategy
Sabtia	South African Business and Technology Incubation Association
Salga	South African Local Government Association
Samaf	South African Microfinance Apex Fund
SARS	South African Revenue Service
Sawen	South African Women Entrepreneurs Network
Sawic	South Africa Women in Construction
Sawima	South African Women In Mining Association
seda	Small Enterprise Development Agency
Seta	Sector Education and Training Authority
SEZ	Special Economic Zones
SIFE	Students in Free Enterprise
SME	Small and medium-sized enterprise
SMME	Small, medium and micro-enterprise
SOE	State-owned enterprise
SPII	Support Programme for Industrial Innovation
TEP	Tourism Enterprise Programme
the dti	The Department of Trade and Industry
TWIB	Technology for Women in Business
UYF	Umsobomvu Youth Fund
VAT	Value added tax
Woesa	Women in Oil and Energy in South Africa

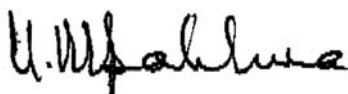
Minister's Foreword

The promotion of entrepreneurship and small business remains an important priority of the government of South Africa. Our commitment is to ensure that small businesses progressively increase their contribution growth and performance of the South African economy in critical areas such as job creation, equity and access to markets. Since 1994, with the advent of a new democratic era, government has taken measures to ensure that small business development becomes a key policy focus. In March 1995 an important milestone was achieved when government released its *White Paper on national strategy for the development and promotion of small business in South Africa*, the first time a comprehensive policy and strategy on small business development was formulated in the country.

Since then, government owned institutions and programmes have evolved all three spheres with the aim of providing comprehensive support to small business. These institutions have made progress in delivering a wide range key support services. These services continue to benefit an increasing number of small businesses year after year. We are, however, mindful that important gaps still remain. As an ongoing challenge that requires us to improve the scope and quality of our offerings to small business. Key among these is the need to rapidly improve the integration of support provided by the various governmental departments and institutions.

Government will continue to lead efforts to increase the level of entrepreneurship through supporting small business creation, but we are mindful that this important task cannot be successfully undertaken by one player alone. Partnerships between government and various stakeholders and role players remains a critical success factor. Thus, we have been encouraged by the increasing involvement of the corporate sector, organised business, private financing institutions, non-governmental organisations, universities as well as media efforts in fostering entrepreneurship and small business. Government appreciates these efforts and calls for even more of these collaborations.

This document should be viewed as a strategic framework rather than a blueprint or a detailed implementation plan. This is important, given the close interaction between this field of policy and all the other spheres of public-sector support for economic development and growth, and the rapid changes in the global, national and local business environments, which often call for flexible policy and programme responses. Finally, the ongoing review of the impact of this strategy remains critical to enable us to make the necessary support and services improvements on a continual basis, in keeping with the dynamic nature of entrepreneurship and small business and the environment we operate in. Yearly reviews of the state of small business in South Africa will provide us timely feedback while the five-yearly impact reviews will reveal what progress we are making over time and what adjustments are necessary.



Mandisi Mpahlwa, MP
Minister of Trade and Industry

Preface: Deputy Minister: Trade and Industry

The crucial barometer for the success of the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises is the continued creation of new start-up firms by all segments of society and in all corners of our country resulting in the improvement of economic and social well being of the poor communities. I have always believed that the Small business sector has both the potential as well as the historic task of bringing millions of people from the survivalist/lower level including the informal economy to the mainstream economy. Constraints to new entrants in the SMME sector must be unblocked through the provision of adequate support to ensure that SMMEs survive the harsh introduction to the stiff competition of big business in the mainstream economy.

Success and failure is a normal part of business processes but effective networking, adequate skilling, mentoring, developing good business acumen and sound principles and practices coupled with a high degree of business integrity will ensure that the prevalent environment does not perpetuate a culture of failure but rather a winning culture. That is why we are publishing the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises aimed at identifying factors that directly contribute to the success of the small business sector.

We need to ask to what extent our own SMME sector has geared up to meet the opportunities presented by the accelerated economic growth, new export markets and to what extent they have been able to enhance their prospects by drawing on new technology. This document responds to this challenge by maximizing the opportunities created by a favourable legislative environment and by effective support institutions and mechanisms.

The strategy provides a framework that can be used by all role players that seek to make a contribution in assisting the entry of new players into the formal economy, strengthening growth and sustainability of existing enterprises and creating necessary linkages in the continuum of enterprises graduation from local micro to globally competitive businesses.

It is the intention of this strategy to deepen and strengthen government's effort to transform the economy. Acceleration of the entry of new players is critical to addressing the historically skewed patterns of socio - economic quality of life, especially blacks in general, women, youth including people living with disabilities.



ELIZABETH THABETHE, MP
DEPUTY MINISTER: TRADE AND INDUSTRY

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CHAPTER I

SUMMARY OF STRATEGIC APPROACH



I. SUMMARY OF STRATEGIC APPROACH

Since 1994 the South African government has recognised its important role in fostering an enabling environment for the creation and growth of small enterprises. In March 1995 the government articulated a number of measures to foster an enabling environment in the *White Paper on national strategy on the development and promotion of small business in South Africa*. These included:

- Creating an enabling legal framework
- Streamlining regulatory conditions
- Facilitating access to information and advice
- Facilitating access to marketing and procurement
- Facilitating access to finance
- Facilitating access to affordable physical infrastructure
- Providing training in entrepreneurship, skills and management
- Improving industrial relations and the labour environment
- Facilitating access to appropriate technology
- Encouraging joint ventures
- Capacity building and institutional strengthening
- Introducing differential taxation and other financial incentives

Since the publishing in 1995 of this White Paper, a number of support institutions and measures have been put in place. While these have assisted in the pursuit of the objectives outlined above, some critical challenges remain. The Government recognises that it has to continue addressing these challenges and finding ways to improve the operating conditions for small enterprises.

This includes efforts to address market failures, particularly where they impact on the Government's special development goals. Therefore, the Government will continue to develop and implement measures focused on targeted beneficiaries, including micro-enterprises; informal enterprises; enterprises owned by black people, women and youth; growth-orientated enterprises; as well as enterprises in priority sectors like tourism, construction, agriculture, cultural industries and information and communications technology (ICT). This document, which is the outcome of a thorough process of review, consultation, research and refinement undertaken from 2003 to 2005, sets out a strategic framework for the national Government's efforts in fostering entrepreneurship and promoting small enterprise in South Africa over the next ten years. It should not be viewed in isolation and is released as part of a package of reports, including the *Review of Ten Years of Small Business Support in South Africa, 1994 to 2004*, as well as the *Reviews of Small Business in South Africa*, released annually since 1995.

A key strategic shift since the adoption of the White Paper is the integration of a wider group of institutions into the realm of small-enterprise development, and the inculcation of a more co-operative approach among a growing number of partners both within and outside government. In this context, the main institutional reforms set out in the strategy include the recent establishment of the Small Enterprise

Development Agency (**seda**), which will, in collaboration with other role players, localise non-financial support to small businesses. It will do this through:

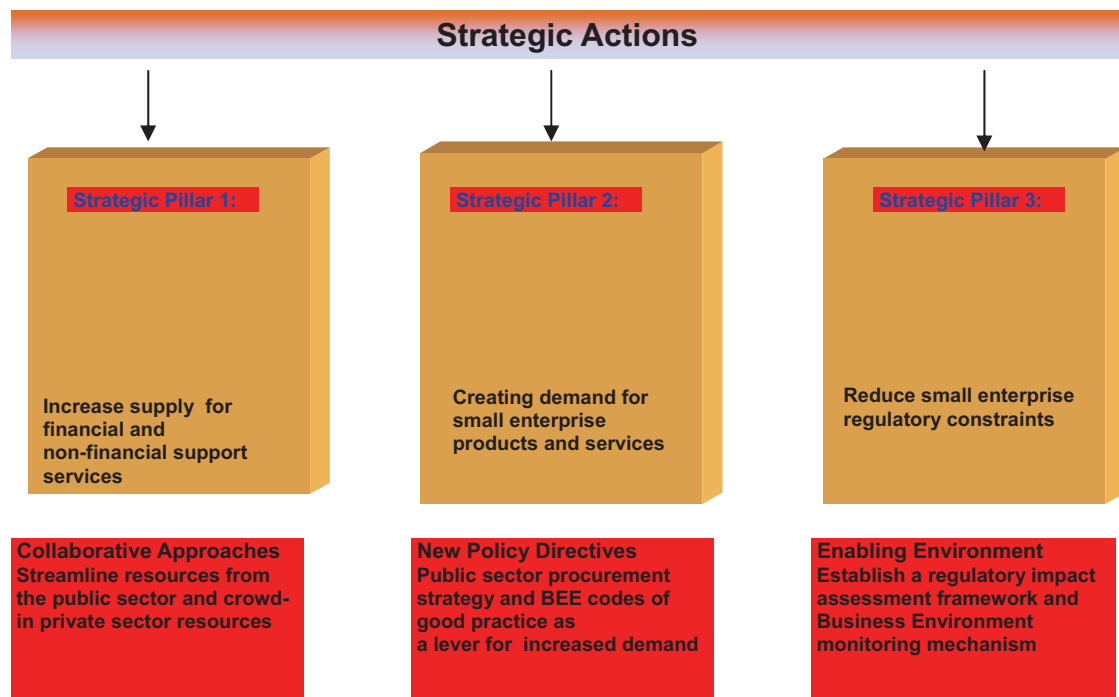
- a national network of access points
- the establishment of the South African Micro-Finance Apex Fund (Samaf) to localise access to micro-finance
- the repositioning of Khula to give a more focused retail approach to small and medium-sized enterprise (SME) finance, primarily focusing on black-owned businesses, start-ups needing small loans with limited security, as well as SMEs in underserved provinces.

As explained later in the document, the principle of “integration”, which is at the core of this new strategy, relates to at least three different dimensions, namely:

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

The strategy covers the entire continuum of needed support from pre-startup and startup assistance measures to growing enterprises and enterprises in distress.

This strategy is based on three strategic actions:



These strategic actions will be underpinned by efforts to improve the availability of quality business information and knowledge through expanded research and communication outreach.

Core thrust for this strategy framework

The strategy acknowledges the need for focused support to designated target groups and priority geographical areas and sectors, as well as support for fostering enterprise organisation forms (such as co-operatives), and the inculcation of special institutional arrangements. Central to strategic actions and institutional arrangements, and to the shift from unco-ordinated to integrated service delivery, is the broadening of support programmes and the streamlining of support institutions. This is the fundamental guiding principle of the new “integrated strategy. Encapsulated in this fundamental guiding principle is the resourcing of support and the monitoring and evaluation of progress in the implementation of the strategy.

The core thrust for this strategy framework makes no significant shift from the measures outlined in the 1995 White Paper.

Cutting across all of the above, is the ongoing profiling of the small business sector, improving access to small business support and information, strengthening small business advocacy, delivering effective service and monitoring impact.

Finally, reference in this strategy to “small enterprises”, “small businesses” or SMMEs (small, medium and micro-enterprises), unless specifically demarcated, covers the full spectrum of business enterprises other than “large enterprises” or corporations and publicly owned enterprises. This includes categories known as micro-enterprises, survivalist enterprises, informal sector enterprises, and formal small and medium-sized enterprises. It also covers businesses in all stages of evolution, from pre-establishment to start-up, emerging, stable or expanding, as well as enterprises in distress. Furthermore, it includes enterprises that can be characterised as family-owned, black-owned, women-owned or co-operatively owned. The strategy refers to all sectors of the economy, even though the need for sector- or industry-focused support programmes is duly recognised as one of the key principles underlying the revised strategy.

The review of the impact of the strategy will be conducted every five years, while the yearly reviews of the state of the small business sector in South Africa will provide constant feedback and monitoring of the implementation of the strategy.

CHAPTER II

BACKGROUND AND CONTEXT



II BACKGROUND AND CONTEXT

1. Rationale for small business promotion

The promotion of entrepreneurship and small business remains an important priority of the South African Government. In March 1995, the Government released a *White Paper on National Strategy for the Development and Promotion of Small business in South Africa*, in which an elaborate policy and strategy framework on small business development was delineated. The White Paper articulated the Government's rationale for small business promotion as follows:

With millions of South Africans unemployed and underemployed, the Government has no option but to give its full attention to the fundamental task of job creation, and to generating sustainable and equitable growth. Small, medium and micro-enterprises (SMMEs) represent an important vehicle to address the challenges of job creation, economic growth and equity in our country. Throughout the world, one finds that SMMEs are playing a critical role in absorbing labour, penetrating new markets and generally expanding economies in creative and innovative ways. We are of the view that – with the appropriate enabling environment – SMMEs in this country can follow these examples and make an indelible mark on this economy. The stimulation of SMMEs must be seen as part of an integrated strategy to take this economy onto a higher road – one in which our economy is diversified, productivity is enhanced, investment is stimulated and entrepreneurship flourishes.

Government stated that the primary objective of the national policy framework was to create an enabling environment for small enterprises.

2. Small business support since the 1995

The 1995 White Paper identified a number of constraints facing small enterprises. These relate to the legal and regulatory environment, access to markets, access to finance and affordable business premises, the acquisition of skills and managerial expertise, access to appropriate technology, the tax burden, and access to quality business infrastructure in poor areas or poverty nodes.

Various key players in the South African economy share the importance of investing in stimulating small business. The growing and widespread commitment to fostering entrepreneurship and promoting small enterprises goes beyond the Government and its institutions. It extends to other actors in the economy, such as large corporations, the media, non-governmental organisations (NGOs), chambers of commerce and commercial banks. This is evidenced by the growing number and range of support programmes, products and services initiated by the various players that have emerged both inside and outside the public sector, as discussed in more detail below.

2.1 Public sector support initiatives

2.1.1 Easing the regulatory and compliance burden on small enterprises

The 1995 White Paper identifies the regulatory constraints imposed on small enterprises as follows:

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.

There has been growing focus in this area. Within **the dti**, business registration has been significantly simplified and improved. Under the auspices of the then Ntsika Enterprise Promotion Agency, a national small business regulatory review and an impact assessment of the Basic Conditions of Employment Act were carried out.

In 2004, **the dti** commissioned a study on administrative burdens imposed on small enterprises by value-added tax (VAT) and Regional Services Council Levies legislation. More recently, a process has been initiated to establish a system of regulatory impact assessment (RIA). This will introduce well-designed procedures to reduce or eliminate the unintended consequences of laws and regulations, especially on job creation.

On the taxation and tax compliance front, the South African Revenue Service (SARS) established a working group on tax compliance to advise on measures to reduce the compliance burden for small enterprises. This resulted in measures introduced recently by the National Treasury and SARS to reduce the administrative and cost burden on small enterprises.

2.1.2 Access to finance

the dti offers a wide range of products and services comprising loans, and incentive grants that play an important role in enabling access to finance for small enterprises through the following institutions:

The **South African Micro-Finance Apex Fund (Samaf)** has been established to provide access to micro-loans and support to the social capital mobilisation. It has a national footprint.

Khula Enterprise Finance Limited, tasked with facilitating access to finance, has developed a variety of financing products including credit guarantee schemes in which it has partnered with the country's major commercial banks to unlock lending to small enterprises. The Thuso Mentorship Scheme provides business plan development and other advisory assistance to small enterprises seeking to access finance under the Credit Guarantee Scheme.

Khula continues to seek new ways to improve access to financial support across the country. This includes partnering with sector departments to develop new sector-specific financing programmes for small business, and studying different approaches to strengthen the realisation of government goals for small business finance.

The **National Empowerment Fund (NEF)** offers a range of start-up, business growth, and rural- and community-upliftment financing products with a focus on black economic empowerment (BEE) transactions.

Through its various business units, the Industrial Development Corporation (IDC) provides sector-focused financing products ranging from R1 million upwards, with designated finance products focused on small business development and black economic empowerment.

An important development is the collaboration in product design among the development finance institutions to close the critical financing gaps for small businesses. Provincial development corporations are organs of state that further provide small enterprises with a range of financing products and other support measures.

In addition to the above, there is a range of sector-focused access to credit instruments created by other departments and their institutions, example, the Land Bank and the Micro-Agricultural Financial Institute of South Africa (Mafisa), under the Department of Agriculture.

2.1.3 Business development services

In line with its mandate for the retail rather than the wholesale model of service provision, the Small Enterprise Development Agency (**seda**) is spreading its presence countrywide through branch offices and a network of independent partners, with a view to increasing access to business-development services.

Provincial government agencies such as the Gauteng Enterprise Propeller (GEP) in Gauteng, Limpopo Business Support Agency (Libsa) in Limpopo, and the Western Cape's Red Door continue to provide a range of business-development services to small enterprises at provincial level strengthening partnerships with seda.

Many municipalities also offer small business support under their local economic development agencies, or dedicated small business and co-operative programmes within their LED divisions and public-private partnership-based business-incubation centres.

2.1.4 Youth enterprise development

Since 2001, the Umsobomvu Youth Fund (UYF), an agency dedicated to youth development, has been providing various financial and business-development products to this target market, some in partnership with private-sector financing institutions. A linkage programme links youth-owned small enterprises to

procurement opportunities in the corporate sector, state-owned enterprises (SOEs) and government. UYF has established a number of funds – the SME Fund, the UYF-Business Partners Franchise Fund and the UYF-FNB Progress Fund – which offer finance to young entrepreneurs and include micro-loans as well as funds to expand, buy into or buy out existing businesses, or start new businesses. Partnerships established with the private sector are leading to the establishment of dedicated funds for target groups.

The UYF is also implementing the country's first business-development services voucher programme to assist young entrepreneurs to access quality business-development services. The fund also offers entrepreneurship training for scholars and out-of-school youth. The aim is to introduce entrepreneurship education in schools countrywide.

2.1.5 Support for women-owned enterprises

The Government has initiated various measures to increase women entrepreneurship and to support women in business. These include:

Sawen (South African Women Entrepreneurs' Network), a **dti**-initiated national networking forum for individuals and organisations committed to the promotion and advancement of women entrepreneurs.

Sawen represents and articulates the aspirations of women entrepreneurs, and holds organised educational and trade missions for members. Business linkages between SA women entrepreneurs and their counterparts in other parts of the world have also been facilitated. Sawen continues to be an advocacy network for women in business, ensuring that policies and strategies are sensitive to gender issues.

TWIB (Technology for Women in Business) is a **dti** initiative that supports the advancement of women in business through the application of science and technology in their ventures. This is aimed at overcoming constraints to enterprise innovation and growth, as well as fostering local and global competitiveness.

The sector departments have also developed initiatives to give targeted support to women in business. These have led to a grid of sector-specific women in business networks, including Sawic (construction sector), Woesa (oil and energy sector), and Sawima (mining sector).

2.1.6 Incubation and technology acquisition and transfer services

The **seda** Technology Programme is a growing network of incubators and technology-support centres with a current footprint across all provinces. Linked to this is a dedicated fund that enables SMMEs to access funding for technology and technical services.

With the programme's assistance, the South African Business and Technology Incubation Association (Sabtia) has been established to, among other objectives, foster best practice in South African incubation through links with similar bodies in other parts of the world.

Tshumisano Trust, a small business support agency of the Department of Science & Technology (DST), has established technology stations across the country. The sector-focused stations, located at universities of technology, facilitate technology transfer between these educational institutions and small enterprises. One of the technology station programme's critical contributions is to expose students at the stations' home institutions to small enterprises, thus helping to foster a culture of entrepreneurship.¹ Tshumisano Trust's initiative also involves placing engineering graduates in internship programmes with small enterprises. The increasing rate of client referrals between **seda** Technology Programme and the technology stations is playing an important role in bridging support initiatives between sector departments and mainstream enterprise-development support agencies.

2.1.7 Productivity enhancement measures

The National Productivity Institute (NPI), a Ministry of Labour agency, supports small enterprises to enhance their productive capacity through its Productive Capacity Building Programme. The NPI also works in partnership with **seda** to train small enterprises and service providers in productivity concepts such as entrepreneurship, life skills, economics and productivity improvement. It works in partnership with certain provincial small business support agencies, such as GEP (in Gauteng) and Red Door (in the Western Cape).

2.1.8 Sector-focused support measures

The Tourism Enterprise Programme (TEP) is an initiative of the Department of Environmental Affairs and Tourism (DEAT) in partnership with the Business Trust. It focuses on small business development in the tourism sector. This public-private initiative successfully demonstrates the efficacy of a sector-focused small business support programme. An emerging innovation is the use of peer learning methodology to transfer critical business skills through a programme that uses successful small enterprises to mentor other small enterprises.

Vuk'uphile, a learnership initiative of the Department of Public Works' Extended Public Works Programme (EPWP), builds the capacity of emerging contractors to execute labour-intensive work emanating from the EPWP. As part of the learnership, participating learner contractors receive formal institutional training as well as on-the-job training in the form of ring-fenced contracts issued by an implementing agency (province and municipality). A banking partner for the programme provides learners with finance, enabling them to develop a financial track record. Learners also have access to a qualified and experienced mentor during the implementation of the projects. The aim of the initiative is to ensure that learners exit the programme with the necessary capacity to tender for and execute labour-intensive projects under the EPWP.

¹ International literature shows that exposing individuals in society to small enterprises plays an important role in fostering a culture of entrepreneurship.

The Small-Scale Mining Board of the Small-Scale Mining Directorate in the Department of Minerals and Energy facilitates delivery of various support services required by the small-scale mining sector. The board co-ordinates expert capacity and experience, and specialises in planning and developing a viable mining project through the pre-feasibility stages. Aspiring small-scale miners receive a range of support services, including (i) the establishment of a legal entity; (ii) guidance towards the identification of mineral deposits; (iii) an environmental impact assessment (EIA); (iv) legal and contractual arrangements, mineral rights, etc.; (v) reserve estimation of the selected deposits; (vi) a mining feasibility study; and (vii) market studies.

2.1.9 Skills development measures

As part of their sectoral skills-development mandates, various sector education and training authorities (Setas) have developed and are implementing small business skills-development programmes. Some of the Setas are also implementing the New Venture Creation Learnership, with the aim of enabling the participating learners to learn the skills and receive the support necessary to start and successfully manage their own businesses.

2.2 Private sector support initiatives

Several South African companies have heeded the call for private-sector participation in small business development, and have responded by implementing a variety of initiatives. While reference is made below to specific programmes, these are only examples; the list is by no means exhaustive

2.2.1 Access to finance

Over a period, certain major banks have partnered with Khula Enterprise Finance Limited to provide small business finance under the Khula Credit Guarantee Scheme. Other players, such as business partners and various venture capital firms, also play an important role in providing small business finance products.

2.2.2 Business development services

Through collaborative action, banks created Sizanani to offer advisory services to their small business clients. Individually, the various major banks offer support instruments that range from small business start-up and management seminars to networking forums. They have also set up internal divisions for small business support, giving advice on business planning and management. Business Partners Mentors offers small business mentorship countrywide

2.2.3 Fostering business start-up

Certain large corporations have developed and implemented their own in-house programmes, such as the youth enterprise support programmes of South African Breweries (SAB Kickstart), Anglo-Zimele, and Shell Petroleum (Shell Live Wire), which provide training and support and run youth-entrepreneurship awards

2.2.4 Facilitating linkages between small and large enterprises

Several large corporations have designed programmes to increase their procurement from small enterprises. Sponsoring corporations run their programmes either individually or in collaboration with other corporations under the Corporate Small Business Development Forum (CSDF). Efforts are being made by business-membership organisations, such as the National Business Initiative, to increase the number of large corporations involved in linkage programmes with small enterprises.

2.3 NGO and university programmes

2.3.1 Entrepreneurship education and financial literacy programmes

Several NGOs have been implementing curricular and non-curricular enterprise education programmes over many years, in various parts of the country. These include the South African Institute of Entrepreneurship, Junior Achievement Southern Africa, the Foundation for Enterprise & Business Development, Education with Enterprise Trust, Entrepreneurs on the Move, and, most recently, Mindset. Some major banks sponsor financial-literacy programmes, mostly targeting high-school learners.

Students in Free Enterprise, an international organisation that is operational in some South African universities, organises, trains and motivates teams of university students to teach others the principles and value of free enterprise, incorporating entrepreneurship, personal and financial skills, business ethics and free-market economics. The SIFE World Cup, an international competition, exposes winning national teams and their projects to their international counterparts.

An increasing number of universities across the country are establishing centres of entrepreneurship or small business, and entrepreneurship constitutes part of the Master of Business Administration (MBA) curriculum in certain universities.

2.3.2 Entrepreneurship and small business research

Entrepreneurship research is also an area of focus for some universities. An example is the University of Cape Town Centre for Innovation and Entrepreneurship, with an entrepreneurship research programme that comprises the following:

- conducting the South African component of the annual Global Entrepreneurship Monitor (GEM) project
- participating in an international comparative study on the internationalisation strategies of young fast-growing firms based in emerging markets
- conducting research aimed at developing a better understanding of the capacities of entrepreneurs in South Africa, so that advisory services and finance can be more precisely targeted.

The SME survey is an annual small business research programme conducted by a private company and backed by corporate sponsorship. FinMark Trust, an international donor-funded entity, also conducts various small business research surveys, focusing mainly on issues of access to finance.

2.3.3 Start-up and small business support

In addition to research and teaching, most university-based Centres of Entrepreneurship or small business promotion provide assistance to aspiring and existing entrepreneurs. For instance, the UCT Centre for Innovation and Entrepreneurship:

- advises academics on the commercialisation of their intellectual property
- has assembled a group of entrepreneurs in the Western Cape in order to finance and assist high-growth business ventures
- offers coaching and mentoring services to entrepreneurs.

Endeavor South Africa, part of the international non-profit organisation Endeavor, provides selected entrepreneurs with demand-driven services including mentorship, training, resources and access to a network of business advisers.

2.4 The media

The media increasingly plays an important role in fostering a culture of entrepreneurship and enterprise in South Africa. A number of independent and large company-owned entrepreneurship and small business magazines and newspapers or newspaper inserts have emerged over the years. The South African Broadcasting Corporation (SABC) has also commissioned various enterprise programmes, such as *Enterprise Zone* and *Vuk'Uzenzele*.

2.5 Entrepreneurship and small business awards

Various organisations in the public and private sectors, and certain publications run annual award programmes to recognise successful entrepreneurs and small enterprises. Most of these awards are well publicised, helping to increase the profile of successful entrepreneurs and entrepreneurship in general.

CHAPTER III

SUPPORTIVE NATIONAL POLICIES



III. SUPPORTIVE NATIONAL POLICIES

Recently, a number of new government policies with a bearing on aspects of entrepreneurship and small business development have emerged. These policies, by their nature, affect this integrated entrepreneurship and small business development strategy. Key to these policies is the National Industrial Policy Framework. The National Industrial Policy Framework is not a new policy direction but a logical evolution of government economic policy.

The following policies and strategies note advances already made in support of this strategy;

3.1 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 [B-BBEE] and gender initiatives), prioritising 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 development²
- 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 the provision of localised support infrastructure.

3.2 Accelerated and Shared Growth Initiative South Africa (AsgiSA)

AsgiSA outlines a number of focus areas that need to be closely monitored and supported through relevant policies, strategies and programmes. These are areas of importance in the acceleration of small business promotion and enterprise growth, and include:

² The strategy identifies five priority sectors based on their potential for increased outputs, exports and employment creation. The five sectors are (i) exports – clothing and textiles; auto, auto components and transport; agro-processing; mining, metals and mineral beneficiation, chemicals and biotech, crafts, and information and communication technology; (ii) tourism; (iii) agriculture; (iv) ICT and (v) cultural industries.

Focus area: Small business promotion	Current or proposed action contemplated in AsgiSA
Access to procurement opportunities for small enterprises	<p>The State-Owned Enterprise Procurement Forum is codifying and spreading best practices for affirmative procurement.</p> <p>the dti is developing a public procurement procedure through which ten products will be targeted for procurement through small enterprises.</p> <p>Efforts will be made to link small enterprises to opportunities deriving from the 2010 FIFA World Cup. Private companies will be persuaded to engage in affirmative procurement.</p> <p>The implementation of the relevant provisions of the B-BBEE Codes of Good Practice and the relevant sector empowerment charters will be closely monitored.</p>
Easing the regulatory burden on small enterprises	<p>The Minister of Labour is to lead a review of labour laws, including their impact on small enterprises.</p> <p>SARS is to continue reforms in tax administration affecting small business.</p> <p>the dti and the dplg are to prepare recommendations on how to improve the regulatory environment for small enterprises in municipalities.</p> <p>Sector departments are to review the impact of their laws and regulations on small enterprises.</p> <p>A system of regulatory impact analysis (RIA) is to be introduced, which will add well-designed procedures to reduce or eliminate the negative unintended consequences of laws and regulations, especially on job creation.</p>
Access to finance, particularly venture capital	<p>For the next stage of business development, venture funding is key. Government is supporting efforts to establish new venture funds for small, medium and micro-enterprises.</p>
Easing the cash-flow problems experienced by small enterprises doing business with government	<p>Timely payment by government for procured goods and services will be monitored.</p>

3.3 Draft Regional Industrial Development Strategy (RIDS)

The Draft Regional Industrial Development Strategy proposes the establishment of special economic zones (SEZ) – industrial parks, logistics parks, industrial estates and innovation hubs – and other measures such as promoting regional growth coalitions and support for industrial clustering among firms, in order to foster regional industrial development. The strategy also proposes the establishment of a Systemic Competitiveness Support Facility or “Thematic Fund” to support innovative regional development initiatives. A component of the fund will be a support facility for innovative start-ups. Efforts will be made to ensure that these measures benefit small enterprises as much as possible.

3.4 Broad-based black economic empowerment strategy

Several objectives of the B-BBEE 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 B-BBEE strategy also outlines measures to increase procurement from black-owned enterprises, and to strengthen the supply capacity of black-owned firms.

Aspect relevant to small business development	Current or proposed B-BBEE strategy action
Preferential procurement measures	Review of government procurement policy in order to enhance its impact on BEE. Setting clear targets to increase the levels of preference to black-owned enterprises. Enabling legislation on BEE, requiring all government departments, state-owned enterprises and public agencies to take into account code of practice issues emanating from the legislation in determining and implementing their preferential procurement policies
Strengthening small business capacity to benefit from procurement initiatives	Government is to expand its supplier development programmes to ensure that more black enterprises are created and enabled to meet the requirements of purchasers in the public sector.

Financing mechanisms	the dti is to lead better co-ordination of incentive grants that target SMME initiatives, and establish an administration system that links the incentive grants to other financial and non-financial support mechanisms in order to maximise SMME access and BEE impact. New incentive grant schemes and amendments to existing ones are also being considered – the focus of these schemes is on those targeting entrepreneurship, supplier development, and enterprise development, including self-help schemes and co-operatives, skills development, and the acquisition and development of new technology.
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State-facilitated lending is to be driven by Khula and Samaf.
 Project financing is to be driven by the IDC.
 Empowerment transaction financing is to be driven by NEF.
 Government will facilitate specific venture-capital projects in particular sectors.

3.5 National strategy for the development and promotion of franchising in SA

This strategy seeks to: (i) promote the contribution of franchising to, among other things, the economic empowerment of historically disadvantaged entrepreneurs through increasing their participation in franchising; (ii) create an entrepreneurial culture through franchising; (iii) create an environment conducive for the growth of franchising; and (iv) promote linkages between big and small enterprises in order to stimulate the creation of new franchise enterprises. To achieve its objectives, the strategy proposes a number of actions that are relevant to this entrepreneurship and small business development strategy. Some of the proposed actions follow in the table below.

Focus area	Proposed action
Promoting access to finance	Facilitate joint ventures between government, franchisors and investment companies to stimulate greater availability of capital for investment in franchise-based business ventures. Create franchise-specific finance products. Stimulate the creation of venture-capital funds dedicated to franchising. Incorporate a franchise focus within the dti incentives programmes. Establish the Franchise Development Fund to provide financial assistance for prospective franchisors and franchisees to develop or acquire franchise ventures/systems.
Communication and education	Develop and implement a communication and education campaign to stimulate awareness about franchising, and to educate and inform potential entrants to the industry.
Profiling of franchise opportunities	Establish and maintain a comprehensive database of franchise opportunities, with special focus on affordable opportunities that will attract entrants from previously disadvantaged communities.
Provide support to prospective entrants into franchising	Establish franchise support desks to provide quality information on franchising; assist potential entrants to secure finance from various sources; and, where necessary, provide a basic legal service and provide referral support.
Provide training	Develop and deliver accredited training for potential franchisors, franchisees, training providers and professional advisers in the industry.
Entrepreneurship promotion	Undertake various measures to stimulate a culture of entrepreneurship through franchising.

3.6 Strategic framework on gender and women’s economic empowerment

This strategy proposes a large number of initiatives aimed at providing various kinds of support to women-owned businesses, as follows:

Focus area	Proposed initiatives
Provision of business information	Information Business Forum for Women programme Annual business symposium for women The “Your government telling you like it is” project
Entrepreneurial education and training	Self-employed Development-support programme Young Women in Entrepreneurship programme Women Enterprise Programme South African Women in Business programme Expert Advisers for Businesswomen programme Women in Manufacturing programme
Financing	Gender budget analysis Finance quota system Improving access to finance for women in business Business development fund for women
International trade	Female quota in foreign trade delegations International linkages for women programme International trade for women programme Women in export programme
Research and statistics	South African national research project on enterprising women
Science and technology	Technology fund for women in business Women and Technology Business-awareness programme Innovations By and For Women in Business programme
Rural women	Economic Literacy Development Programme for Women Economic Capacity Development for Women programme Business Organisational Leadership programme Co-operative Capacity-building Training programme

3.7 National youth enterprise strategy

The youth enterprise strategy outlines three key objectives to be attained through the implementation of the strategy. These are:

- to ensure that entrepreneurial skills, talent and experience are nurtured among young women and men to enhance their capacity to participate in all aspects of South African social, economic and community life
- to ensure that young women and men are recognised as a key target group of need, and a resource in the development of small enterprises within national, provincial and local economies
- to maximise access to financial and non-financial resources for young women and men who are in business or planning to enter business.

The strategy proposes a number of recommended actions to provide adequate and effective assistance to young entrepreneurs. These cover the areas of, among other things, creation of a culture of enterprise; strengthening and expanding successful youth enterprise-support schemes; addressing the financing needs of young entrepreneurs; provision of training, specifically within SMMEs; expansion and co-ordination of programmes such as the New Venture Creation Learnership; ensuring adequate participation of youth-owned enterprises in procurement programmes and other market access initiatives; integration of youth-enterprise development into national and provincial policies and strategies; and monitoring youth-enterprise development efforts.

3.8 Co-operatives policy and development draft strategy

The co-operatives strategy seeks to ensure that all policies, strategies and support programmes developed to support SMMEs are aligned and available to support co-operative entrepreneurship, and stimulate the participation of co-operative enterprises in the economy. Support programmes, providing access to finance, technical skills and markets, will be designed across government and its agencies to grow the co-operatives sector. The strategy does not envision the creation of any new institutions to implement it. Existing **dti** and other small business support institutions will carry out implementation.

3.9 Draft strategy framework for forestry enterprise development

The Department of Water Affairs and Forestry's draft forestry enterprise development (FED) strategy proposes a Forestry Enterprise Development Programme that seeks to develop "market-driven, profitable business ventures involving previously disadvantaged communities and individuals, based on the sustainable use of forests and forest-based resources". Four categories of enterprises are targeted, namely: (i) timber-production enterprises; (ii) contracting enterprises; (iii) timber processing, value adding and marketing enterprises; and, (iv) non-timber forest-product enterprises. The programme envisions the provision of, among other things, training and extension services, and financial and business services to forestry enterprises.

4. Remaining challenges

While a great deal of progress has been made in government's efforts to promote small enterprises, some important challenges are still to be resolved.

The *Review of Ten Years of Small Business Support in South Africa 1994 to 2004* identifies the following issues that need attention:

- The great diversity of small enterprises and their needs requires greater recognition
- Far more knowledge and understanding is required across the full range of support suppliers and the support each one provides, as well as to whom and under what conditions
- Access to support services must be comparable in urban/metropolitan and rural areas
- Greater balance is required between the cost, reach and impact of support interventions, in particular, where public funds are concerned
- Many support programmes only tackle the symptoms of deeper-lying problems, thereby preventing a more systematic approach to those structural issues (e.g. access to finance for black entrepreneurs)
- Lack of clarity about the roles and responsibilities of different levels of the public sector makes their efforts unco-ordinated and less effective
- Inadequate representation of particular small-enterprise interest groups in existing or evolving business associations weakens feedback on specific needs
- Substantive differences still exist in the capacity to absorb small-enterprise support programmes in the different provinces and regions of the country and in different sectors
- There is insufficient interaction between small enterprise support programmes and other thrusts of the Government's socio-economic development support
- The Centre for the Promotion of Small Business (**the dti** chief directorate) has been unable to co-ordinate all the support programmes developed by different national government departments
- Thorough and regular monitoring and evaluation of the evolving support processes has been inadequate.

CHAPTER IV

POSITIONING THE INTEGRATED STRATEGY ON THE PROMOTION OF ENTREPRENEURSHIP AND SMALL ENTERPRISES



IV. POSITIONING THE INTEGRATED STRATEGY ON THE PROMOTION OF ENTREPRENEURSHIP AND SMALL ENTERPRISES

1. The aim of the Strategy

The detailed reference to existing initiatives outlined under Section II-IV above, shows clearly that great effort has been invested by various players in the economy in responding to various aspects of entrepreneurship and small business development. This also shows that in the recent past, a number of government policies and strategies have emerged, which focus on various aspects of entrepreneurship and small business development. However, some important challenges remain.

These challenges have an impact on the primary objective of the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises. The primary objective of this strategy is to ensure that the overall task of fostering entrepreneurship and promoting small enterprises, as articulated in various government policies and strategies, is carried out adequately and effectively, and that a high level of performance and success is achieved across all policy and action areas.

2. Key guiding principles

The implementation of the strategy will be guided by the following three principles, which also form the basis for the strategy:

2.1 Entrepreneurship and small business promotion is a shared competency

As is shown by the range of the country's current participants in entrepreneurship and small business promotion in terms of policies, institutions and programmes, the task of promoting entrepreneurship and small business:

- cuts across a wide range of policy areas; therefore, by nature, it cuts across departmental boundaries and involves several departments at national level
- cuts across the three spheres of government, with strategies, institutions and programmes at national, provincial and municipal government levels
- goes beyond the public sector and its agencies, and encompasses the private sector and its organisations, educational institutions and non-governmental organisations.

Recognising this inclusive participation is critical to seeking ways and means to ensure that the task of entrepreneurship and small business promotion is carried out adequately, effectively and in a decentralised manner. The need for a clear co-ordination point is inherent in the success of any system with different role players and decentralised service approaches. The co-ordination point is identified in this strategy as the Department of Trade and Industry (**the dti**) supported by its agencies tasked with the implementation of the small-enterprise development strategy. These agencies are identified in this document as **seda** (for non-financial support services), **Samaf** (for micro-finance), and Khula (for small and medium enterprise finance).

2.2 Integration is key

Following from the above, and to ensure that such a “decentralised” arrangement produces the desired outcomes, integration is critical. All role players (institutions and programmes), particularly those created and resourced by the state, should be guided by the mantra: “Think Synergy First.” This means that no new support programme, no new products and services, and no new delivery mechanism should be developed and implemented without first assessing the following:

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

2.3 The strategy must cover the entire entrepreneurship continuum

As an integrator of policies, institutions and programmes, the strategy seeks to ensure that adequate support and delivery mechanisms exist across the entire entrepreneurship continuum from pre-start-up to start-up, business survival, growth and expansion, and turnaround of ailing businesses.

2.4 The strategy attends to special foci

Special foci identified in the various strategies include:

- special target groups (youth, women and the disabled)
- special geographic areas (poor areas and areas with high unemployment)
- special sectors (growth sectors as identified in the Micro-economic Reform Strategy)
- new enterprise organisational forms (such as co-operatives)

This strategy does not promote the creation of new institutions for implementation of initiatives directed to these special foci, but rather outlines the measures that should be in place to ensure that there are adequate provisions within the support system to address the requirements of these special focal categories.

CHAPTER V

STRATEGIC ACTIONS AND INSTITUTIONAL ARRANGEMENTS



1. Ensuring integration and improved co-ordination

1.1 Proposed actions

1.1.1 Improving co-ordination within government

Improving co-ordination of entrepreneurship and small business promotion efforts within government remains an important priority. The Inter-Departmental Committee on Entrepreneurship and Small Business Promotion will be strengthened through government cluster arrangements, drawing in all the relevant national departments. This committee will ensure integration and effective co-ordination of policies and measures to promote entrepreneurship and small business across government. The committee will also provide a government-wide link to the National Small Business Advisory Council, thus strengthening the review of gaps in the support environment, and will take the necessary steps to close such gaps.

Lastly, the committee will monitor the overall performance of government's entrepreneurship and small business promotion agencies, and will take corrective action where deficient performance is observed.

the dti, assisted by the Presidency, will be the joint co-ordination point for the Inter-Departmental Committee on Entrepreneurship and Small Business Promotion.

The B-BBEE Act 2003, the Co-operatives Act, 2005 and the Small Business Act, 2003 all provide for the establishment of advisory councils. **the dti** will develop clear terms of reference for each council and areas of possible collaboration between the advisory bodies identified.

1.1.2 Improving co-ordination among support agencies

Guidelines for the design and implementation of support programmes and delivery mechanisms will be developed based on the "Think Synergy First" philosophy. The guidelines will require that the public-sector small business agency proposing a new programme, product or service, or delivery mechanism develops a "new programme, product/service or delivery mechanism concept note" outlining key elements of the proposed initiative prior to the conceptualisation and design of the initiative. These government-funded "Programmes Identification Notes" will be used to register each funded programme in the government services information portal.

All government departments and public-sector small business agencies at all three spheres of government will be required to commit themselves to "Think Synergy First" in their conceptualisation and design of programmes, products and services, and delivery mechanisms by adopting and implementing the proposed guidelines.

As a matter of urgency, all current programmes, products and services, and delivery mechanisms across all spheres of government and public-sector small business agencies are to be reviewed to determine how they fit the “Think Synergy First” philosophy and how they align with the development priorities outlined in this strategy as a supportive policy framework. Where necessary, adjustments will be made to bring about the desired fit. This may imply the redesign of certain programmes, products or services, and delivery mechanisms; amalgamating them into single programmes, products or services and delivery mechanisms, or scrapping them altogether.

1.2 Proposed institutional arrangements

the dti, in consultation with relevant government departments and various public-sector small business agencies, will develop the “new programme, product/service or delivery mechanism concept note” guidelines, and circulate them for discussion and adoption by all role players concerned, through the Government’s cluster system.

An agencies network – the Small Enterprise Agencies Forum – will be established. This will be led by **seda** as an integrator of public-funded small business initiatives, as articulated in the National Small Business Act of 2004. The main task of the forum will be to develop and implement a system of integrating support services, ensuring seamless service from one institution to another, and eliminating duplication of services. A joint programme for marketing and promotion of services rendered will support this. The proposed “new programme, product/service or delivery mechanism concept note” will be tabled by the sponsoring entity before the forum for discussion and input, prior to the conceptualisation and design of the new initiative. It is proposed that the following entities be part of the forum:

Small Enterprise Development Agency (seda)	South African Revenue Service
The SA Micro-Finance Apex Fund (Samaf)	(SARS SMME Division)
Khula Enterprise Finance Limited	Sector education and training
Umsobomvu Youth Fund (UYF)	authorities (Setas)
National Empowerment Fund (NEF)	Small-scale Mining Board
Industrial Development Corporation (IDC)	Forestry Enterprise Development
National Productivity Institute (NPI)	(FED) Programme
Tshumisano Trust	Provincial Development Finance Institutions
Tourism Enterprise Programme (TEP)	Provincial Small Business
	Development Agencies

At local level, steps will be taken to co-locate as many small enterprise support agencies as possible, in order to create integrated access points for aspiring and existing entrepreneurs. Special effort will be made to integrate local municipality small business support initiatives into these access points. Steps will also be taken to ensure that personnel at access points are fully briefed about the range of support services available from all providers, and have the appropriate promotional material on all support services to enable them to assist enquirers to access support provided by those institutions not physically located at the integrated access points. Local municipality infrastructure programmes should give focus to providing facilities for the location of business support service-access points.

2. Encouraging increased private sector participation

The corporate sector, as a whole, can play a much larger role in promoting entrepreneurship and small business, through sponsoring enterprise education and financial-literacy programmes for learners and running in-house business support and induction programmes. While some major corporations already have programmes in place to foster entrepreneurship and small business, efforts will be made to encourage increased corporate-sector participation, particularly in the areas of promoting entrepreneurship and business start-ups, procurement from small business, and development and implementation of comprehensive enterprise-development programmes.

2.1 Proposed actions

Government collaborative measures with organised business through Business Unity South Africa (BUSA), Chambers of Commerce & Industry South Africa (CHAMSA), Corporate SMME Development Forum (CSDF), National Business Initiative and various BEE charter councils will encourage the private sector to develop sector initiatives focused on skills development, preferential procurement targeting small business, enterprise development, and implementation assistance and monitoring of these corporate-sector initiatives.

Government will also encourage more corporations to develop and implement in-house entrepreneurship-development programmes along the lines of Anglo American's Zimele, SAB's KickStart and Shell's LiveWire programmes, and will facilitate partnerships at corporate level to replicate and roll out successful models from these programmes.

2.2 Proposed institutional arrangements

The co-ordination of the above initiatives can be fully delegated to organised business through BUSA/CHAMSA and monitored by the Enterprise and Industry Development Division (EIDD) via a partnership agreement with **the dti** and its agencies. Thus, no new institutional arrangement is envisioned.

3. Ensuring action across the entire entrepreneurship continuum

3.1 Pre-start-up

The main task in this area is to increase the supply of potential entrepreneurs with the motivation and capacity to identify and pursue opportunities to start their own businesses.

3.1.1 Proposed actions

Actions to be pursued include establishing a commission on entrepreneurship education to produce a report within one year on measures to take to integrate entrepreneurship education throughout the education system, including measures to build capacity for teaching entrepreneurship and, within universities, broadening entrepreneurship beyond MBA degrees to all academic programmes; and the creation of platforms to exchange approaches and experiences. It is proposed that the

following entities be part of the commission: **the dti** (Entrepreneurship Promotion Directorate), Department of Education, University Entrepreneurship/Small Business Centres, Umsobomvu Youth Fund, entrepreneurship-education NGOs and Students in Free Enterprise (SIFE).

The strategy calls for the establishment of an Entrepreneurship Promotion Directorate within **the dti** to strengthen co-ordination, promotion and monitoring of the national entrepreneurship strategy. This strategy will introduce measures to increase the profile of entrepreneurship within the education system – by introducing new entrepreneurship education programmes at universities and, in partnership with NGOs active in this area and the Umsobomvu Youth Fund, extending existing school-based entrepreneurship-education programmes across the country. Where programme gaps exist, new programmes will be developed and implemented.

The private sector will also play a critical role, through launching wide-ranging media campaigns to profile the role of entrepreneurship in society, and showcasing successful entrepreneurs at local, provincial and national level. Innovative radio and TV initiatives will be conceptualised and implemented.

For this purpose, an informal Entrepreneurship Ambassadors Network will be created, comprising previous entrepreneurship and small business award winners. Network members will be asked to volunteer their time to give talks at schools and other community forums on the importance of entrepreneurship and small business. This will be supported by the introduction of provincial and national awards, which will recognise both media efforts to promote entrepreneurship, and those who excel in entrepreneurship programmes in schools.

3.1.2 Proposed institutional arrangements

A dedicated unit, which will be called the Entrepreneurship Promotion Directorate, will be created within **the dti** (EIDD) to drive the above action programmes.

3.2 Start-ups

The main task here is to take the potential and capabilities of South Africans interested in starting new businesses, and convert these into actual action plans and access to means leading to new business start-ups.

3.2.1 Proposed actions

Research will be conducted to examine the impact of the so-called “quiet disincentives” (such as level of taxation, labour-market legislation, barriers to entry) that discourage people from starting their own businesses. Based on the results of the research, measures will be introduced to alter the risk-reward profile of entrepreneurship and to increase the attractiveness of starting and continuing a business.

As proposed in AsgiSA, ongoing efforts will be made to eliminate barriers to entry arising from, among other factors, concentration in certain sectors of the economy and regulation. Efforts will also be made to create appropriate start-up incentives,

including taxation measures (e.g. tax treatment of sole proprietors and private investment by the entrepreneur, family and friends in start-up businesses).

The “Explore Enterprise” campaign communicating the personal and societal benefits of starting up and running a business will showcase successful entrepreneurs and available enterprise-support programmes, in order to persuade more people to set up businesses.

A comprehensive strategy on utilising business incubators to foster start-ups, with particular focus on special target groups, priority sectors and special geographic areas, will be developed, proposing ways to utilise instruments such as the Support Programme for Industrial Innovation (SPII) and others, for the benefit of incubator clients.

More encouragement is to be given to new start-ups by the business support network, and proper guidance provided to ensure access to all possible sources of support.

Support programmes will be introduced that address the following four basic key factors in starting a business: (i) acquiring the necessary managerial, technical and personal ability; (ii) acquiring motivation and commitment; (iii) developing the business idea from a raw idea to a valid idea; and (iv) identifying and acquiring the necessary physical and financial resources.

Access to finance for start-ups will be improved by encouraging existing providers of finance to introduce a greater quantum of products targeted at start-ups, by, for example, developing and implementing meaningful risk mitigation and risk-sharing measures.

As outlined in the various strategies, new or additional measures are to be formulated and implemented to stimulate start-ups through franchising and co-operatives, targeting youth and women, and focusing on priority sectors and special geographic areas.

3.2.2 Proposed institutional arrangements

the dti will commission and manage the proposed research on entrepreneurship disincentives and incentives.

The “Explore Enterprise” campaign will be launched and managed by the Entrepreneurship Promotion Directorate and conducted primarily by seda, Khula, Samaf and UYF. The campaign could be conducted in partnership with chambers of commerce; university entrepreneurship/small business centres (targeting university students); and youth bodies such as the National Youth Commission and South African Youth Council and Students in Free Enterprise (SIFE)

The **seda** Technology Programme, in conjunction with SA Business Technology and Incubation Association (Sabtia), will be tasked with developing the proposed new business-incubation strategy.

The proposed Small Enterprise Agencies Forum will further engage on mechanisms and institutional co-operation arrangements to enrich the start-up business support.

3.3 Business survival, growth and expansion

The key task is to increase the number of businesses that survive the first few years of establishment and progress to growth and expansion, thus contributing to higher levels of job creation and economic growth.

Critical to success in ensuring business survival, growth and expansion is a clear understanding of the business's needs at different stages, and developing and delivering appropriate products and services to respond adequately and timeously to those needs. International literature documents the following as some of the business-management needs faced by small enterprises during their various growth phases.³ Thus, the strategy will focus on these needs.

Business life stage	Business needs
Post-establishment survival	<p>Remedial needs relating to the gaps or inadequacies of the original business plan and in the preparation for going into business.</p> <p>Needs arising from unforeseen circumstances, such as changes in the environment, competition, customer needs, technology and government action.</p> <p>Needs relating to the development of adequate relationships with the support network and the environment, including banks, accountants, the legal profession, suppliers, customers, labour and trade associations.</p> <p>Needs relating to the development of adequate business systems and means of controlling cash, profit, production and sales.</p>
Running a successful micro-business	<p>The need to keep abreast of changes in the statutory environment that may threaten the business.</p> <p>Needs relating to the broader non-legislative environment – keeping abreast of competition or changes in relevant trends in local, regional or national society that are likely to affect the demand for the product or service.</p> <p>Needs relating to the acquisition of basic management knowledge and skills, for example, managing marketing, production, people and finance.</p> <p>Needs relating to the development of personal capabilities, for example, problem solving, creativity, selling and negotiation skills, leadership and communication.</p>
Managing first-stage growth	<p>Identify clearly the business's position in the marketplace, its financial performance, and the efficiency and effectiveness of its physical and financial, production or service capability.</p> <p>Identify the potential for growth in terms of the availability and adequacy of: physical and financial resources, experience in new areas to be developed, the quality and strength of new-product ideas,</p>

³ This list is illustrative, not exhaustive.

	<p>leadership and basic management organisation, and control. Identify needs with respect to planning for the specific new market or product developments envisaged, covering markets, resource inputs, negotiations required, business planning, and sourcing of necessary assistance.</p>
Managing second-stage growth	<p>Development of capable teams covering key functions in the business. Delegation, leadership and control. Managing diversified product and market growth. Introducing more sophisticated methods of functional management control. Dealing more effectively with the increasingly sophisticated environment of finance, technology and markets with which the larger business has to contend. Introducing and managing exporting, licensing and internationalisation.</p>

3.3.1 Proposed actions

Virtually all of the programmes, products and services of the current small business support institutions already focus on enterprises in these various stages of survival and growth. Therefore, no new measures are introduced. However, continuous assessment of the relevance, adequacy, accessibility and efficacy of the support measures and ongoing gap analysis and innovation will be encouraged and monitored, to ensure that support remains flexible enough to meet any emerging needs. Current mandates, geographical presence and expansion plans of institutions such as Khula and the roll-out of seda and Samaf will be monitored to ensure increased access to support across the country. Increased collaboration between agencies will be fostered to ensure integration of support at all levels, particularly at the point of delivery. Parallel to the increase of supply of development services, efforts will be directed towards increasing demand for small business products and services leveraging on public sector procurement and private sector procurement. The BEE codes of good practice will assist in this regard with specific reference to the implementation of the preferential procurement, skills development and enterprise development elements of the codes.

3.3.2 Proposed institutional arrangements

the dti through the Enterprise Development Unit, together with the Small Enterprise Agencies Forum, and the Interdepartmental Committee for Small Business Promotion Within Government cluster, will monitor and continuously evaluate progress in this area. These structures will interact with the National Small Business Advisory Council for further analysis and independent reporting on impact made. Other than that, no new institutional arrangements are proposed.

3.4 Business turnaround

An often-neglected yet crucial business support area is assisting businesses in distress to turn around and avoid failure. Of course, not all struggling businesses can be saved from collapse but many can. Small business turnaround is a developed profession in countries such as the USA and the UK and can be so in South Africa too.

3.4.1 Proposed actions

Training programmes and advisory services to be developed to assist businesses in distress.

Content on detecting emerging signs of distress in the business and what corrective action to take to be incorporated in all small business training programmes, including those of Setas.

Technical co-operation programmes between South Africa and outside countries to be strengthened to draw experience and partnerships and to ensure capacity building programmes for the development of business turnaround skills of business advisers nationally. Linked to this is the development and implementation of an accreditation system for business turnaround professionals.

The reviews of the incentives programme to be directed towards providing necessary interventions to restore activities in these businesses.

3.4.2 Proposed institutional arrangements

The Small Enterprise Development Agency (**seda**) to take the lead in implementing the measures outlined here.

Given that business turnaround support is important in risk mitigation for financing institutions, partnerships are to be sought with commercial banks and other lenders to develop and introduce the above mechanisms.

Joint efforts with the Institute of Business Advisers to be leveraged to develop and implement capacity building measures and an accreditation system for business turnaround professionals.

4. Focusing on special target groups, regions and priority sectors

4.1 Focusing on youth and women

Umsobomvu Youth Fund is a dedicated institution that focuses on youth and offers a wide range of support measures aimed at this target group. Together with the National Youth Commission and the South African Youth Club, Umsobomvu has developed a comprehensive national youth enterprise strategy, which identifies key interventions necessary to improve the level of support to young entrepreneurs.

the dti has developed an elaborate strategy on gender and women's economic empowerment that outlines a number of planned initiatives to meet the support needs of this target group.

In addition, **the dti's** co-operatives strategy and the strategy on the development and support of franchising also pay special attention to ensuring participation and providing support to youth and women.

Lastly, some of the measures proposed in this strategy, such as those in the area of entrepreneurship education and fostering start-ups, will directly benefit these target groups.

Based on the aforementioned, no new initiatives and institutional arrangements are proposed in addition to those outlined in the strategies outlined above. The relevant **dti** units together with the Small Enterprise Agencies Forum will closely monitor progress in reaching youth and women in the implementation of the various strategies and ensure that corrective action is taken where necessary.

4.2 Focusing on special geographic areas

The strategy's focus on a shift from wholesale to retail service-delivery approaches is strengthened by Khula's proposed retail and partnering strategy, as well as the **seda** and **Samaf** retail and partnering strategy already in implementation. Coupled with the national roll-out, this service-delivery approach will ensure that services are easily accessible across the country. **the dti** and the Small Enterprise Agencies Forum will closely and continuously monitor the adequacy of service provision in key geographic areas across the country, and ensure that measures are taken to close any identified gaps.

In addition, a deliberate effort will be made to work as closely as possible with government programmes targeting special geographical areas, such as the Integrated Sustainable Rural Development Programme (ISRDP), Urban Renewal Strategy and the Forestry Enterprise Development Programme, to ensure availability of support in target areas, and alignment with the Provincial Growth and Development Strategies and local government integrated development plans (IDPs). This strategy gives priority to the role of provincial government in providing an enabling environment for small business support through provincial economic development policies and enabling regulatory framework. This will be supported by municipal infrastructure-development plans and the implementation thereof.

The Small Enterprises Agencies Forum will cascade to the provincial level through co-ordination by **seda** provincial offices. The provincial department responsible for economic development will also be responsible for the co-ordination of the Provincial Inter-Departmental forums for small business promotion, integrating existing interdepartmental structures and the contribution of the sector departments to the strategy goals.

4.3 Focusing on priority sectors

Support programmes will be developed for small enterprises in the priority sectors identified in the Micro-economic Reform Strategy. This will come about through the design of new programmes, or through the adaptation of existing ones. The intention is to reduce government interventions in generic programmes, products and services that can be easily packaged by state agencies for retail by private-sector agencies, and to strengthen the capacity of state agencies to introduce new sector-specific programmes.

Over time, these will be co-ordinated between seda, Samaf, Khula and by specific sector departments as their niche in the integrated small-enterprise development-strategy framework.

As far as possible, programmes will be developed after thorough research examining the support needs of small business in those sectors. Sector departments will play a key role in leading the conceptualisation and design of sector-specific support programmes.

Cutting across all the above is the positioning of donor organisation assistance (DOA), for which initiatives will be guided through a country strategy for foreign-development assistance on small business. This will link donor support to the government priorities for small business development. Areas of focus will include technical assistance at institutional and enterprise level, as well as budgetary support targeting the roll-out of selected initiatives.

The Small Business Advisory Council and **the dti** Enterprise Development Unit will drive the establishment, implementation and monitoring of this focus strategy, drawing from the success of, and lessons learned in, the implementation of sector-specific initiatives like the Tourism Enterprise Programme under DEAT, as well as the Construction Industry Development Board programmes under the Department of Public Works.

CHAPTER VI

SUMMARY OF STRATEGIC PROGRAMMES



VI. SUMMARY OF STRATEGIC PROGRAMMES

The implementation of the strategy will be monitored through targets set and achievements made on the following;

1. Fostering entrepreneurship culture and increasing enterprise creation rate

This will be achieved through improved integration between social and economic cluster strategies, more effective utilisation of existing initiatives, as well as the creation and implementation of new measures outlined earlier in this document.

2. Establish a dedicated network of SMME finance

As described earlier, a more targeted approach will be followed. **Samaf** will focus on survivalist and micro-enterprises partnering with social structures inside and outside government for community-resource mobilisation into enterprising initiatives. Khula's wholesale approach will remain key in forging public-private partnerships and addressing the collateral-security challenges for small businesses; however, consideration will be given to the establishment of a dedicated small business finance institution. The small business bank approach will facilitate partnerships with the private sector. The Government's investment in this regard will be seed capital to crowd in interested private-sector partners; **the dti** will continuously review the appropriateness of its financial incentive schemes for the small enterprise sector.

3. Create demand for Small Enterprise products and services

Linking to the broader Industrial Strategy and trade promotion, the South African Government has entered into bilateral trade agreements with a number of countries. These agreements provide potential opportunities for small enterprises to penetrate foreign markets through exports. These opportunities will be analysed in detail and support programmes introduced to enable small enterprises to take advantage of them. Efforts in this area will be undertaken in collaboration with business organisations, with the possibility of fully delegating responsibility for this work to these entities, as part of a partnership arrangement between government and private-sector bodies.

the dti and the National Treasury will also devise a mechanism to increase the proportion of public procurement of goods and services that goes to small enterprises. This will lead to the establishment of a National Procurement Programme targeting small business, including co-operative enterprises that cluster micro-enterprises into viable supplier groups. The programme mechanisms will seek to establish an integrated support framework linking preferential procurement with skills development, enterprise development and certain elements of corporate social investment (grant programmes). This initiative will also provide government with a strategic response in the implementation of specific elements of the B-BBEE Codes of Good Practice.

4. Strengthening local network for small business development support services

Working in collaboration with various providers of support at local level, including municipalities, **seda** will design and co-ordinate a standardized national network of service access points that integrate government-funded support measures across all spheres of government. Special effort will be made to ensure that support reaches all regions of the country.

This calls for clear roles for different organs of government, the effective alignment of service provision through this network, as well as the necessary resource provision, focusing on widening the range of programmes based on the needs of small enterprises and the establishment of required infrastructure for localised support

5. Improving small enterprise competencies and delivery capacity

In addition to satisfying the need for business support services centres, focus will be given to the provision of facilities for use by small businesses in specialised manufacturing and service industries, as well as strengthening of cottage industries for rural enterprises.

This will be achieved through mobilising funding for minimum business infrastructure facilities in local authority areas across the country, linking up with municipal LED efforts and initiatives located in private-sector enterprise development under the B-BBEE strategy.

6. Strengthening Enterprise Networks

The cooperatives development policy and strategy (currently a draft document) will be finalized. This will be a leading frontier in strengthening the cooperatives movement as a primary base to foster essential linkages at enterprise level and realizing more economic benefits from community self-help initiatives through appropriate and targeted intervention measures. While the dti will provide coordination and promotion of cooperatives in general, government departments and public institutions as well as the private sector will be required to contribute sectoral support to promote cooperative development.

7. Providing necessary support incentives

TEO will continue to provide leadership in the development and administration of the incentives schemes to support various enterprises. This will combine the development of new incentive schemes and reviewing existing programmes to increase the incentives impact and accessibility to small enterprises. The incentives will also seek to align with the priority sectors as guided by the government supportive policy framework for small enterprise development.

8. Improving regulatory environment

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. Cabinet has already taken decisions on measures to improve the regulatory environment for small enterprises. Among these, **the dti** and the dplg have been tasked with the responsibility of preparing recommendations on how to improve the regulatory environment for small enterprises in municipalities. Ongoing research will be conducted to draw experience from small enterprise support agencies, business organisations and independent experts in the area of easing administrative and regulatory burdens on small business and the impact thereof. This will strengthen constant identification of additional regulatory review areas.

the dti will also invoke Section 18 (1) of the National Small Business Amendment Act (Act No. 26 of 2003), which empowers the Minister of Trade and Industry to publish guidelines for organs of national, provincial and local government to promote small business, including guidelines for regulatory impact monitoring. The establishment of the Regulatory Impact Assessment Unit, currently championed by the Presidency, will strengthen these initiatives.

9. Entrepreneurship and small business research

Research plays an important role in informing government policy and strategy on entrepreneurship and small business promotion. With the increase in the number of university-based centres of entrepreneurship and small business, research output is also expected to increase. However, additional measures are necessary to ensure that policy-relevant research is undertaken on an ongoing basis. In particular, statistical data on small enterprises, including business entry, exit, survival and failure rate, is critical to informing policies and support programmes.

the dti will work with Statistics SA and academia to undertake this type of research. The department will ensure ongoing research and the publication of the *Annual Small Business Review*.

the dti will also work with business organisations and academic institutions to identify additional areas for research, and to mobilise resources to undertake such research. Areas for ongoing research, which will receive immediate attention, are the identification of opportunities for small enterprise creation and growth within the various sectors of the economy, as well as technology application that supports the strengthening of productive capacities of small businesses. Results of the research will be widely publicized using existing institutions and other channels, to inform prospective and existing entrepreneurs of these opportunities.

CHAPTER VII

BUILDING PARTNERSHIPS AND CAPACITY FOR PERFORMANCE



VII. BUILDING PARTNERSHIPS AND CAPACITY FOR PERFORMANCE

Building capacity throughout the public-sector enterprise support system to deliver support services professionally and efficiently is of critical importance to the successful implementation of the strategy. This requires clear identification of the focus point for the national delivery system; a clear resource channel; and streamlined strategy implementation, co-ordination, and monitoring linked to the resource channels.

Fragmentation of private-sector support and Development Assistance, where these opt to partner with government, will be minimised through the identification of selected partnership focal points within government. **The dti** will take steps to forge mutually beneficial partnership arrangements with national business organisations such as BUSA, CHAMSA and the donor community; while individual corporations will forge direct partnerships at institutional level.

1. Proposed actions

The capacity-building needs of all personnel that interface with entrepreneurs across all institutions will be assessed and addressed, to ensure the development and delivery of appropriate training and other capacity-building measures.

In particular, the capacity-building needs of LED and small business development personnel in local municipalities and municipality-owned enterprises will be assessed and addressed to ensure the development and delivery of appropriate training and other capacity-building measures.

A programme to encourage municipalities to “Think Small First” with regard to the impact of their actions on small business in the areas of regulation, procurement and payment for goods and services, delivering business-related municipal services, and so on, will be developed.

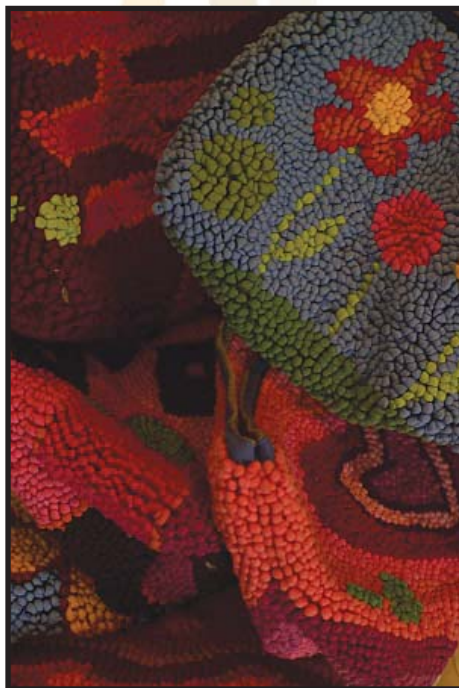
the dti will consider delegating the implementation of certain interventions outlined in this strategy to organised business formations, and will monitor their performance. To assist these organisations to perform their tasks effectively, **the dti** will, together with these organisations, develop and implement a programme to strengthen their internal capacity.

2. Proposed institutional arrangements

The above measures are to be carried out by **the dti**, the Small Enterprise Agencies Forum and participating private-sector organisations.

CHAPTER VIII

MONITORING PERFORMANCE



VIII. MONITORING PERFORMANCE

Effective monitoring of the implementation and performance of this strategy, in order to enable improvements in performance and the introduction of changes where necessary, is of critical importance. Given that the formulation of this strategy takes place in the context of existing and well-established institutions and support programmes, **the dti** recognises that these entities have established their own performance-monitoring mechanisms.

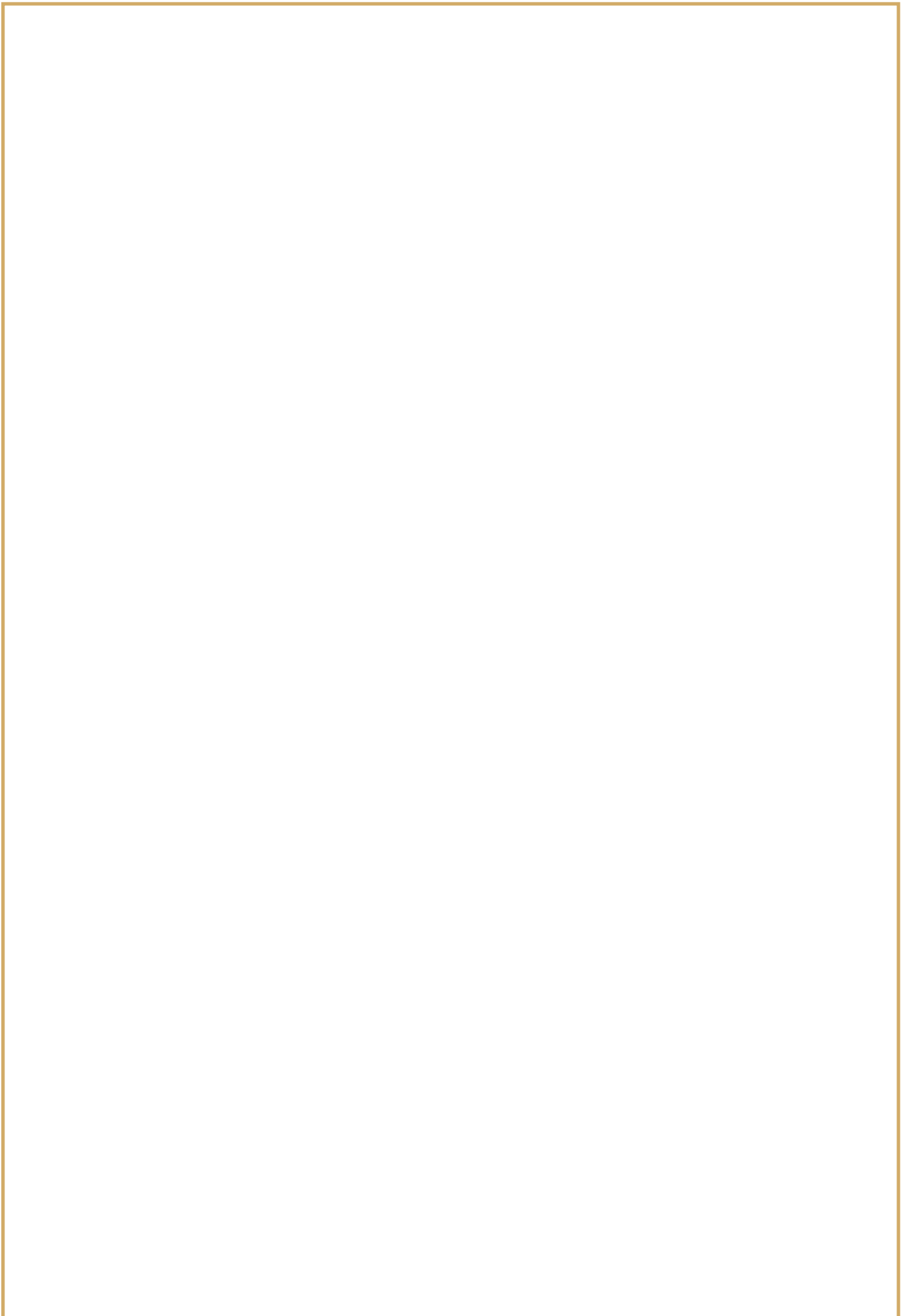
However, the importance of developing and implementing an over-arching monitoring framework, which will enable government to gather feedback on the performance of public, private and donor enterprise support, cannot be over-emphasised. The responsibility for developing an effective national monitoring framework falls under **the dti**, supported by the following:

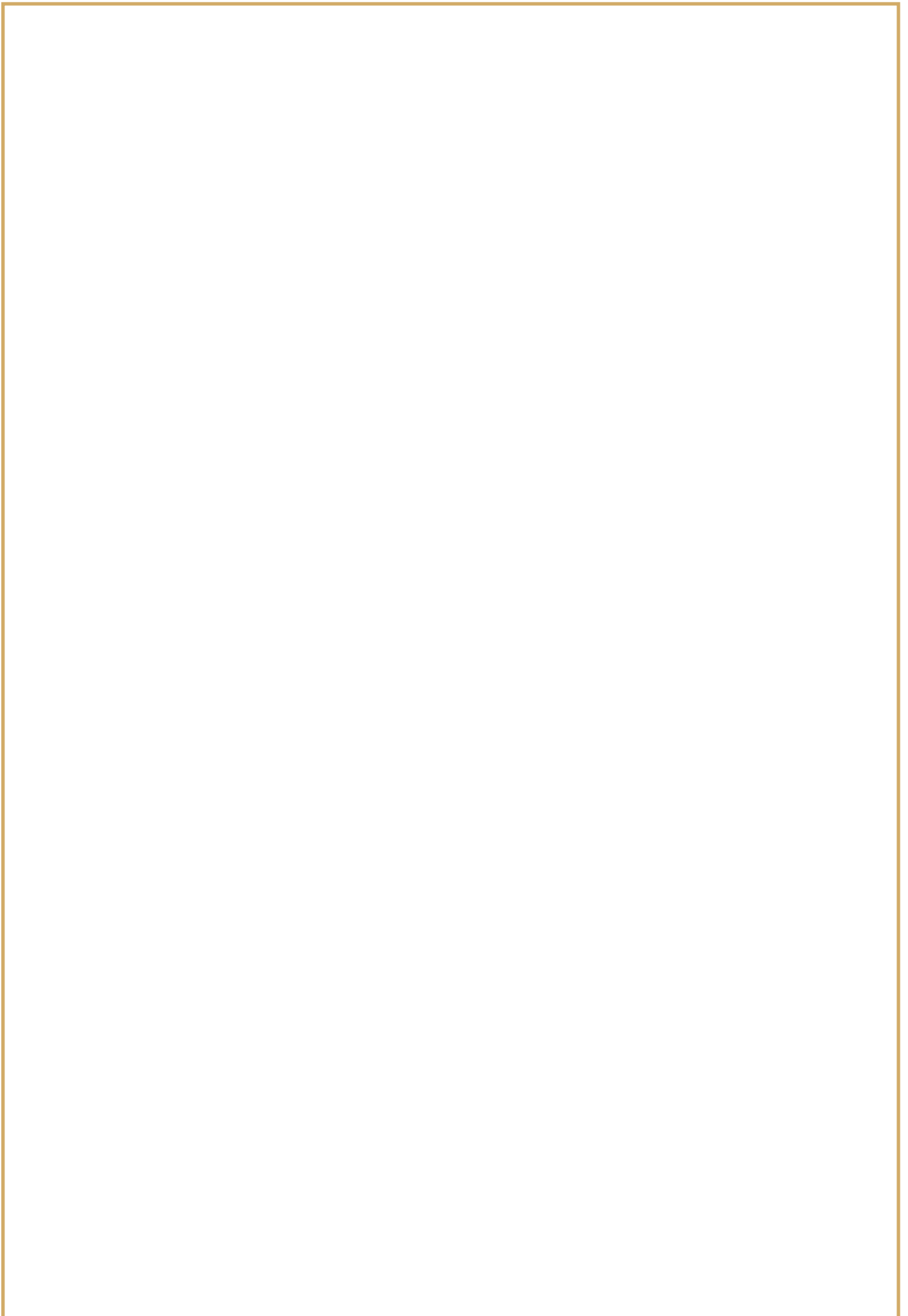
- government departments through the Inter-Departmental Committee on Entrepreneurship and Small Business Promotion as part of the government clusters
- small enterprise support agencies set up by various government departments
- the BEE Advisory Council
- the National Small Business Advisory Council
- organised business bodies.

the dti, working with the National Small Business Advisory Council, will take the initiative in consulting with these entities to jointly formulate a comprehensive, system-wide performance-monitoring framework for the national strategy.

IX. CONCLUSION

It is impossible to anticipate all the socio-economic and institutional changes likely to emerge over the next ten years, just as it is impractical to stipulate detailed support programmes for all the different problem areas, sectors or target groups. The integrated strategy, therefore, sets the framework and outlines the principles underlying future government support and public-sector programme development. It will be up to the various players (including current as well as evolving institutions) to apply those principles and to plan, negotiate and practically implement appropriate support programmes within the fundamental guidelines provided in this strategy document.





Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises

2005 Cabinet approval

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