

MORETELE LOCAL MUNICIPALITY

SMME DEVELOPMENT POLICY





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1. EXECUTIVE SUMMARY

Vari Consulting (Pty) Ltd has been appointed by Moretele Local Municipality to develop the Small Micro Market Enterprise (SMME) Development Policy. Policy development requires a scientific and pragmatic approach to ensure that the Policy is meaningful and serve the purpose of which is intended.

The economy of Moretele Local Municipality is a reflection of broader economic challenges faced by the North West Province and South Africa at large. Drawing from the Vision of North West SMME Development Policy Support which states, *'To foster entrepreneurship through supporting small enterprises to be competitive, mainstreaming them into the growing provincial economic sectors in order to reduce the dualistic nature of the North West economy'*, It is fundamentally important for Moretele Local Municipality to be aligned with the Province's direction for economic development.

Small Business development does not and should not only stop at supporting SMMEs financially and non-financially, but the Municipality must take a lead in ensuring that SMME participate in the supply of goods and services to the Municipality first whilst preparing them to have access to the market in general.

Small Micro and Medium Enterprises are the engines of a local economy. This then dictates to Municipalities to put SMME development in their agenda to grow local economy that will produce jobs and alleviate poverty. The following SMME support programmes therefore becomes a priority, hence Moretele Local Municipality deemed it fit to have SMME policy in place:

- ✦ Partnership Building in supporting SMMEs
- ✦ Improved access to Finance for SMMEs
- ✦ Improved access to Business Development Services
- ✦ Enhance Access to Markets for SMMEs
- ✦ Co-ordination of government SMME Programmes
- ✦ Effective Communication and Information Dissemination
- ✦ Promotion and Support the growth of the Co-operative Movement

The policy framework builds on the unique features of Moretele Local Municipality and demonstrates the ways in which key local businesses and the Municipality can work together.

SMMEs development requires inclusion of all local (formal and Informal) business players over and above classifications by National Small Business Act and other Classification measures. The definition for SMMEs encompasses a very broad range of firms, some of which includes formally registered, informal and non-VAT registered organisations. Small businesses range from medium-sized enterprises, such as established traditional family businesses employing over a hundred people, to informal micro-enterprises. The latter includes survivalist self-employed persons from the poorest layers of the population. The upper end of the range is comparable to the small- and medium-sized enterprises (SME) segment found in developed countries. In South Africa, a large majority of SMMEs are concentrated on the very lowest end, where survivalist firms are found, this is the case in Moretele Local Municipality which is rural and poverty-stricken.

The key challenges facing SMMEs across the Country are common from one locality to the other and they include, amongst others:

- # Funding.
- # Information.
- # Inadequate skills.
- # Access to Markets.
- # Incompetency in developing business plans.

The development of an SMME Policy which will guide Moretele Local Municipality to effectively deal with all the challenges in a well-coordinated manner. The Municipality must be able to develop and manage the database of all SMMEs including Cooperatives to be able effectively support them.

2.1. ISSUE IDENTIFICATION

The North-West Province has given clear guidelines with regards to development and support of SMMEs as the growth engine for any Local Economy. Moretele Local Municipality headed the call as per guideline. The need for an SMME policy cannot be over emphasized. Without the guiding framework, the Municipality will not realize the desired economic growth by supporting and developing the small business sector.

2.2. CONSULTATION

This is a very critical phase in Policy development because it covers the practical aspects the process. An effective Policy must be informed by inputs from those are who are affected and set to benefit from such a Policy. To this end, Consultations have taken place in both formal and informal ways with officials who are implementers and custodians of issues to be covered in the Policy. Further consultations were undertaken with key stakeholders such as;

- ✦ *Trading Vendors*
- ✦ *Supermarkets Owners*
- ✦ *Ordinary community members*
- ✦ *Aspiring Entrepreneurs*
- ✦ *Youth*

2.3. BENCHMARKING

Benchmarking is the process of referencing against which things may be compared. In this case, Moretele Local Municipality SMME development Policy had to be benchmarked with peer Municipalities within the North West Province and also benchmarked against other Municipalities with different dynamics such as Gauteng Province, as well as other areas of the Provincial economy in particular and the country at large.

2.4. DEVELOPMENT OF POLICY

The policy will then be developed based on the above-mentioned phases and incorporating the inputs thereof with the scientific data. The result of this phase is the Policy as annexure in this document. The policy will then be further discussed with the LED and Planning Team in the next phase of the process after which approval from the relevant authority will be granted.

3. BACKGROUND

The Municipality has a critical role to play with regards to the facilitation of growth and development of Small Medium Market Enterprises(SMME).

As stated in the *White paper on National Strategy for the development and promotion of small business in South Africa*, the creation of an enabling environment for the development of small businesses needs to happen at both national and local level. On a local level, opportunities and resources need to be identified and utilized in a way that takes into account the local characteristics and resources.

It was identified by the North West Development Corporation that many local or district municipalities fall short when it comes to creating a conducive environment for local or district economic activities. This necessitated the need for an establishment of some form of cooperation between local SMMEs, Enterprise development institutions, Big Business and the Community to work together towards growing Local Economy, therefore the Municipality must take a lead and harmonize the environment for such to happen.

Thus, the developmental role of local government has undergone a transformation, in terms of which local government has come to be seen as a key agent of economic development. These development initiatives place increasing emphasis on the small, medium and micro enterprise sector and how to strengthen it; and SMME support increasingly becoming a local priority. This policy therefore seeks to outline the guiding model and framework of enterprise development for Moretele Local Municipality.

4. OBJECTIVES

The purpose of the Small Medium Market Enterprise Policy is to enable Moretele Local Municipality to pro-actively:

- 4.1. Identify and list all SMMEs and Cooperatives existing within Moretele Local Municipality.
- 4.2. Conduct Skills and capacity audit on all identified and listed SMMEs.
- 4.3. Identify training needs and programmes relevant for capacity building and closing skills gap in the SMMEs.
- 4.4. Compile and manage database of all SMMEs.
- 4.5. Categorise Businesses in the different sectors of the local economy.
- 4.6. Develop and implement a monitoring tool for growth and development of SMME and their access and participation on the provision of goods and services to Moretele Local Municipality.

5. SCOPE OF APPLICATION

The Policy shall apply to all existing and prospective Small Medium Market Enterprises within Moretele Local Municipality, including all Public Private Partnerships involving the Municipality. The Policy shall also be adhered to by all departments within the Municipality. Local Economic Development and Planning Department is the custodian of this policy.

6. LEGAL AND GUIDING FRAMEWORK

- 6.1. Broad-Based Black Economic Empowerment Act No 53 of 2003.
- 6.2. Preferential Procurement Policy Framework Act No 5 of 2000.

- 6.3. National Small Business Act 102 of 1996.
- 6.4. Skills Development Act 97 of 1998.
- 6.5. The White Paper on National Strategy for the Development and Promotion of Small Business in South Africa published by the Department Trade and Industry reference WPA/1995. 16317 28 MARCH 1995.
- 6.6. North West Development Plan.
- 6.7. National Development Plan (NDP)
- 6.8. North West Small Business Development Policy Support.

7. SMMEs IDENTIFICATION AND DATABASE MANAGEMENT

All SMMEs within the boundaries of Moretele Local Municipality must be identified and the following must be established.

- 7.1. Ownership of the business.
- 7.2. Registration as an entity (Close Corporation, Company, Cooperative)
- 7.3. Database to be created and maintained by the LED and Planning Department of the Municipality. The database shall contain the following:

Business Name	Type of Business	Registration	Tax Ref	Sector	Physical Address	Ward	Contact Person	Cell number	Email	Member Status Quo	Gender of Member	Disability status

Table 7: Database Template

- 7.4. Must be categorized per service or sector. e.g. Construction, Cleaning services, Food and Catering, Plumbing etc.
- 7.5. SMME to update the Municipality of any changes in the memberships e.g. Resignations or death.
- 7.6. The LED and Planning Department shall keep track records of the general performance of all SMMEs in the database to ascertain as to when to stop or continue with support and necessary intervention. If the entity is at the stage of sustainability, support shall be stopped. The Municipality shall have full discretion as when to stop support or put intervention for support.

8. SUPPORT AND DEVELOPMENT

Identified and listed SMMEs will be required to have a business plan to be considered for support with regards to resources to develop and sustain their businesses. The following shall be the guiding principles for such support:

- 8.1. Local Ownership.
- 8.2. The entity must be a registered business or organisation in accordance with CIPRO or other necessary regulations.
- 8.3. Priority shall be given to Youth and Women.
- 8.4. Business viability. Existing business must show profitability and sustainability, in case of new business the business case must show clear projections in terms of profitability.
- 8.5. The business must be able to create employment for Moretele Community.
- 8.6. The business must be able to pay Municipal rates.
- 8.7. Cooperative must have a constitution.

9. THE ROLE OF THE MUNICIPALITY

Whilst Moretele Local Municipality acknowledges that Enterprise Development and Incubation is not its core function, the Municipality will create a platform for Enterprise Development which will in turn benefit the growth of the Local Economy. Thus, the role of the Municipality shall be:

- 9.1. Through the LED and Planning Department, to advice and refer SMMEs to relevant Enterprise Development institutions like North West Development Corporation(NWDC), SEDA, KHULA, NEF, IDC etc. for Financial and Non-Financial Support. This department shall play the intra- coordinating role between the Special Projects Office, Supply Chain Management, Finance and other Municipal Departments with regards to

SMMEs development and support.

- 9.2. To be a coordinating and facilitation link between Enterprise Development institutions, National and Provincial spheres of Government.
- 9.3. To act as a facilitator of joint ventures between established businesses and local SMMEs/Cooperatives to encourage enterprise development and skills transfer.
- 9.4. To ensure that the listed SMMEs operates in areas that are zoned for business as per municipal by-laws.
- 9.5. To ensure that LED and Planning Department is well capacitated and staff is trained to provide advisory, support and business plan analysis services to SMMEs and Cooperatives.
- 9.6. To identify skills gap within the listed SMMEs and come up with relevant training programmes.
- 9.7. To source and partner with accredited training service providers for identified training programmes of SMMEs.
- 9.8. In collaboration with Supply Chain Management, to ensure that listed and supported SMMEs participate in the provision of goods and services to Moretele Local Municipality.
- 9.9. The LED and Planning Director to appoint a committee for selection and screening of SMME and Projects to be supported
- 9.10. Through a managed Database system, to ensure that there is communication about business opportunities and updates. This shall be through:
 - 9.10.1. *SMS Notifications.*
 - 9.10.2. *Information and awareness roadshows.*
 - 9.10.3. *E-mail notifications.*
 - 9.10.4. *Public notices.*
- 9.11. To develop and maintain a Monitoring and Evaluation system for the listed and supported SMMEs and Cooperatives with regards to:
 - 9.11.1. *Employment creation with Youth and Women as a priority.*
 - 9.11.2. *Sustainability.*
 - 9.11.3. *Ability to pay Municipal rates and services.*

10. STAGES OF DEVELOPMENT SUPPORT PROJECT IMPLEMENTATION

SMME Development Support must be done in a coherent and systematic project implementation manner in order to archive the desired objectives. Figure 10 below provides an illustration of project implementation process from the initial idea to project inception.



Fig 10

SMME Development Support projects needs to go through at least seven critical steps prior to project inception. Each step is designed in such a way that it informs the steps that follow. The project concept and scope are identified from a list of SMMEs to be supported. The pre-feasibility study is undertaken to ensure that there is a solid basis for undertaking a feasibility study. It is usually prepared when there is insufficient information to prepare a feasibility study.

10.1. OBJECTIVES OF A PRE-FEASIBILITY

- # Undertake a detailed analysis of the SMME development needs and constraints.
- # Refine the logical framework matrix (based on collection of sound, objective data) and project proposal in a clear and realistic manner and make a preliminary assessment of the viability of alternative approaches.
- # Identify and define the linkages between the project and poverty reduction, taking into account the findings of a poverty analysis.
- # Define achievable outcomes for the project or define possible design options or concepts that may merit further investigation.
- # Make a preliminary identification of the likely risks to achieving the objectives and to achieving sustainability after project completion, and assess the importance of these risks (i.e. preliminary risk analysis and sustainability analysis).
- # Develop some terms of reference for a feasibility design study if this is deemed appropriate.

- ✦ Define further data collection and analysis requirements, and possible data sources, for the feasibility/design stage.

A feasibility study is conducted to establish whether the identified projects are feasible, and whether they should, in fact, go ahead. It evaluates and analyses the potential impact of a proposed project or program as well as all of the aspects of the project. The study provides local government officials with a very detailed assessment of what the best alternative is in response to the highest priority community needs. It also serves as a source of unbiased justification for moving forward with the implementation of the project.

10.2. COMPONENTS OF A FEASIBILITY STUDY INCLUDE:

- ✦ Executive Summary
- ✦ Background Information
- ✦ Discussion of the proposed project for the SMME
- ✦ Advantages and Disadvantages of the Proposed Project
- ✦ Project Schedule
- ✦ Final Recommendation

For each of the identified project it is imperative that a *strategic partner* with the relevant experience in the field is identified to carry the projects forward. This could be the enterprise development institution like SEDA, NWDP, DTI or any related institution. A *business plan* is developed with the strategic partner in mind so that business strategies are aligned with the partners' expertise and relevant experience. The business plan should greatly increase the ability of Municipal officials to effectively manage, monitor and evaluate a project's implementation. It should serve as the principal source of guidance for the project implementation.

10.3. COMPONENTS OF A COMPREHENSIVE BUSINESS PLAN

- ✦ Mission statement
- ✦ Identification of goals and objectives
- ✦ Statement of Purpose
- ✦ Description of the Proposed Project
- ✦ Background information about the location and beneficiaries

- # Marketing Strategy
- # Management and Human Resources
- # Expected Effect of the Proposed Project
- # Strategic Implementation Timeline
- # Summary
- # Monitoring and Evaluation Plan
- # Financials

The comprehensive business plan will form part of the applications for finance required for each of the projects. Various funders with appropriate funding schemes are approached for the financial requirements.

When approaching the funders, Moretele Local Municipality should ensure that the projects are;

- # *Viable,*
- # *Sustainable and*
- # *Will provide a reasonable return on investment.*

10.4. KEY POINTS FOR OPTIMAL IMPLEMENTATION

- # Make use of experts for the drafting of the relevant business plans and utilise the available funding sources. Moretele Local Municipal LED officials must be competent enough to offer sound advice in this regard.
- # Ensure that all detail for implementing a project is included in the business plans, including the responsible parties, the amount of funding required, the timeframes for implementation, resources and equipment needed for implementation, etc.
- # Implement the framework programmes for stimulating development across all sectors of the local economy.
- # Ensure balanced economic development by means of adopting an integrated, holistic, coordinated and diverse developmental focus.
- # Start by implementing the programmes and projects with the fastest anticipated impact on job creation, poverty alleviation, SMME development, increase in living conditions, followed by those with a medium and longer term effect.

- # Make sure all financial sources, equipment, human resources, etc. are in place and available before starting with the implementation of a programme and/or project.
- # Focus on stimulating economic development and empowerment of local people at the same time.
- # Make sure that the implementation of projects is executed by local people and not imported labour; the people of Moretele must be the ultimate beneficiaries.
- # Set reasonable timeframes and keep a monthly/weekly track record to evaluate the progress of all necessary actions.

10.5. EXIT STRATEGY

SMME development cannot be an ongoing exercise, at some point the support must cease and the SMME must be able to run sustainably on their own. The following guidelines must be adopted when considering support exit:

- # The duration of support must be outlined clearly from the onset, and must be adhered to. This will differ from one SMME to the other depending on the type of support and the sector of the business.
- # Sustainability of the business.
- # In the event the business is not adhering to the agreed principles or guidelines as per business plan, legislative requirements or gross disregard of Municipal by-laws and regulations.
- # If the identified business is longer serving the purpose of proving employment and poverty alleviation as per Moretele Local Municipality Local Economic Development goals.

11. POLICY CONTROL MEASURES

Appropriate control measures are a pre-requisite for the successful implementation of this policy, and include, inter alia, the following:

- 11.1. A transaction trail of procurement behaviours of identified and supported SMMEs will be kept for Internal Audit to appraise and ensure that they are given

opportunity to participate in the provisioning of good and services to Moretele Local Municipality.

- 11.2. Periodic reports must be submitted to EXCO and the Council in respect of progress made and/ or challenges encountered on compliance with this policy.
- 11.3. The LED and Planning Department shall conduct a periodic audit on the existence, compliance and performance of all SMMEs in the database.

12. IMPLEMENTATION AND REVIEW

- 12.1. Each of Moretele Local Municipality's departments shall be responsible for the implementation of the SMME Policy by monitoring and reporting on performance in terms of existing measuring systems.
- 12.2. The Local Economic Development and Planning department shall be the custodian of the SMME policy and will monitor the implementation in conjunction with supporting departments such as Supply Chain Management and Finance.
- 12.3. This policy shall be linked to the municipality's Local Economic Development Strategy and IDP and be subjected to periodic reviews.

13. APPROVAL

The policy has been approved by:

.....
LED and Planning Director
Rida Ramorula- Madikela

.....
Municipal Manager

.....
Chairperson of LED and Planning
Chairperson of LED and Planning

.....
Mayor