

POLICY PROPOSALS FOR  
SMALL, MEDIUM AND MICRO  
ENTERPRISE DEVELOPMENT

DISCUSSION PAPER

NOVEMBER 1993

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## EXECUTIVE SUMMARY I

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A group ( )fprafPAXS'LUINILA' (Appendix 1) who xup/mrt the democratic movement, deliberated for

127017th 012 the subject ( )fmtall, mien) and medium 1)u.s'ine.szs' development in (1 post-apartheid dispen-

sation, and arrived at thejhl/(ming mli(rlusinns:

1. The basic assumptions guiding the interpretations of their findings are as follows:

0 That government policies (/0 not\_fm'm a coherent and holistic support system to SMLWEY. When

such support is implemented, it is ft'ugmented. 7711/5 there is (I needfur restructuring, stream-

lining and mionalis'ation.

C The legacy thtpartheid must inform the new policies 0ka (lemnmtic(1/111 developmental state.

2. The group supported the following guiding principles:

SMMES SHALL:

0 operate in an open economy that pmmntes innamtion and is accessible to all.

0 receive support from government and Other secrms to make them pt'Qfesxiortal effective, self-

sustaining and development oriented.

C (11' versl fx their activities and create opportunitiex in (111 sectors and structures of the economy.

0 contribute to the creation of viable employment ( )pparnmities.

0 pmmnte the democratisatinn 0f the South African ecanamy.

0 play (1 critical mle in the protection of the emtimment.

0 work t(M'd/dS the existence of racial and gender balance in gains from a viable ecanomy

.

C contribute to the creation Ufa viable expanding South African econmy.

0 uphold the protection aflahnrr rights.

0 C(mtribute t0 the efficient and effective delivery ( )fpublic sentices us and when engag ed by the

public .s'ectm:

0 operate in an environment which supports and encnm'age.s' exchange among large, small a nd

microenterprises.

3. The reasons for supporting the development 0f SMMEs are as follows:

C The increase in unemployment and decrease in the economyis absmptive capacity affarmal employment, imply that more and more South Ahicans will have to turn t0 selfemployment as

a

means to generate incomes.

0 A thriving SMME envimmment will contribute to the democratisation 0f the South African 6 60110170).

0 Redistribution of wealth can be increased by supporting small bl.t.s'l'/te.s'.s'es.

0 D\_wlamic.s'mall and meditmthrms can enhance the competitivenexs ( )fthe SA economy.

## EXECUTIVE SUMMARY

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- . m. V . . . . . i . . . . . t . . . x . . . . . K  
. t . . . , 5. A . . . s . w . . . s. t. s. N M V M v M W N R M M W W W

4. The policies outlined in this paper are directed at enterprises with the following characteristics:

0 Enterprises with less than 200 employees, a target group, although the main focus will be on enterprises with less than 50 employees.

C This policy targets relatively labour intensive enterprises, that is, those with a capital/employment ratio less than the average for the manufacturing sector (currently around R100 000).

C Enterprises whose growth is limited by access to finance, skills and premises and whose owners originate from historically disadvantaged communities will be the main focus of policy.

0 Private as well as (co-operatively) owned enterprises are included in the target group.

5. Studies on small business development in South Africa give market access for SMEs products as a major constraint to their development. It was agreed that the following policies should be followed by a democratic state:

C Decentralized institutions providing industrial and technical extension services for SMEs can contribute towards finding new markets for SME goods, upgrading the quality of SME products and services, exploring technological options available to SMEs etc. This (lack of) information

prevents the establishment of a service centres for this purpose.

C The efficiency and competitiveness of individual SMEs can be enhanced (considerably) through greater participation in accessing resources - whether gathering information, joint marketing, sharing of equipment or the common acquisition of technology. Policies must therefore create incentives for the development of co-operation among SMEs.

0 Subcontracting represents an avenue for SMEs to market their products, and should be encouraged subject to the proviso that smaller subcontractors strive to build their competitive

advantages on their (bottleneck) and innovativeness, rather than on the basis of cheap and

unregulated labour: Government intervention is required to ensure fair conditions for subcontracting.

0 Trade Policy must be reshaped to eliminate the biases operating against SMEs, so that the

exports of SMEs are promoted. This calls for measures to stimulate and finance SME exports.

C Government Legislation is required in the following areas:

Procurement Policy: an explicit commitment by government is needed to change its procurement policy to source through SMEs as well as large firms.

Protection for Subcontractors is currently excluded from the industrial relations system.

Vulnerable small subcontractors may obtain some measure of protection by government legislation pertaining to unfair trading arrangements is necessary.

Market Reservation: attention must be given to the question of whether legislative intervention

reserving certain products for production only by SMMEs is appropriate for the immediate future in South Africa.

6. The second important constraint identified by studies is the availability of credit. In this regard

policy measures must focus on the following:

0 Banks must be encouraged through various incentives to incorporate SMMEs in their system.

Their application of the traditional credit criteria of character, capability to generate income

and collateral, should be applied in a flexible manner to allow more SMMEs to obtain credit.

0 The NPO community serving SMMEs need to identify methods of becoming more cost-effective

to allow them to reach a wider range of clients. In addition, they must be encouraged to carefully

monitor and evaluate the performance of clients, so that lessons and failures can be internalised.

0 Government intervention is necessary as:

it must put into place a credit guarantee fund

it must consider amending the Deposit Taking Institution Act (DTI Act), to allow NGOs to accept savings of their clients.

it can provide incentives which stimulate the formal financial institutions to service SMMEs,

such as tax incentives etc.

7. The 3rd important constraint appearing in studies on small business development is business

skills and skills with respect to production. Policy should aim at removing or at least make the

constraint less binding as follows:

0 a variety of sector-specific training programmes should be established to develop productive

skills.

0 Productive skills training must be complemented with business skills training. The present

industry training boards are one type of institution whose co-operation must be sought.

Presently these institutions cater mainly to big businesses because they charge high fees.

Government must subsidise fees for small businesses to enable them to participate in the

training programmes.

0 Efforts should be made to ensure that training is organised in a modular form, so that entrepreneurs

can build their skills base with time; and that certificates are issued to allow graduates to

market their skills.

0 The present structure of apprenticeship must be altered so that the current barriers operating

against new entrants are lowered.

0 Trainers must be sensitive to the issue of access to training: when determining the physical

location, language used and timing of sessions, factors such as gender, location and resources of

entrepreneurs must be considered.

0 Co-ordination between the various institutions offering training support for SMMEs is vital if a

consistent approach is to be achieved.

8. The 4th constraint identified by studies on small business is infra-structure - business

premises, water, electricity, sewage, etc.

The group agreed on the following policy measures:

0 That there should be government support for infrastructure development; eg. through public

works programmes.

0 That the government recognise public works to be a major programme of reconstruction because it builds local skills as well as delivering the final product.

0 Flexible zoning regulations need to be encouraged to take into account the needs of small

entrepreneurs to trade near residential areas.

0 Infrastructure must be conceived but more broadly than the provision of physical premises, and

include the building of capacity amongst SMMEs. local service centres providing extension services could play a critical role in helping to build the capacity of SMMEs.

0 Local governments are best placed to implement policies for infrastructure development, as

they are close to the clients. In addition, they have an important role to play in procuring goods

and services from local SMMEs.

9. It has already been stated that one of the assumptions of this document is the lack of a

coherent and holistic support system to SMMEs? The implementation of the existing system is

fragmented and sometimes contradictory. The two main challenges facing a democratic state are:

0 to place SMMEs into an overall framework of economic management through various policies regarding the macroeconomy, budget, legislation, competition and procurement.

0 To shape an appropriate machinery to implement this policy:

to determine which institution is charged with overall responsibility for SMME promotion;

to develop a mechanism to co-ordinate between the various institutions serving SMMEs

to encourage the restructuring of the SBDC, both in terms of its policy approach and its structure.

to develop new institutions, such as the local service centres, where appropriate.

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' EXECUTIVE SUMMARY 1 V

mew,

I 1). A new government needs guidelines as to the sequence and priorities of implementing these

policy proposals. The following sequence and primitives are suggested:

0 Institutional t\_sxs'ues:

i) , Existing iltxtt'tutionx with (I .S'MMEfbeus .Yllc'h SBDC, DBSA, DTI, IDC etc. should be

restructuted.

ii) New institutions such (IS the lneal Service Centres should he developed.

iii) The establishment ()fa moulinating mecham'xm among these imtitutions, with the focal point SMME support clearly located.

0 Regulations

1') There Should be a review aflegix/(ttion (m the establishment Ufa C redit Guarantee F um!

01' scheme easing credit provision to SMMES thmugh the mltionalfinancial system.

ii) A C ircu/ar shau/d be issued by government stating its cmmnitment t0 .murcing certain portions qfits procurementfmm SMMES. Further, the Circular should identify which products government reserved for SMME pmduction.

0 Budgetary requirements

1') PriorityjQN'fimmcial support lies in the pravision qfihh'astrueture for business prem ises,

including the development ()flocal service centres.

ii) After restrucmring Of the SBDC, DBSA, DTI and the IDC, financial dividends' gained by such restructuring implies thatfunding may not necessarily be a pblemfor the budget.

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## 1. INTRODUCTION 1

This paper is the result of several months of research and deliberations by the Task Group on

Small Enterprise Development. The group (see Annex 1 for names (if participants), while having

no formal status, sought to develop appropriate policies to support micro, small and medium

enterprises, with a view to contributing to the debates on economic policy within the mass democratic

movement in South Africa.

The basic assumption of the work is that while the development of micro, small and medium enterprises is not the panacea to the regeneration of the South African economy, it does constitute

an important policy area. Within the framework of an overall macroeconomic policy environment, a coherent statement on micro, small and medium businesses from the democratic movement

is essential. As such, this contribution must be considered in conjunction with the broader

Objectives of macroeconomic policies in up(ist-Apartheid South Africa).

The ideas expressed in this document are the crystallisation of a series of special in-depth studies

which have been conducted for each topic. These are available as annexes to this main report, to

give readers more detailed information regarding the position of small, micro and medium enterprises

(SMEs).

TWO ISSUES INFORM THE BASIC ASSUMPTIONS OF THIS DOCUMENT:

(a) Present government policies do not constitute a coherent and holistic support system for

SMEs. Further, the existing scant policies are implemented in a fragmented fashion, and focus on promoting individual small entrepreneurs rather than creating an environment conducive to thriving and interacting small and medium enterprises. This document stresses the

need for a coherent policy aimed at promoting SMEs.

(b) The legacy of Apartheid deprived the majority of South Africans of viable business opportunities

in the following ways:

I African people were prevented from owning land and houses in urban areas;

I Job reservation excluded Black people from opportunities to develop skills;

I Bantu education restricted opportunities for the acquisition of technical and professional skills by Black people;

I Apartheid confined the majority of African people to Homeland areas;

I Racially segregated residential areas were enforced through the Group Areas Act, uprooting millions from their places of residence and business;

I Segregated markets were created and thus increased the distance between Black residential and working areas.

Policies developed in this document will give special attention to this historical context, and argue

for reconstructive intervention to overcome this legacy.

## INTRODUCTION

The HS REPORT IS DIVIDED INTO 5 SECTIONS:

1. The context within which SMME policies are formulated;
2. Major constraints facing SMMEs;
3. Special Issues related to SMME development;
4. Institutional considerations; and
5. Implementation Priorities.

An executive summary is provided, in which: the target group is defined; the guiding principles for SMME promotion are provided, and the major policy conclusions of the document are spelled out.

### 1.1. HISTORICAL CONTEXT

As stated in the second assumption above, a plethora of restrictions were imposed on Black people by the Apartheid regime. Those in the sphere of economics restricted business development and employment opportunities in the formal sector. Central to the system of Apartheid was the notion that African people were "temporary sojourners in the White cities of South Africa".

This was enforced through the two Land Acts and the influx Control Act which denied African people the opportunity to own land and move freely through the country, while the government

controlled the allocation of business sites and designated the types of business Blacks were allowed to operate in urban Black townships. The Native (Urban Areas) Acts of 1923 and 1945

stipulated that Black businesses could provide no more than the daily consumable essentials such as milk, bread, meat, vegetables, soap etc. Black people were specifically denied the opportunity

to own or operate businesses such as dry-cleaners, bookshops, garages, pharmacies, etc. The

enactment of the Group Areas Act further restricted Black business activity. Black entrepreneurs who had established business sites in areas declared White had to relocate to designated Black

areas, in response to complaints by White entrepreneurs that Blacks were "threatening the survival of their businesses. In 1963, a circular was sent to all local authorities charged with the management and control of townships. The terms of this circular limited Black entrepreneurs to the ownership of a single business. This circular also prohibited the establishment of Black controlled

financial institutions; manufacturing plants and operations; construction and building businesses; and wholesale outlets. Thus Black business licences were restricted to a limited number of businesses, such as grocers, hutchers, fish-merchants, dairy owners and wood and coal dealers. The

underlying purpose of these restrictions on business development and growth was to force business persons to the homelands.

Prior to 1976, Black entrepreneurship was limited to about 25 trades, businesses, and professions

in the urban areas of South Africa. In the late 1970s this was expanded to 52 authorised businesses

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### INTRODUCTION 3

activities. with all restrictions removed in the mid-1980s. The combination of these restrictions have undermined the potential for African people to enter business as equals with other racial groups.

#### 1.2. DEFINITIONS

There has been extensive debate on the subject of explicit criteria to define micro, small and medium enterprises. Our aim here is to avoid entering into that debate, but rather to define the

target population of enterprises for whose benefit this policy document is intended.

For the purposes of clarity in this paper, the following definitions were arrived at to refer to the

domain of micro, small and medium enterprises. These enterprises are defined as independent

economic entities which include those operated by owner managers who are able to form companies,

operate co-operatively and enlist shareholders. An enterprise with less than 10 workers and

which requires R5000 and less for start-up capital is referred to as a micro-enterprise.

Those with

less than 100 workers and requiring less than R500 000 for start-up capital are considered small

enterprises. Enterprises with less than 300 workers and initiated with R2 million or less are

viewed as medium sized.

The policies outlined in this paper are directed at enterprises with the following characteristics:

I Number of workers: Enterprises with less than 200 workers form part of our target group

, although the broad focus will be on enterprises which employ less than 50 employees.

I Capital/labour ratio: This policy targets relatively labour intensive enterprises, that those with a

capital/labour ratio less than the average for the manufacturing sector (currently around R100 000).

I Historically disadvantaged entrepreneurs: Enterprises whose growth is limited by access to

finance, skills and premises and whose owners originate from historically disadvantaged communities will be the major focus of policy.

I Forms of ownership: Private as well as cooperatively owned enterprises are included in the

target group.

Given the above criteria, it is clear that micro, small and medium enterprises are all part of the target

group which we believe warrant support. However, we recognise that promotion of each of these

segments of small business is driven by very different policy objectives, require specific policy

instruments and have very different policy outcomes. Whilst microenterprise support or micro-

lending to self-employed people is largely targeted at poverty alleviation, support for small or

medium enterprises is driven by macroeconomic concerns, such as enhancing the competitiveness

of the economy, the provision of accessibly priced consumer goods for the poor and job-creation.

## INTRODUCTION 4

As the locus of policy is to ensure growth of micro, small and medium enterprises, it is suggested that the term "small business sector" is neither useful nor accurate and that enterprises are better conceived as plotting an economic continuum along which they graduate as they prosper (see Annex 2 on Business Ladder).

### 1.3. MACRO FRAMEWORK

#### 1.3.1. Macroeconomic Performance

One of the preconditions for an environment conducive to the development of micro, small and medium businesses is that there is economic growth. In the South African context, however, it is essential that the patterns of growth engendered in the post-Apartheid period contribute to both regenerating the economy in general, as well as restructuring industry and distribution of wealth and assets. This baseline survey of major indicators is intended to illustrate that, while large firms have undoubtedly felt the effect of the general economic decline since the mid-1970s, the impact on micro and small firms has been even more severe.

Annex 3 of this document shows that the growth rate of the South African economy slumped during the mid-1980s and has been negative since 1990. As can be seen from the data, the only exception to the generally sluggish growth performance since 1975 was in the period 1980-81, when the growth rate peaked at 6%. However, this sharp increase was induced only by a sudden increase in the gold price. That the gold price alone had such a sharp impact on the growth rate indicates the extent of the domination of primary production in the economy. Overall, the contraction of growth rates is an indication of the shrinkage of production levels which is partly due to the contraction of demand. Because the majority of small enterprises in South Africa are concentrated in retailing, contractions in demand have a proportionately greater impact on smaller firms. Further indications of South Africa's poor economic performance are evident in the declining savings and investment rates, both important growth variables. The growth rate of investment fell from 8.5% during 1970-74 to -2.4% and -3.3% in the years 1982-84 and 1985-91 respectively. Investments as a ratio of GDP fell from 28% in 1975-79 to 20.2% in 1985-91. This fall was matched by a similar decline in the savings rate, which fell from 26.1% in 1975-79 to 22.3% in 1985-91. This decline is significant not just because of the impact on the economy, but also because patterns of investment were skewed towards large capital intensive projects (contributing towards higher unemployment). In addition, manufacturing output fell in some industrial sectors which are the major sources of goods for small retailers. For example, food, beverages and tobacco, which accounted for 15% of all manufactures in 1970 fell to 14% in 1991. Textile and clothing fell from 13% in 1970 to 8% in 1991. Similarly, transport equipment increased from 17% in 1970 to 18% in 1991. No doubt, part of the decline in demand is due to the consistently high inflation rates since the mid-1970s. The inflation rate which averaged 15% between 1975-91, has only recently fallen to a single digit level of 9.6%.

High real interest rates (currently 10%) (M), which creates a pressure on hmw, in combina-

tion with the generally poor economic performance outlined above. have contributed to a hostile environment for micro and small enterprises.

### 1.3.2. Industrial Structure

Two features of the current industrial structure serve as constraints in the emergence and dynamism

of SMEs: One is the high level of concentration in the South African economy, which reinforces

the already high barriers to SME entry into many markets.

A second feature of the industrial structure which constrains SME activity is the low levels of co-

operation between large firms and SMEs. Instead of SMEs being valued by the large firms as

complements in the latter's competitiveness - as is the case in many other economies - SMEs are

typically regarded as sources of cheap and inferior quality goods and services, unreliable and hence

unnecessary to the large firms' efficiency. International experience informs us that in

South Africa

firms are to become internationally competitive, this is one relationship that may require restructuring

to allow for a more co-operative dynamic.

### 1.3.3. The Global Environment

The world economy is undergoing major changes. characterised by new methods of production, flexibility of labour and work organisation, use of new flexible technologies, the opening up of

markets, and the realignment of international trade blocs. This globalisation of the world economy

has an impact on all countries in the world, without exception. This process, combined with South

Africa's attempt to move to a more open economy, implies that South African firms are likely to be

more vulnerable to international competition. Therefore, policy at macro and micro level will need

to strengthen SMEs in particular, if they are to survive this competition.

Moreover, individually organised South African SMEs would have to overcome their structural

limitations if they are to successfully compete with other SMEs and multinationals. This implies

that networking and co-operation amongst SMEs will enhance their potential to compete effectively.

1.3.4. Regulatory Framework

Although the 1991 Business Act removed almost all legal restrictions with regard to the establishment

of businesses, a proactive and coherent policy regulatory framework for micro, small and

medium businesses is conspicuous in its absence. Government attempts to promote small businesses

through the Small Business Development Corporation has not met with much success. (See section

4 below).

Given the death of micro and small manufacturers. government support and incentives to promote

manufacturing is needed if these firms are to supply not only the domestic market, but also international

markets. Yet current economic policy is striking in its failure to provide incentives for the

development of SMEs, and its focus on protecting the interests of large established economic

## ' INTRODUCTION 5

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units. Industrial and trade policy is heavily biased in favour of protecting large business: export  
assistance has largely benefited large firms. since the structure of such programmes assumes that  
firms possess the prior knowledge. financial and marketing infrastructure essential to export - an  
assumption which does not apply to most SMMEs. By discussing on national trade policy instruments,  
the government has failed to adopt a proactive approach to the promotion of SMME exports -  
whether these be encouraging the establishment of exporting houses or pre-export credit facilities -  
and in general has failed to stimulate the type of environment in which SMMEs could grow.  
By failing to adequately implement competition policy, the government has reneged on its responsibility  
to not only protect SMMEs from unfair competition, but to promote this sector. Competition  
policy will need to be much more active in its defence of SMMEs, but a precondition for this is the  
development of a clear industrial policy and close interaction between industrial and competition  
policy.  
Government technology policy has also been criticised for neglecting SMMEs: a recent investigation  
into the state technology institution - the CSIR - argued that one of the main weaknesses of the CSIR  
was its failure to address the technology needs of SMMEs, and its almost total focus on servicing  
large economic interests.  
One of the most devastating effects of Apartheid town planning has been the creation of townships  
which are virtual wastelands. The physical environment of these townships - in which most Black  
entrepreneurs are forced to operate - constitutes a serious impediment to the growth of small Black  
businesses. This must be addressed through a comprehensive programme of upgrading township  
infrastructure.  
Although explicitly racist regulations restricting Black economic activity have recently been lifted,  
we cannot underestimate the damage caused by decades of such legislation. This generates an urgent  
need for action to redress this harm. The role of government agencies - in addition to other  
developmental  
ment agencies - in addressing this issue is clear.  
Finally, it must be recognised that small enterprises alone are not capable of generating jobs on the  
scale required by the South African economy, neither can we guarantee that the jobs that are created  
are socially desirable. Accordingly, it is vital that serious policy attention is placed on other agents of  
employment creation, namely, the manufacturing industry (both the restructuring of declining sectors,  
and the stimulation of new sectors); agriculture; aspects of the service sector (in particular,  
growth segments such as tourism); and the public sector (through public works programmes).  
Fortunately, there is already a great deal of policy research and planning around these issues, and  
policy discussion in the arena of SMME development must be informed by these debates.

## INTRODUCTION 7

### 1.4. WHY PROMOTE SMMES?

#### 1.4.1. Employment Creation

The South African economy has been characterised by a formal sector unable to absorb the increasing numbers of entrants to the labour market. The Table below illustrates the sharp fall in

the absorptive capacity of the formal economy over the last thirty years. The FCSUll has been

growing unemployment, resulting in the proliferation of microenterprises.

The capacity that these enterprises have to absorb excess labour and to generate new employment

needs to be examined. The notion that small businesses are a seed-bed of prosperity in an economy is somewhat misplaced as it has been established that the majority of microenterprises

in South Africa fail to provide even the minimum subsistence income for workers and owners.

Because of this, support for small business must be accompanied by the following policies:

- pro-moting greater use of labour intensive techniques - where appropriate - by all businesses;

- promoting more beneficiation of indigenous primary materials in the interests of manufacturing

employment; creating a macroeconomic environment in which firms of all sizes co-operate as

they compete, and thereby promote balanced economic growth.

#### TABLE 1

Changing absorptive capacity of formal Employment In South Africa, 1960 - 1990

AVERAGE AVERAGE AVERAGE

ANNUAL ANNUAL ANNUAL

INCREASE IN INCREASE IN ABSORPTIVE

WORK FORCE FORMAL CAPACITY

EMPLOYMENT, OYMTOTAL (PERCENT)

1960 - 65 194 800 157 600 80.9%

1966 - 70 222 000 144 800 65.2%

1970 - 75 318 200 155 600 48.9%

1975-80 3775400 101600 27.1%

1980 - 85 384 800 67 600 17.7%

1985 - 90 392 600 33 000 8.4%

Source: World Bank: Characteristics of and Constraints Facing Black Business in South Africa: Survey Results, 1993

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### 1.4.2. Poverty Alleviation

Income redistribution is a laithcr and critical objective of small business development. Since the poor in South Africa cannot afford to be unemployed. it is in marginal economic activity that they take refuge: Recent estimates put the number 011 black people eaming an income from I'inibtmalii activities (working for own account) in 1990 at over 2 million, yet more tha n 85% eam less than R1000 per month. These IIcontrepreneursi' - most of whom are self-employed, employing no more than one or two employees - are clearly unlikely to make a substantial contri- bution to enhancing the competitiveness of the South Afiican economy, particularly since most 01' these activities are in marginal, low-value activities directed at low income consume rs. The objective of suppmt for these groups 011 individuals is very different from that motivati ng suppon for potentially dynamic entrepreneurs - whilst the latter is intended to stimulate econom ic dynamism and competitiveness, the former is driven by more basic developmental objectives :

creating the conditions for poor people to generate income for housing, education and foo d. In our view, it is this role Of meeting basic needs which ought to lie at the root of micrO- lending pro- grammes which grant vety small loans to poor, marginalised people. In the context of the alanning decline of jobs in large firms, and the devastating poveny per- vading South African society, the issues discussed above provide adequate justilication f or the provision of state resources - as well as of private sector resources - for small enterpr ise develop- ment

### 1.4.3. Democratising the South African Economy

Many South African SMMEs have historically been marginalised from the mainstream of the economy, both because of the sttucture 01' industty and the role of the government. The do mi- nance of the large conglomerates over the economy is widely recognised: About 90% 011 the asset value of the Johannesburg Stock Exchange is controlled by 6 comorations; a 1977 commissio n looking into this found that the three largest lirms accounted for over 70% of sales in 5 8 of a total of 181 manufacturing sectors. Because of oligopolistic collusion and single firm dominati on of many product markets, SMMEs have been denied access to many markets. Such conditions clearly places SMMEs in a vulnerable position. and undermines their capacity to be compet itive and to contn'bute towards economic growth. The failure of government to create conditions which stimulate SMMES is also well-known - industrial incentives are explicitly biased in favour of large c(iiporations, and were designed to implement grand Apartheid policies (such as the decentralisation policies which soaked up massive amounts of public money, but were never the- less doomed to failure); trade policies are designed to protect large producers, and cred it control discn'minates against SMMEs. In addition, the key institution created by the state for sm all busi- ness promotion (SBDC) has had a marginal impact on small businesses. What this suggests i s that the imperative Ofcompetitiveness wan'ants urgent action by the state to create the c onditions



in which SMMEs may become more dynamic, and help to grow the economy.  
There is a much more cogent rationale for small business development in South Africa - as  
a  
vehicle for redressing the systematic discrimination governing Black access to economic power.  
Whilst we need to be cautious of pigeon-holing Blacks entrepreneurs exclusively as small business-people, it is through small businesses - for which the entry requirements (in terms of capital, skills, contacts, experience) are lowest - that most Black entrepreneurs are able to penetrate the economy. The entry into business of significant numbers of Black entrepreneurs plays a vital role in facilitating economic equity and redistribution of wealth in South Africa, potentially undermining the identification of race with economic function. The barrage of restrictions which continues to govern Black access to capital, skills, and business experience calls for a concerted effort to create the conditions which might facilitate the growth of more Black-owned enterprises.

## 2. CONSTRAINTS AND POLICIES 10

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### 2.1. MARKETS FOR SMME PRODUCTS

#### 2.1.1. Constraints

For any business to survive, it must have either an existing or emerging market for its products and services. In South Africa, where markets are flooded with goods from a few multinational

large numbers of micro and small enterprises are continually to be found and uncompetitive markets. Where market barriers are high, special support is necessary for small business to enter, develop or survive in these markets.

Considerable resources have been wasted in efforts to develop small business manufactures without first defining the market for their products. The outcome is predictable: the products did

not respond to consumer needs, tastes, standards, quality or pricing. The second problem revolves around maintaining a profitable position in the market once access has been gained.

Very few institutions exist in South Africa to assist SMMEs with market research, and attention

must be given to developing such institutions. These may be shaped along the lines of agricultural

extension services, providing industrial and trade extension services.

#### 2.1.2. Policies

Several policy avenues are available to address these constraints: providing the institutional back-

up for SMMEs to identify and enter into new markets, diversify their product ranges, update their

technology; encourage SMMEs to co-operate with each other and with larger manufacturers to

reach new markets. In the following section of the paper, we explore the policy options available

for South African SMMEs seeking to access markets. As will be seen, policies need to address

the full spectrum of SMMEs from the more marginal microenterprises to more dynamic small and medium firms.

#### i. Policy promoting SMME entry into new Markets:

The Trade Policy: Current trade policy provides incentives for the export of manufactured goods,

but has thus far failed to stimulate exports of SMME products. This is largely due to the nature of the current trade policy, which sets as its specific objective the removal of anti-export

biases, but which assumes (erroneously) that all firms have the incentive to export once

these biases are removed. If SMME products are to successfully penetrate export markets, it is

necessary that there is close integration of trade policy and industrial policy. In addition, there

appears to be an important role for export promotion agencies such as the South African Chamber of Trade and Industry (SACI), which is supposed to promote the export of products of firms of all sizes, but which has thus far failed to promote the exports of significant numbers

of SMMEs.

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SMMEs diversification into newer, less crowded markets, new product ranges and so on, Access to training and R&D facilities is a prerequisite for this but SMMEs are usually in a

SMMEs impose severe constraints on their ability to produce on the scale that they often need.

llicsc problems arc cmcrging intunationally. Esscntially, thcsc new approaches ccntrc arc und

in Order 10 provide themselves with goods and services which they could not afford individually.

Evidencce can already be found of this type of co-Opcration amongst microcntcrpiiscs sucki  
ng

I Export Assistance

Setting up such facilities could not be borne by SMEs, the state would have to contribute towards financing this.

cial institutions provide prc-cxport credit to producers on presentation of certificates of expon.

responsibility for implementation of many of those policies.

a) Market Reservation: Policy-makers must consider the role that government may play in influencing big business to network more closely with SMMEs, particularly to source increasing proportions of their goods and services from Black subcontractors. These measures

limited period during which it should be enforced.

government allocation of contracts. Public contracts - at all levels of government, including

As suggested elsewhere in this document allocation of contracts should be biased in favour of

labour-intensive techniques, where this is possible and appropriate. However, further support is

needed to assist SMMEs in submitting tenders for contracts, as the bureaucratic procedures are usually overwhelming for unsophisticated entrepreneurs.

c) Protection for subcontractors: Given the vulnerability of the smaller subcontractors - presently excluded from the industrial relations institutions - government protection of these operators must be considered. In Korea, for example, the Fair Transaction in Subcontracting Act was passed to redress the disadvantages facing SMMEs entering into subcontracting relationships with more powerful large firms.

ii. Policy pertaining to subcontracting:

Because the dominant subcontracting culture prevailing in South Africa is one of unequivocal exploitation - of the subcontractor by the subcontracting principal, and of labour by employers - policy needs to address itself to restructuring this relationship, so that it is mutually beneficial to both subcontractor and principal.

Whilst the current reality in many industries is that subcontracting continues to be based on wage repression, policy must be directed at transforming the basis on which subcontracting takes place, to allow small firms to contribute towards the South African economy's greater competitiveness, as has been shown to be possible in several other country contexts.

The subcontracting culture which emerges in South Africa should be one which does not underpin the disadvantaged and vulnerable position which many small Black subcontractors - and their employees - currently occupy, but one which seeks to build SMMEs' competitive advantage on the basis of their employees and owners' skills, and their ability to identify and penetrate niche markets and products.

This approach can best be effected through a range of institutional interventions - at local, regional and national government levels, as well as big business, trade union and NGO policies.

It must be recognised that the adoption of such a strategy requires public and private investments - since SMMEs cannot individually be burdened with developing new technologies, training their workforce, and raising capital - and implies risks - both at the level of the SMME and the investors.

## 2.2. CREDIT FINANCE

### 2.2.1. Constraints

The availability of credit is identified as a major constraint to the development of SMMEs, and in particular to Black businesses. The latter are denied access to capital largely because they fail to meet the following criteria: collateral, demonstrable business acumen, and character.

## CONSTRAINTS AND POLICIES

(One of the most common explanations for Black entrepreneurs lack of access to credit is inadequate collateral. Until my recently, Blacks were not allowed to own land in urban areas, and subsequently few Blacks acquired any long owned property which is most suitable as collateral. This historical legacy suggests the urgent need for financial institutions to consider alternative forms of collateral, as well as greater flexibility on the issue of collateral. The second obstacle to Black access to credit is their inability to demonstrate business acumen via formal documents such as business plans, cash flow statements and so on. Without these traditional yardsticks, banks and other financial institutions have no way of measuring the performance or capacity of a firm. Black business people encounter further problems when it comes to banks making character assessments of them. All financial institutions have White males in important decision making roles. The cultural and information gaps between these White males and illiterate or poorly educated African men and women are so wide as to make it impossible for the banker to begin to make an informed character assessment of the client. Although it is difficult to estimate accurate assessments of the provision of credit to Blacks, the Table overleaf attempts to do this. 81% of total credit given by financial institutions in 1990 was allocated to the White community, while 5%, 6% and 7% was allocated to Coloured, Indians, and Africans respectively. As regards credit from banks, 90% went to Whites, whilst Africans received only 2%, Coloured 3%, and Indians 5%. Building society loans went mostly to Whites, who received 82%, while Coloureds and Indians received 7% each, and Africans just 4%. (One) in the hire-purchase category did Africans receive 25% of the credit, although Whites still dominated with 60%. The bulk of African credit originates from stockpiles. The diversity of constraints found in the small business sector implies that the financial needs of small businesses will be equally diverse. Thus start-up capital is often required by the most vulnerable entrepreneurs, who lack even meagre resources to generate capital to initiate a business. Problems relating to working capital tends to affect business of all sizes and at all stages of development, particularly since their most urgent needs are often for short-term, immediate capital which can be rapidly repaid. Loan sizes for this purpose are variable, depending on the nature of the business activity - some businesses require substantial inputs of capital, whilst others require minute injections of capital (micro-loans). Inadequate capital for expansion or investment (for equipment, expanding the scale of operation of the enterprise, etc) affects Black businesses in particular, since they tend to lack substantial collateral to qualify for formal loans from the financial institutions, and in addition, rarely demonstrate the dynamism which would attract venture capital investment.

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TABLE 2:

Credit extension to individuals by race groups

1990 (in millions of Rand, share in category in parentheses)

W C I A

Advances by building societies

19149 1681 841

82%) (7%)

Loans and credit by banks (extho companies and farm enterprisw)

34060 1135 1892

(90%) (3%) (5%)

Hire-purchase 745

(10%)

57678

(81%) (5%)

Source: S . van der Berg: Blacks in the South African Economy, October I 992, AIPA

2.2.2. Current financing mechanisms

There are cunently a number of sources of capital for SMMES: some commercial banks have lending arms specifically targeting SMMES; government agencies such as the Industrial Development Corporation and the semi-private Small Business Development Corporation (SBDC) provide capital to SMMES; many development agencies such as NGOs service SMMES; and the phenomenon of informal lending is widespread throughout communities in the country. Unfortunately, inadequate information exists to evaluate the impact on small bus inesses

of these programmes - indeed such an evaluation is urgently needed in South Afrn'ca, both at a

macro and programme level. The followin g are some criticism of cument attempts to meet s mall

business financial requirements:

I Loans by the key institutions dealing with small businesses - in particular the SBDC - tend to

reflect their risk-aversion: capital is allocated according to strict economic cn'teria - business

plans are required to reheck high expected profits, substantial collateral is required, b iasing the

system in favour of secure businesses who are potentially able to access capital from the formal financial institutions, and excludes the more vulnerable enterprises. This is evid enced

by the fact that the average size of loans granted by the SBDC in 1991 was R49 911. A credit guarantee fund (CGF) has been set up by the SBDC and Standard Bank, but it suffers from the same weaknesses as other loan programmes administered by the SBDC: it is estimated that the average size of loans guaranteed under the COP is over R173 000; the entrepreneur must provide collateral worth 20% of the loan, as well as 10% equity. According to the

Standard Bank Small Business Unit, the vast majority of loans guaranteed under this fund (70%) were awarded to White entrepreneurs. In addition, public funding for this fund is far too modest.

Most banks and financial institutions in South Africa tend to be relatively inaccessible to small business people, illiterate, and non-English or Non-Afrikaans speaking people, raising yet another barrier against Black entrepreneurs.

Most programmes run by NGOs tend to recruit a very small number of borrowers, thus not only are relatively insignificant numbers of entrepreneurs being assisted, but the organisation administering the loans fails to achieve the spread necessary for it to break-even financially.

Lack of co-ordination between NGOs delivering credit to microenterprises: the NGO environment is pervaded by strong perceptions of competition, resulting in a stark lack of co-operation and joint strategising, and failure to share information by NGOs operating in the same field

Thanks to government regulation forbidding NGOs from being deposit-takers, almost all institutions granting finance to small businesses are exclusively lending institutions. This prevents NGOs from benefiting from the savings of their clients, and becoming self-sustaining - instead transferring these benefits to the formal financial institutions.

#### 2.2.3. Policy proposals for financing

This section of the paper outlines the areas in which the major players in the field of small business development may need to restructure their policies. Some of these proposed policy amendments are able to be implemented without much delay, whilst others require extensive long term consultation and networking before consensus is reached.

#### LANGOS

As many of them already recognise, NGOs should try to become more cost-effective, so that they are able to serve a wider number of clients. At present, the limited number of clients serviced by NGOs fails to justify the high administration costs borne by them. Evaluating their cost structures to eliminate inefficiencies may contribute towards this, as will a system which combines loans with clients savings. Whilst these measures will not lead to a situation where NGOs are self-financing, it will facilitate more efficient use of grants and loans handled by NGOs.

It is generally accepted that recipients of loans must be equipped with the basic skills essential

## CONSTRAINTS AND POLICIES

to manage the loan. It is thus necessary that NGOs establish systems to test this ability - such as a basic financial management proficiency test - so that loans to clients lacking these skills are accompanied by basic business management skills. and times between application and approval of loans must be shortened, so that small loans. as well as loans required for their use can be easily accessible. This is particularly relevant to larger credit-giving institutions (such as the SBDC) whose bureaucracies tend to move too slowly. NGOs should strive to develop a culture of evaluation, so that lessons can be internalised and mistakes corrected. In addition, careful monitoring of loan recipient businesses could offer many lessons to NGOs and strategic assistance to ailing businesses could greatly enhance the usefulness of loans. The issue of appropriate interest rates is a critical one in the development field. with analysts split on the question of whether interest rates should be subsidised or not. On the one hand, it is argued that access to credit - rather than the cost of credit - is the most urgent constraint facing poor people, and that cheap credit limits the scale of lending, excluding more people from accessing loans. Flowing from this analysis is the argument that interest rates should be market related, allowing more people access to credit. Research commissioned by the Community Bank Project recently showed that poor people in South Africa are prepared to pay above-market interest rates for credit. The contrary argument is premised on concerns over equity - that the poor have to pay higher prices than the rich to access capital - and recommends subsidisation of loans to the very poor. A consensus on this issue is vital for the emergence of a coherent strategy on small business support.

ii. Formal banks:  
It is imperative that capital from the formal banks becomes more accessible to small businesses. Banks must thus be persuaded to change their policy regarding loans to small businesses, as well as to NGOs servicing small businesses. By using NGOs to mediate between banks and borrowers, they can reduce transaction costs - one of the major constraints cited by banks. Both incentives and sanctions must be used to encourage this change of policy required of the banks. Incentives may take the form of tax breaks for banks administering successful loan programmes for SMMEs; the allocation of government business for participating banks. However, sanctions may need to be resorted to: An example of legislation to force banks to lend is the Community Reinvestment Bank Act of the USA - in terms of this act banks are obliged to reserve a proportion of their loans for SMMEs. Similarly, the Korean government stipulated that a proportion of corporate loans from local and commercial banks must be allocated to SMMEs.



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I Information services may be considered to be an effective way of channelling information on

the financial needs of SMMEs to the banks, since lack of information is often argued to impede bank lending to SMMEs.

I Those banks which do cater to SMMEs (particularly to microenterprises) must establish new

styles of relating to their clients, moving away from impersonal arms-length relationships

between banker and borrower. This requires fundamental changes in the corporate culture of banking institutions. Thus, for example, bank policy must be amended to allow for non-tan-

- gible forms of collateral to be recognised (eg, debt owed in stokvels; credit history of applicant), and the use of character-based assessments of applicants. The banks need to also address

practical problems encountered by small entrepreneurs - banks' locations (usually far from the

business premises; hours of business (invariably unsuitable to a one-person business); language spoken by staff - to facilitate greater access by small business people.

I The DBSA is a major player in the field in the small and medium business development, and a

thorough evaluation of its current and potential role and impact on small business is required.

I The future Community Bank is likely to play a major role in lending to SMMEs, since its structure and organisation appears to be one in which the relationship to clients is characterised

by a new culture of valuing clients and their contribution to building the bank.

i. Government role:

I legislation governing the following must be amended:

- receipt of deposits by NGOs, to allow NGOs to become deposit-takers

(DTI Act must be amended);

- Usury Act may need to be modified to allow higher interest rates - at present the

Usury Act places a 32% ceiling on interest rates, which inhibits cost recovery by

lending institutions.

I The practice of red-lining by banks - whereby occupants of certain districts occupied by

Blacks are excluded from receiving loans - must be challenged, and legislation must be considered to prevent this.

I The Post Office system in South Africa has a relatively well developed infrastructure and

should be considered as outlets to not only collect the savings of SMMEs but also to allocate

loans.

I The state must establish a guarantee fund for SMME loans.

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### 2.3. TRAINING

This section of the paper takes into account that a great deal of research and debate is being undertaken on the issue of a new training policy for South Africa, and does not pretend to supply all the answers pertaining to training for SMMEs. What it offers are some principles and concerns to guide thinking on training policy for SMMEs.

#### 2.3.1 Skill Constraints

Until 1979, African workers were legally inhibited from acquiring artisanal training, thus very few skilled artisans are to be found in African communities in South Africa. Despite this legislation being revoked, Africans' lack of access to skills training continues to be one of the main reasons for the meagre number of manufacturing micro enterprises to be found in South Africa.

Even those entrepreneurs who happen to possess a skill find that this tends to be insufficient:

One of the major problems facing entrepreneurs is that they need to be able to perform a range of different functions in their businesses - to be managers, production workers, quality controllers, marketing agents, and all the other responsible positions entailed in running a business. This need for multi-skilling represents another constraint affecting small businesses.

Because Blacks have historically occupied the lowest rung in the business hierarchy, there are very few Black managers. This serves as an impediment to Black business in at least two ways:

Firstly, there is a smaller pool of skilled black managers from which entrepreneurs may emerge; and secondly, there is a limited management tradition on which Black entrepreneurs can draw.

Any observer passing by a group of microentrepreneurs will immediately notice the high numbers of entrepreneurs producing for or trading in any given market. Whilst most entrepreneurs realise the need to diversify into new product markets, inadequate skill prevents this occurring on a significant scale.

The scale of the current economic crisis is such that it is no longer sufficient to be solely concerned with equipping individuals with new skills. Rather, it must be recognised that large scale retrenchments makes it necessary for employed workers to be re-trained and/or have their skills upgraded - either for self-employment, or for deployment in another industry.

#### 2.3.2. Current situation

The current structure and content of the South African education system does not equip school-leavers with immediately useful skills: vocational training is not easily available, and the culture of self-employment is not fostered. Given the reality that unemployment is likely to remain high in the foreseeable future, this appears to be an irresponsible approach to the nation's education.

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The danger of oversupplying the market with large numbers of people trained in a limited range of skills is present in many of the training programmes currently available to small business: standardised courses in a small number of sectors are offered widely, concentrating the problem of vicious competition between undiversified producers. To avoid equipping people with skills for which there is little demand, training should be directed to small businesses needs to be based on sound analyses of demand prevalent in the economy.

The appropriateness of lending institutions acting as educators must be addressed, since training given by financial institutions tends to be focussed on the financial aspects of training, instead of a more holistic training approach. In addition, it could be argued that combining the two functions imposes a contradiction on the relationship between the client and the lender: the trust placed in the institution advancing training and other support may be compromised by the (arms-length) relationship the lender needs to foster in order to secure a loan repayment.

Technical courses that are offered must take into account the applicability of skills acquired - this applies particularly to technology, and care must be taken in ensuring that technology is appropriate to the conditions in which the individual will be operating.

### 2.3.3. Policies

#### i. Technical Training:

**Sector-specific:** where possible, it is recommended that technical training courses are designed to be sector-specific, taking into account differences between the needs of entrepreneurs in the manufacturing, commerce, service, and construction sectors. This applies to management training as well, especially since we have noted the problem of business training courses being biased towards trading activities.

**Portable Skills:** Training courses should be structured to allow for acquired skills to be portable, so that graduates can easily transfer them to other occupations.

**Modular training:** Training must be structured to take into account the time constraints experienced by entrepreneurs, thus the use of modules is recommended.

**Prior Learning:** It is vital that training courses recognise the prior learning of entrepreneurs, which can easily be ascertained by competency tests.

**Integrated industry training:** It is also recommended that technical training for SMEs and microenterprises be integrated with general industry training, so as ensure that skills acquired

by individuals in small businesses are relevant and transferable to the rest of industry.

**Coordination:** It is widely recognised that there is no co-ordination amongst the institutions

offering training for SMEs - it is essential that agencies providing training in the public, private and NGO sectors co-operate in the provision of skills for SMEs. The Regional

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Development Fora in the various regions oli the country scum to ho appropriute agencies f  
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facilitating such co-opcrulion. In addition. cwopcrution hctwccn lnding agencies such as  
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rowers.

I Certification: It is imperative that individuals who giuduutc from training courses arc  
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Department of Manpower: (i) fund 11 national exercise evaluating all courses oll'crcd to  
SMMEs (using not just course conlcnt hut assessments ol' the impact of the course on grad  
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atcs businesses to evaluate the course); and (ii) grunt rccognition to those courses cons  
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to be valuable.

I Apprenticeships: The present system ol' apprenticeships needs to be examined, since its  
structure - particularly the high requirements for cntry \_ scwcs to cxcludc large numbers  
of  
potential entrants to indusuics, especially Black workers. Recommendations arc required h  
cm.  
I Accessible Training: Training programmes must be designed to take into account language  
and literacy hunicrs, thus the use of audio-tupcs may be a useful training aid. Physical  
accessi-  
bility is also an important consideration, since the location of training centres dctcrmi  
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whcthr women who art: forced to work at home because of thcii' child-care responsibilities  
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and people located in pcric-urhun and rural urczts got access to training. This provides 1  
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argument for the use oli mobile training units.

I Access: At present, access to training in the industiy training boards is dcpndent o  
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ii. Recommendations pertaining to Management Training:  
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## CONSTRAINTS AND POLICIES

providing business training to SMEs.

It will be the case that our recommendations on training to SMEs are still relatively superficial - this is largely due to inadequate data on the nature and characteristics of the current supply

of training to SMEs. While this clearly suggests that a thorough review of training for this

sector must be undertaken.

iii. Institutional Issues relating to Training for SMEs:

Industry Training Boards:

The structure and organisation of the industry training boards is such that it serves the interests of

the large firms exclusively - representation on the boards is dominated by large firms, and access

to training is dependent on the payment of fees. This clearly excludes SMEs - and those who

are unemployed, self-employed or working in the public sector outside of the industry - from access to training. We

suggest the following:

1. That SMEs must be represented on the industry training boards - where possible - so that

their interests are reflected in the design and implementation of training for each sector. It is

recognised that the current present structure and culture mitigates against SMEs receiving

sufficient attention. but it is urged that the creation of a parallel structure responsible for the

training requirements of SMEs - implying segregated skill acquisition between those in the

larger firms and those in SMEs - risks the further marginalising of SMEs.

In line with the proposals emerging from the SATU on the issue, it is recommended that the

boards adopt a modular system of training, so that workers and entrepreneurs can acquire specific

training in the fields and all the areas they choose.

1.1:

The boards should accommodate and encourage communities to submit courses (designed by

the communities themselves) for accreditation by the boards. The Department of Industry - which ought to be the government department protecting the interests of SMEs

- should monitor and discipline those boards which are not playing this role. Technical Colleges, technikons, University Small Business Units:

Technical colleges are best placed to cater to the technical needs of individuals in the SME sector as well as those seeking entrance - courses are practically oriented, take into account

time constraints of students, and allow for multi-skilling of graduates. This, as is well known,

these remain highly racially stratified institutions, catering largely to the needs of Whites, and

serve only a small fraction of the population. Financial constraints appear to be one of the

major constraints inhibiting the entry of Blacks from entry, suggesting the need for larger student

grants for students requiring vocational education.

Very little is currently known about the role, structure and capacity of the University Small

Business Units - this is an issue which requires further investigation if they are to play a more

useful role in skills transfers.

## 2.4. INFRASTRUCTURE

### 2.4.1. Constraints

Apartheid legislation effectively prohibited industrial activity in the Black townships of South Africa. Thus the little industrial activity which existed operated illegally in township backyards, often under dangerous and crowded conditions. Although government policy towards Black business changed in 1980, this change was not accompanied by concomitant provision of premises and other support facilities. The combined impact of township zoning regulations, years of suppression of Black business activity, and ineffectual local government support for entrepreneurship ensured that economic activity took place only on a very limited scale. Research recently conducted on micro-enterprises found that access to premises from which to work presents a serious constraint to the growth and stability of many enterprises, particularly manufacturers, whose operations require relatively developed infrastructure, such as telephones, electricity, storage facilities. Until 1980 no industrial parks or hubs were to be found in or near the townships, and those that have been built suffer from many deficiencies. These constraints are compounded several times over in rural and peri-urban areas, as well as the many emerging urban informal settlements, where not only is the lack of premises for industry a serious problem, but equally serious is the lack of general infrastructure such as accessible roads, functioning communication systems, and electricity. The serious constraint that lack of electricity alone poses is illustrated by the recent estimate that 20 million South Africans do not have even domestic electricity.

### 2.4.2. Current situation

Very few institutions offer premises and general infrastructure to small businesses, with most of the industrial parks and hubs being established by the SBDC. However, many of these industrial parks suffer from serious limitations, such as inaccessibility, hazardous health and safety conditions, and high turnover of clients. The location of these industrial complexes is also controversial, since those which are located in the townships are criticised for locking entrepreneurs into poverty-stricken Black markets. Policy discussion on the provision of infrastructure for small business still tends to concentrate largely on business premises, to the neglect both of other physical infrastructure - such as roads, electricity, water and telephones - as well as non-physical infrastructure, such as the establishment of business networks vital for successful entrepreneurial activity.

### 2.4.3. Policies

The scale of deprivation of Black businesses is but one aspect of the severity of Black economic disempowerment. To promote the development of Black businesses, the state will have to contribute resources for the provision of business premises. In line with current government policy,

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opportunity for state tlcprtments to boost Black business by allocating tcndcrs to Black  
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cess. It is recommended that hcncliiciuiy cmmunitics participate at itll levcls of the p  
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and implemcnution of public works pmgrummc. This, of course, inclutlcs l0CLll cntrcpir-  
ncui's participating in dccisitm making about the location of businesses and the types of  
premises and services which will best scrvc their nccds. This will ensure the. maximum tl  
cvcl-  
opinental gains lor the community as mcmhcrs will rccciivc technical, administration and  
management training, llnd local contractors will be developed ovcr the duration of the C0  
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ti'uel. As civil constmction contracts sometime spam up to five years or longcr, thenc wi  
ll be  
enormous potential for people, to acquire and itl'inc their skills. Thus the capacity of  
local  
people to administer services in their own areas and for contractors to operate. as indcp  
cntlcnt  
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The piimztry intention olisuch llll approach is to cnsure that development pmjcts ztssis  
t people  
l0 take gi'cutcr control Ol' their lives in the process oli providing csscntizil scwiccs  
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nitics.  
Cl Under the Aputthcid regime, stutc planning authorities ol'lttn mutlc decisions about z  
oning laws  
for businesses without consulting locul business people. This has clcurly hccn tinsutisl'  
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grcutcr integration of residential zmd economic zircus in townships; lhc ncccl for market  
places  
(possibly revolving) is taken into consideration in planning; i'ttcognition is grunted Ol  
' the need  
for trading cntcxpriscs to be near to consumers.  
D The development of inli'usu'ucturc lo mcel tho nccds Ol' business (Ines not cntl with t  
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ounts" is  
one example Ol' this: ll()nc-st()pll centres could he cstuhlishcd l() provide multiple sc  
wiccs l0  
SMMEs (linancc, R&D, training, marketing assistance, access to supplies, etc), tmd could  
be  
organised around spocil'ic industrial sectors. Such 2l network olsupport scwiccs would pr  
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### 3. SPECIAL ISSUES FOR CONSIDERATION 24

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SMMES not only with invaluable technical support, but may lead to other lbnnns olieo-opera  
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tion amongst SMMES using, these common services. CenUies COLlid be linanced initially by  
grants and donations. with the view to phasing out subsidies in time, as they hexome sell  
lsull

tieient. This practice exists in many other economies in which SMMES constitute a dynamic  
sector of the economy.

CI As was stated above. the need for appropn'ate and supportive intrastruture is much gre  
ater in

rural than urban areas. Appropriate allocation of state resources must ensure that this i  
mbal-

ance is redressed.

CI On institutions. it must be emphasised that local goveniments should play a critical r  
ole in the

provision of infrastructure. Although they may be Operating in the context Of a national  
policy

framework, they are close to the clients (SMMES), and thus are best able to gauge - and m  
eet

- the divergent needs of local businesses. In addition, local authorities play an importa  
nt role

in generating demand for goods and services, which can be sourced from local SMMES.

#### 3.1. GENDER

Women tend to occupy the lowest lungs of the microenterprise sector, in those businesses  
usually

characterised as llsuwivalisti'. This implies that support programmes aimed at the mom tl  
suc-

cessfulii businesses will automatically exclude the vast majority of female entrepreneurs  
. This has

two major problems: It reinforced the existing gender dispan'ties in the economy, and in  
the

SMME sector in particular, and it fails to recognise that it is from the ranks of the lts  
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ented" microenteipiise sector that dynamic female entrepreneurs are likely to emerge. If  
policy

thus seeks to promote female entrepreneurs, then the following constraian affecting them  
must

be considered:

The impact of marital status on Womenls businesses:

Womenls marital status impacts substantially on their ability to generate income as well  
as their

control over it. Whilst widows and single women tend to be more mobile, and able to explo  
it a

wider range of activities and markets, mam'ed women are often tied to a more subordinate  
posi-

tion in the business. Further, certain maniage laws constrain womenls ability to control  
their own

finances, by requiring husbands to approve linancial transactions undertaken by women.

The impact of womenls location in the home on their access to support services:

We need to rwognise that womenk lower mobility affects their ability to exploit services  
offered

to them. Programmes making sewiees available need to be stmetured to take this into accou  
nt

when determining times, venues and duration 01' support services.

Constraints impeding women from competing with men in the microenterprise sector:

As unemployment rises, larger amounts of men enter the microentemiise sector, and become



## SPECIAL ISSUES FOR CONSIDERATION 25

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direct competitors with women. The structural disadvantages impeding the growth of womens  
businesses suggests the need for the construction of policy which provides some defence or  
sup-

port to women in this competition. Policies targeted at promoting diversification of women  
ns

activities in microenterprises may be one mechanism to achieve this.

The following are some policy issues to consider:

1. Policies to promote diversification into new product markets;

2. Policies facilitating women entrepreneurs easier access to services offered;

3. Policies promoting the networking of women, so that they can combine their forces to break  
into new markets and acquire larger contracts.

4. Policies aimed at encouraging women to play a more prominent role in business associations  
(such as FABCOS, NAFSOC etc).

Local authorities can play a central role in many of these policies, since it is not just  
direct support

- such as finance, marketing support - which women need, but vital to the success of women  
businesses

5. The provision of an environment in which entrepreneurial activity can be nurtured.

The provision of child-care facilities, physical infrastructure, facilities to protect women  
and their

employees against violence and crime are all necessary for the survival and growth of women  
businesses.

### 3.2. LABOUR

There are three areas concerning labour in SMMEs which are of concern to us, around which  
regulation may be required: Collective Bargaining Mechanisms; Wages and Working Conditions;

and Labour Standards. We support deregulation insofar as it minimises the administrative  
obstacles facing SMMEs. However, deregulation which compromises labour standards is not desirable.

A popular misconception is that the suppression of labour standards - low wages, unregulated  
working conditions, exemption from collective bargaining mechanisms - and a low skilled base  
are essential preconditions for the success of small firms. International evidence points  
to the contrary: in a healthy macroenvironment, using appropriate policy instruments, and employing  
non-

traditional approaches to SMME organisation, labour constraints can be overcome. Firms which  
observe acceptable labour standards and value their workforce as a resource have proven in  
many

contexts world-wide to be internationally competitive. This is because they have been forced to  
build their competitive advantage in areas other than labour suppression. This suggests that if

South African firms want to follow this path then we need to re-think these traditional attitudes to  
labour.

Collective Bargaining:  
SMMEs should form part of the collective bargaining mechanisms, without special exemption,

SPECIAL ISSUES son CONSIDERATION 25

and thus continue to be part of the relevant IndusuriaJ Council system and industry bargaining !

fomms. This implies that SMMEs would have to comply with existing standards.

Wages and Working Conditions: i

It has been found in recent research into small engineering and Clothing liims that employers

rank the problem of presen'hed wages relatively low on their list of constraints. This reinfoces

our View that wages are not the main constraint to SMME survival, and that truly dynamic tinns

would seek to identify other areas around which they can build their competitive advantage other

than on labour suppression.

Thus no automatic exemptions should be granted to SMMEs on wages and working conditions.

The present collective bargaining mechanisms do allow for small companies with special problems ;

lems on wages and workingy conditions to apply for exemption. and this system should continue

to apply.

Labour Standards:

All the current legislation and Industn'al Council agreements and standards ought to apply to

SMMEs, in particular, health and safety and environmental standards.

### 3.3. ORGANISATION OF SMMEs

One of the central tenets of eun'ent government policy on SMMEs is that policy should seek to

improve the performance and position of individual SMMEs - that is. promoting the culture of

private enteiptise, based upon individual success of the entrepreneur. This is the framework

within which institutions such as the SBDC operate.

We believe that this position fails to recognise the stmctural limitations of individually organised

enterprises, which are best overcome through co-operation and networking around the provision

of services, access to resources and information. This approach has the additional advantage of

minimising small firms dependency on larger companies, allowing those who are trapped into

unequal subcontracting relationships another route to marketing their goods.

Examples of issues around which co-operation may take place are:

Marketing; Advertising; Human Resource Development; Technology acquisition; R&D; Quality and Standards; Exports; Finance; etc. chal anti regional service centres could help to facilitate

networking and co-operation, especially if these centres are located Close to when: SMMEs are to

be found.

We believe that a eultum of networking and co-operation should be nurtured, so that enterprises

operating in an individualistic fashion may recognise the benefits of transfonning their mode of

operation. Incentives may be provided to encourage tirms to make this transition, and policy

could be formulated to support films which adopt this approach.

## SPECIAL ISSUES FOR CONSIDERATION 27

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Given the impact of the global economy. the chungin0 South Ahicttn economy, individually organised SMMEs are likely to encounter more buniers to their success. Cn'ticttl resource s, ser-

vices and training that a single small lirm cannot allow can be mobilised in suppott ol' SMMEs

through networking and compei'ution amongst small firms. This would allow individually resource-poor linns to overcome problems of economies of scale and allow them to achieve suc-

cesses which are traditionally associated with larger. resourceqich liims.

Successful examples of networking - particularly Denmark. Southern Europe, Notthem Italy, some of the East Asian countries - show remarkable results, which can be infmm policy-mak ers

on altemative forms of organisation of SMMEs. We have already seen initiatives in this mo de in

South Africa recently, with groups of women entrepreneurs (in particular) eo-operating to secure

bigger contracts, access larger premises. and so on.

It is recognised that this policy must be tlexibly applied, so that individual firms are free to choose

whether to use this option.

### 3.4. ENVIRONMENTAL CONSIDERATIONS

The use of hazardous muteiittls in the manufactuiing process, and the subsequent release of pollu-

tants t0 the environment is increasingly being linked to occupational and community healt h and

safety problems. This situation is exacerbated in South Aftica by the luck of a comprehen sive

government policy on waste management

There is also little awareness in South Aliica of the potential for the introduction of c lean tech-

nologies, which not only reduce waste at the source, but can have additional economic adv antages

tlowing from the more ellieient use of resources, and the reduced costs ofwaste disposal.

The few

initiatives which have been made in this area tend to be by large firms who enjoy economi es of

scale and financial resources to afford cleaner technologies.

Should these issues be ignored in a policy promoting small and medium enteiprises, curren t pol-

lution problems may be sen'ously exacerbated, resulting in the need for costly measures t o address

these later.

The following policy proposals should be considered:

D the introduction of dis/incentives to encourage the use of the cleanest technologies av ailable.

C1 Expert advice and training on clean technologies should be made available to SMMEs through some centralised facility, such :18 Local Sewice Centres.

C1 Since waste will continue to be generated despite the introduction of cleaner technolo gies,

financial provision should be made for the development of facilities which can treat the waste

of those SMMEs which cannot afford to have their own waste treatment facilities.

C1 Many of the sewices noted above are too costly for smaller firms to afford - particula rly for

microenterpn'ses - public resources must be allocated to allow these firms to adopt clean er

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methods of running their businesses.

D A policy promoting the exports of goods from South African SMMEs would have to take into account global trends regarding "eco-labelling", that is a label indicating the satisfactory

environmental performance of all SMMEs. Failure to do this may result in firms coming up against "environmental barriers" in environmentally conscious international markets.

C1 Zoning regulations need to be sensitive to health and environmental effects of particular

businesses.

CI The concept of sustainable development calls not only for environmental protection. but also

for more efficient use of resources. Amongst other things, this should entail a move away from disposable products to better quality, more durable products, with a concomitant expansion

in the service sector for the repair and maintenance of those products. Again, moves in

this direction should be encouraged by the use of incentives or disincentives, as are appropriate

and possibly through subsidised research and development

### 3.5. TECHNOLOGICAL ISSUES

Apart from policies which are designed to raise national technological capacities in general, there

is a special case to be made for government to undertake technological support specifically targeted

at SMMEs. This has long been the case in a number of industrialised countries - such as

Germany, Italy, Denmark - as well as in newly industrialising countries - such as Taiwan, Singapore.

Since firms of many different types fall within the SMME category, their technological needs

will be highly differentiated. Three principal schematic categories of SMMEs - with different

technological needs - can be identified:

C1 SMMEs who act as subcontractors for manufacturers (producing components and sub-assemblies according to precise customer specification) derive their technology from the customer,

and perform no in-house R&D.

D SMMEs producing for final consumers in traditional sectors where the pace of technical change is slow - such as garments, textiles, leatherware and metal work - may be engaged in

incremental development, but are unlikely to engage in significant innovation. The technologies

which they employ will largely be derived from their materials and equipment suppliers.

The vast majority of manufacturing microenterprises will fall into this category.

CI A third category of SMMEs are high-tech, modern firms, employing niche marketing strategies (sometimes referred to as New Technology Based Firms - NTBFS). Such firms are located in specialist machinery, scientific instruments and electronics sectors. These firms do

undertake some in-house R&D which is essential to their survival, but they will also be heavily reliant on external inputs into their innovative process.

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Firms in all three categories will require some assistance in order to effectively utilise innovations in production equipment. An example of this would be the transition from the use of mechanically to electronically controlled equipment, where support in training, and regular updates and information on developments pertaining to the new product will be needed. With the exception of the NTBFs, SMME requirements for technological support are likely to be low levels, which can be met by "off the shelf" production techniques. The essential requirement will be for SMMEs to be supported with information, advice and training so that they can utilise available technologies and adapt them to local conditions and to the specific requirements of the enterprise.

NTBFs which require new or advanced technologies will need to complement their in-house R&D with technological inputs derived from other institutions such as universities, laboratories and other firms.

This technical support is frequently required in combination with support in other areas, such as managerial and marketing information. Indeed, technical support and advice is only cogent in the context of knowledge and information in other areas. Examination of a number of the more successful publicly funded institutions for supporting SMMEs bears out the importance of combining technical and other support. In Korea, for example, the Small and Medium Industry Promotion Corporation (SMIPC). in addition to technical information and industrial extension services around management and technology, also provides financial assistance, training and the collection, analysis and dissemination of business information. The Korean Technology Development Corporation (KTDC) - which, in the assessment of the World Bank, was a critical instrument in developing technology for the SMME sector - has manifold activities ranging from finance, venture capital, promotion of technology development among SMMEs, brokerage, leasing, factoring and information services. '3'

Three broad conclusions can be drawn: firstly, that technological support for SMMEs is vital to their growth. Secondly, that support will be required in order to effectively assimilate and apply widely diffused products and process (technique rather than technology). Thirdly, that technical support must be accompanied by complementary managerial, financial and marketing assistance.

### Policy Proposals

SMMEs are best conceived of as embedded in a number of networks. Government policies should therefore aim to enrich those networks - public and private - and simultaneously enhance the capacities of SMMEs to assimilate inputs available through their membership of these networks.

#### i. The Public Network:

This consists of publicly funded and supported institutions which aim to develop technologically relevant applications for industry and SMMEs. Science and technology councils, academic institutions

tutions, and their associated technology transfer offices. and nationally and regionally based information transfer units form the core of this network. However, science and technology councils, academic and research institutions do not automatically or easily transfer technology to business. These barriers will tend to be even higher with respect to smaller firms, since these institutions tend to find it easier to interact with larger, more resourced firms which can clearly specify their needs and can absorb their inputs. Policies are thus required to overcome these barriers. A wide range of policies may be considered, including: technology transfer offices and innovation consultancy offices attached to public research institutions; joint research programmes between these public facilities and business; science research parks; and programmes to allow the transfer of personnel between the institutes / universities and firms. Of particular importance to the success of such schemes are the organisations which interface between the research institutes and business. These brokers of the transfer of technology include contract research organisations and technology transfer units attached to public research facilities.

ii. The Private Network:

Firms are involved in a number of arrangements or networks - both formal and informal - with a variety of other firms who are a critical source of information and other inputs into the innovation process. Suppliers, customers and middle-men, other firms in the same sector and industry associations - are all of considerable potential importance. Apart from generating research and technology transfer that is relevant for a wide range of firms, such policies encourage inter-firm co-operation in the identification of technology needs.

iii. Policies to enhance technological capacities within SMEs:

Most SMEs do very little in-house R&D. Although government policies can be designed to directly support SMEs in undertaking in-house R&D, the reality that so few do so (and those who do still rely on technological inputs from outside the firms) implies that policy support must be directed at increasing the ability of SMEs to effectively locate and absorb technological inputs from outside the firm. The key to the success of this strategy is the quality of education and training of SME personnel, which determines their ability to appreciate, access and assimilate technological developments originating outside of their firms. It should be stressed that SMEs must have easy access to networks, programmes, and institutions that enhance their technological capacities. To that end, decentralised, regionally and locally based technological centres can play a crucial role.

It is quite clear that there is no effective national system of technological support for SMEs in South Africa. To develop one - taking into account international experiences - is one of the major challenges currently facing policy-makers.

3.6. RURAL SMMEs

To date, most research on the conditions and constraints of SMMEs have focussed exclusively on urban SMMEs. Consequently, very little is known of the characteristics, constraints and opportunities of rural SMMEs. Research is thus required to address this deficiency, and to emerge with policy options for rural SMMEs.

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The key challenge for government in a democratic South Africa is to formulate a coherent policy

essential that the government develops a long term conception of the appropriate role which

posul in favour of SMMEs: '

i Using the budget, to allocate lintmce for SMME promotion. This would include funding infrastructure and technological development amongst SMMEs; linuncing a guarantee credit fund for SMMEs; using the tax system to provide incentives for SMMEs.

1% Ensuring that a competitive environment is maintained to protect SMME, by closely impl  
e- 1

it Using its purchasing power - as a major buyer of goods and services for government - to sup-

The second major challenge for government is to develop the appropriate machinery for implementation.

for SMME promotion is the high degree of fragmentation of different institutions charged with

key guide-lines which we believe should shape this framework:

The Department of Trade and Industry (DTI) is the government institution which is ultimately

against the DTT playing such a role - it is big business which is the main recipient of D  
TI support.

SMME promotion.

constraints of SMMEs - the Development Bank of South Africa (DBSA), the Small Business Development Comoration (SBDC), the Industrn'al Development Comoration (IDC) - must be effected. This is possible through the creation of a structum charged with co-ordinatjng SMME

policy institutions, which could be housed in the DTI.



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IDC:

Although it is one of the functions of the IDC to provide development finance for SMMEs, it has thus far failed to do this effectively. The IDC recently acknowledged this failure and has committed itself to proactively redressing this imbalance. Whilst this is a welcome step, the IDC has not made clear what process it intends to follow to achieve these new objectives. Its role in the new South Africa should be subjected to an enquiry, so as to determine its appropriateness as a development finance institution.

SBDC:

The SBDC represents the most definitive action taken by government and big business to support small business. Yet this has proven to be an inadequate mechanism for promoting the interests of

SMMEs. As has been argued in this paper, it is vital for a wide range of complementary services to be offered to SMMEs, including finance, marketing, information, technology and training.

That one institution could address these multiple needs is clearly mistaken, and predictably, the

SBDC has been criticised for its failure to address the comprehensive set of constraints facing

SMMEs.

Although this issue is still being researched, the following guide-lines pertaining to the

restructuring of the SBDC are advanced:

a) That the issue of promoting greater inter-limited cooperation between SMMEs be integrated into the practice of the SBDC. As has been argued elsewhere in this document, one of the most effective ways in which smaller firms can withstand competition from larger, better resourced firms is by co-operating with other small firms over particular services, and so overcome the inherent weaknesses of scale.

1) In line with such an approach, it is recommended that decentralised service centres - providing industrial and trade extension services - be set up throughout the country, linked either through

the SBDC or some other national institution. These centres can provide a range of services including technology transfer, marketing support, finance and other complementary services aimed at enhancing the capacity of SMMEs.

i) As far as the composition of the SBDC structure is concerned, we recommend the following:

1) That the Board, charged with policy formulation and monitoring for the SBDC, comprise an equal number of representatives from business, labour, government, NGOs, and research groups. Efforts should be made to ensure that all these representatives have a direct involvement in the SMME sector.

2) That departments charged with implementing specific policy objectives be created within the

SBDC, such as departments for Technology development; Finance; Export Assistance; Marketing; Microenterprises, etc.

# INSTRUCTIONS FOR POLICY IMPLEMENTATION

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Thom arc scvcml CHSCS Of internutionul institutions stmctured in this way. which huvc mud c a

major contiihution to the success of SMMEs in those regions. Exzmiples can hc found in Bu dcn-

Wun'tcmhcrq in Gcmmny - the Steinhcis Foundation - and in Copcnhugcn in Denmark - the Danish Technological Centre.

We belicvc that us a publicly I'unded body the rcstmcttncd SBDC must hc characteriscd hy trans-

parency and accountability.

Representatives of Small Business:

Organisations reprcsnting small husincss pcople (such as NAFCOC. FABCOS. etc) must play a

ccntral role in the fomulation of policy for SMMEs. Dcspite cuncnt wcukncsscs of capacit y

within many of thcscc organisati0n& CITOI'IS must bc mudc t0 cnlist thcir participation in policy

proccsscs. Indocd, it is prcciscly this wcukncss which wzmunts thc usc 01' govccmmt icso urccs

to enhancing thcir capacity to morc cchctivcly reprcsnt thcir mcmhcrs.

NGOS

NGOS have a cn'tical rolc to play in advancing the intercstg 0f SMMEs - as providcrs of c apital,

skills, technology transfer, intbimatjon and more - and as such should bc incorporatcd in to the

policy procuss. For this mason, we recommend that representatives of the NGO community be included in structures which arc discussing SMME policy.

## 5. IMPLEMENTATION PRIORITIES

It is recognised that budgetary and other constraints may inhibit the immediate realisation of many of the policies proposed in this paper. To facilitate the implementation of those proposals which we believe are key to the success of a SMME promotion strategy, we outline the three areas we regard as priorities:

### 5.1. INSTITUTIONAL ISSUES

It is vital that the implementation of a new policy framework should commence with a restructuring of the existing institutions responsible for SMME promotion. This comprises two essential elements:

1. determining the appropriate role for each institution - chiefly, the DTI, SBDC, IDC, DBSA -

2. and hence avoid duplication; and

3. developing a mechanism for co-ordinating the functions of each institution. It has been suggested that a co-ordinating committee, which may be housed in the DTI, play this role.

### 5.2. REGULATION

We believe that two regulatory interventions are required:

1. legislation stipulating that the government would sponsor the formation of a Credit Guarantee Fund, and

2. An official commitment that government would change its procurement policy, so that it also

sources its goods and services from SMMEs and Black businesses.

### 5.3. BUDGETARY REQUIREMENTS

Budgetary support must be allocated to support two key vehicles of SMME development: local service centres, and infrastructure for Black business.

1. Local Service Centres: These agencies, which will play the role of industrial and trade extension -

2. service centres, provide training, marketing, technological and information services to SMMEs,

and require funding for this.

3. Infrastructure Development: The provision of facilities to stimulate Black economic activity is

essential. One of the most effective ways of delivering this is by using Public Works Programmes, which have the additional benefit of generating employment.

The financial burden imposed on the budget stemming from these efforts can be minimised by an

efficient restructuring of the functions of existing institutions, so that funds already allocated can

be redirected in line with the new policy priorities.

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TABLE 1: TESTING THE mm 1

RUNG/LEVEL

1- SUhSUHCHCC Rural Lneulinn Peasant Humer

Agneullurully-hnsed uelivily

Ikonmnie zlelix'ily (0 meet eonununily needs

Planningy l'm' inunediuile subsistence needs

Hand In mouth existence

2- SUWiVHJ Urban Location Street hawker

(bilunllllily onenlnled work

Would prefer zljjob in the llmnnl seelnr

Ikouomy based on exchange of lnmms or money

Planningy l'nr inunedinle suwivul needs

3, Inlormul Slnning lo acquire some possessions Home industry

Would tum down 2l job ()H'elN Business becoming u sepurule

ueu'vily eg sewing

Planning for more Ihnn survival '- some savings

4. Dnergiug Seeun'ly needs 2ll home zuld business Spam Shop

Business driven entrepreneur, not by gmup

Staring to keep inlhnnal business records

Business sepurule from household

Access to bank linuuce still difficult

. Pre-fonnnl Need for safely and secun'ly assets Sole propn'elnr

Beginnings of an employment slrueuue

medium 10 long-lenn plzmning

()ulside help with nccounling

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. Small business Documenled business agreement humus hip g

Business ()pemlingsy in its own name

()pernled a bank account

Keeps ()l' neeuunl

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Auditing ()feompznnny neeounls not required ;

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(Tompuny 11st board of directions

9. Listed Company Company listed on sloek exchange Public (70mp2uly

10. Inlcmaljma markets I nlernul markets and offices ()il (Tompzmy n

and ()Hices

Source: Triple 'l'ruxt Organisation: shim m Enterprises? August I 993

SOUTH AFRICA - Macroeconomic Indicators

GROWTH RATES RATIOS TO GDP

(in percent p.a. (in percent)

Investment/ Exports Imports Investments/ Inflation

a a

1970- 7-1

1975 4 79

1980 - 81

1983- 84

1985 - 91

1985

1986

1987

1988

1989

1990

1991

/a Total "Fixed Investment

/b Gross Domestic Saving

/c Fiscal year ends on March 31

South Africa: Macroeconomics issues for the Transition, Brian Kuhn, Aide! Senhadji and Michael Walton, L'ru'vershy of Cape Town, L'm'versigy Of Pean-lvania, and the World Bank) May 1992

ANNEX 3

PAPERS COMMISSIONED BY TASKGRO:

This document draws on inputs and recommendations of the following papers commissioned by the Task Group on Small Enterprise Development (TASKGRO).

Cassim, Rashad. 1993.

Eichler. N., and Naidoo, S., 1993.

Faried Manuel, 1993,

Griffin, C., April 1993,

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Jackson, Lynn, November 1993,

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Manning, C., April 1993,

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Hdee Policy and Small Firms in South Africa

1977w Definitinn and Role (ngmall Enterprises

HCASE Study: Mini-Itmm S(themes; An International

Overview

HThe Current Praetiee in M(umgement/Business

Skil/S Training for Small Entelprisex in the Building

and C ( )ILSTI'IICFI-(m Sectors ( )fSouth Africa "

Hlm'isible Working Women - Constraints Facing

Women in Small BuSI'nessex: A case study in Griff7ths

Mreng, Khayelitsha. "

9Traihing for the development Of the informal  
sector

HCaxe Study ( )fIBEC Loan Schemes "

thnvimmnm/ Considerations for Small busi-  
nesses

HTechna/ogy Policy and SMMEs: A Note on the

International Experience and the Irrtptions for the

Design ( )fPO/icy in SOLIfh Africa "

9514mmtracting in the South African economy: A

review of the evidence and an analysis ( )ffuture  
pruspects; "

HReercrtitms On .mme East Asian experiencex omeall

and Medium Enterprise Development: Are there

lesxmns far the South African policy making

process .7 "

h'The F inancin g of Small Buxinesses in South Africa

HReport on Training W)rk.s'h0p".

uLabour Legislation and Small Businessxs: A brief

Note. "







