



“People’s power in action”

SMMES AND COOPERATIVES DEVELOPMENT SUPPORT STRATEGY

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1. INTRODUCTION

The role played by small businesses is being increasingly recognized all-over the world. The perceived potential of **small businesses to create employment** has caused governments in many countries to pay the small business sector more attention. Although, almost everywhere, results have not matched expectations, available evidence indicates that the sector contributes meaningfully to economic growth, social development, and employment provision

A factor of major importance, for the transformation of South African society, is job creation, wealth generation and improved standards of living for all South Africans. High unemployment rate and poor socio-economic conditions have highlighted the need for reconstruction and development. The existing large firms and public sector have been unable to cope with solving these problems and hence the focus has been placed on the small business sector as an intricate part of solving the economic crisis.

The creation of an enabling environment for the development of small businesses needs to happen at both national, provincial and a 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. 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 (rather than national or provincial) priority.

2. THE ROLE OF LOCAL GOVERNMENT

Subsequent the democratic local elections in 1996, greater emphasis fell on the role of local authorities in economic development. The Constitution and other legislation and policy documents have since entrenched the developmental responsibilities of local government; such that local economic development is seen as an integral component of the latter's activities.

Local Economic Development may be defined as the process or strategy in which locally based individuals or organizations use resources to modify or expand local economic activity to the benefit of the majority in the local community. SMMEs are expected to be an intricate part of local economic development strategies.

3. CONDITIONS OF PARTICIPATION ON THE ENTREPRENEURSHIP SUPPORT SYSTEM

THE FOLLOWING ARE BASIC CONDITIONS THAT NEED TO BE SATISFIED PRIOR TO APPROVAL/ACCEPTANCE ON THE ENTREPRENEURIAL SUPPORT SYSTEM.

- 3.1 Business must have been operational for at least 12 months.
- 3.2 Business should be conducted in the Moqhaka local Municipality.
- 3.3 Business must be legitimate, moral and feasible.
- 3.4 Business must have a Business Profile and Business Plan.
- 3.5 Business must have at least 2 employees in its employment.
- 3.6 Business must have a turnover of R40 000 to fit in the Entrepreneurial Support System as an SMMEs.
- 3.7 Enterprises making the turnover of less than the above prescribed threshold will be provided in the self-help category (incubation), where they will be assisted and mentored
- 3.8 Business must have a dedicated bank account in its name.
- 3.9 Business must have evidence of municipal rates and taxes up to date
- 3.10 A business must Registered for Income Tax
- 3.11 Business must be registered with Central Supplier Data Base (National Treasury).
- 3.12 The applicants must be South African.

4. CAPITAL FINANCING OF SMME'S / FACILITATE ACCESS TO FINANCE

In terms of national legislation, local authorities may not provide credit or invest in small businesses. However, facilitating access to finance can be seen as an important element in the creation of an enabling environment for SMMEs.

The challenge how local government can support the development of a financial scheme that would address the problems faced by small entrepreneurs must be strategically tackled.

- **It is therefore recommended council provides no monetary funding to beneficiaries on the Entrepreneurial Support System.**

Moqhaka Local Municipality will support SMME's in a form of:

- 4.1 Machinery: Machines (Domestic & Industrial); Construction; ovens
- 4.2 Equipment: Dryers, Tongs, needles, rollers, food warmers, catering equipment (excluding crockery and cutlery).
- 4.3 Businesses using PC's, copiers and other word processing gadgets as their core equipment can also apply for help

5. FREQUENCY OF FINANCING SMME

- SMMEs will be funded on a once off basis, subject to be refunded after 24 months of uninterrupted operation.
- SMMEs will be funded to:
 - Enhance the capacity of the business.
 - Expand the business in order to generate more jobs.
 - Improve on what is at hand to transform the business.
- SMMEs will not be funded to:
 - Replace the repossessed equipment
 - Replace the attached equipment
 - Replenish to the creditors
 - Operate as retailers (buy and sell)
 - Operate a battering business
 - Pay overhead commitments e.g. Petrol, electricity, rent, Wages, fax & telephones.
 - Motor cars, trailers and earth moving machinery
 - Heaters, air conditioners and tele / cell phones

▪ No monetary funding will be committed by the MOQHAKA LOCAL MUNICIPALITY to beneficiaries on the Entrepreneurial Support System.

6. CATEGORIES OF FUNDING

- Enterprises that will be funded have to be in:
 - Manufacturing (small scale)
 - Hair and Beauty
 - Health Products
 - Processing and value adding
 - Chemicals
 - Crafting (tourism related)
 - Construction
 - Agri-processing
 - Recycling

7. FACILITATE ACCESS TO LAND AND INFRASTRUCTURE

Infrastructure development can be a useful job creation tool not only if it is labour intensive, but also if the nature of the infrastructure is such that it supports the development of small businesses. However, currently Moqhaka has no measures or processes exist with regard to making land and infrastructure available to meet the particular needs of SMMEs.

Infrastructure provision is another frequent request of SMMEs. Needs shall vary dramatically across geographical areas and economic sectors, and in this regard more information is required to identify specific urgent needs.

The question of land availability and release methods needs to be examined, and ways of facilitating access for SMMEs identified, e.g. 'repackaging' land in different tenure forms. In order to do these effectively, further area and sector-specific investigations are required to determine SMMEs needs and the most appropriate form of land packaging. As a first step, an audit of land use and ownership in Moqhaka is suggested, to identify unused and underutilized land and buildings, which could be made available to SMMEs.

8. IDENTIFICATION AND SELECTION PROCESS OF POTENTIAL BENEFICIARIES

- The LED officer will conduct community awareness road shows in all towns in Moqhaka to educate the community about this strategy
- The supply chain unit official will accompany the LED officer to educate the communities on Supply Chain, procurement processes and registration on the Municipal Data Base
- The Municipal Manager will sign off the beneficiary list as recommended by the selection committee for implementation

9. TRAINING

9.1 FACILITATE ACCESS TO TRAINING

This is not a direct responsibility of local government, but the Council can facilitate access to training to:

- ☑ Encourage practical, sector-focused courses as well as internship and mentorship programmes.
- ☑ Enhance awareness of available training programmes.
- ☑ Encourage entrepreneurship training at schools
- ☑ Fund training programmes and initiatives
- ☑ Flavus Mareka FET or/ and a training facility will be procured to design and execute all basic training for the SMMEs that are accepted within the support during the year of participation.

- ☒ Basic business training on different disciplines, will be funded provided e.g.

etc.) 9.2 Life skills (computer skills; hospitality; artisanship; health and beauty;

9.3 Small Business management

9.4 Financial Management

9.5 Communication.

9.6 Customer care

9.7 Financial management

9.8 Marketing etc.

- 9.9 Training is compulsory for the beneficiaries to ensure capacity building of the informal sector.

The above training can also be done through other stake holders such as SEDA and DESTE in partnership with Moqhaka.

10. ACCOUNTABILITY

- 10.1 Business owners will be required to compile and avail a valid set of financial statements (compiled by an authorised official with a registered Professional Body); e.g., SAICA, SAIPA, ACCA, etc.) to Moqhaka Local Municipality for inspection.
- 10.2 Business owners must inform MOQHAKA LOCAL MUNICIPALITY immediately in writing when:
- The business goes bankrupt
 - The business is for sale
 - Change of ownership
 - Change/resignation of other members (in the case of partnership, cooperatives and joint ventures)
 - The owner loses interest in the funded of business

11. MONITORING

- 11.1 MOQHAKA LOCAL MUNICIPALITY LED official will monitor and advice beneficiaries on a quarterly basis to ensure consistency and stability of the business.
- 11.2 MOQHAKA LOCAL MUNICIPALITY LED official will report to the Director on performance of the funded businesses
- 11.3 The training facility will conduct monitoring and assessment on progress of the new beneficiaries
- 11.4 Impact of the funding will be assessed bi-annually and reported to the municipality.

12. CYCLE OF FUNDING

12.1 During the month of June, there will be invitations sent out for applications thought-out the Municipality.

- In July and August, selection process will commence, whereby applications are assessed, shortlisted and selected.
- The selected applicants will be notified by telephone and in writing (email).
- There will be dedicated application forms which will be collected from Moqhaka Local Municipality.
- The process of interviews, verification of businesses will take place during August and September.
- All selected candidates will sign a contract with MOQHAKA LOCAL MUNICIPALITY; in which the beneficiary accepts the condition that, should the principal/owner of the business close; die; or lose interest in the business; MOQHAKA LOCAL MUNICIPALITY reserves the right to repossess the equipment and hand it over to the other business of similar interest
- When these processes are completed, procurement of equipment will commence

13. PREFERRED BENEFICIARIES

- Previously disadvantaged individuals,
- Operating in an informal sector,
- Turnover not exceeding R500 000.00 per annum,
- Not related to employees, consultants and councillors of MOQHAKA LOCAL MUNICIPALITY (friends; relatives; family; extended family; spouses; direct or indirect related; partners; associates etc.), whomever the municipality assumes and satisfies itself that they are in relation to the beneficiary,
- Be first timers to apply for assistance at Moqhaka Local Municipality,
- Co-operatives will be more advantaged,
- Self-employed or unemployed,
- Disabled – added advantage,
- Youth – added advantage,
- Women – added advantage,

14. THE EVALUATION COMMITTEE

The Evaluation committee is the committee that will be responsible for all assessment, verification, interview and selection of the beneficiaries. This will comprise of the following LED Director, LED officer; Risk Officer, Asset Management Officer and SCM Officer.

15. APPLICATIONS MUST BE RECOMMENDED BY THE DIRECTOR LOCAL ECONOMIC DEVELOPMENT, THE CHIEF FINANCIAL OFFICER AND APPROVED BY THE MUNICIPAL MANAGER

16. REVIEW OF THE STRATEGY

THIS STRATEGY WILL BE REVIEWED EVERY FINANCIAL YEAR.