

**AN IMPACT ANALYSIS OF SOUTH AFRICA'S NATIONAL  
STRATEGY FOR THE DEVELOPMENT AND PROMOTION OF  
SMMEs**

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STRATEGY FOR THE DEVELOPMENT AND PROMOTION OF  
SMMEs**

**by**

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I dedicate this research study to two special people in my life: my mother, ***Naphumisa*** and my son, ***Tiyamike***.

It is my mother who, since my childhood, implanted into me the realization of the power of knowledge and perseverance.

***Omai, ku Matenje kale-kale, munanena kuti, “Mwana wanga, limbikila sukulu, tsiku linatu amenewa adzakugwadirani”.***

It is because of those powerful prophetic words and whatever you have provided me physically, mentally and morally since that day you brought me into this world, I dedicate this work to you, ***Wokwathu!!!***

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# **AN IMPACT ANALYSIS OF SOUTH AFRICA'S NATIONAL STRATEGY FOR THE DEVELOPMENT AND PROMOTION OF SMMEs**

## ***Abstract***

This study explores the effectiveness of the South African National Strategy for the development and promotion of small businesses in South Africa, where it first evaluates the effectiveness of the instructional framework created under the government's National Strategy i.e. Centre for Small Business Promotion, Ntsika Enterprise Promotion Agency and Khula Enterprise Finance Limited for the attainment of the government's National Strategy's objectives of job creation, income generation and economic growth from an economic point of view. It also investigates the government's National Strategy's effectiveness with regard to services provision by both the financial service providers and non-financial service providers including the recipients of such services i.e. the SMMEs themselves from a business management perspective with regard to the success factors of functional areas of management. The study also evaluates some government departments which are not incorporated in the government's National Strategy's institutional framework and other business organizations all of which are engaged in small business development initiatives. The study further evaluates some parastatal organizations and provincial SMME desks in relation to the government's National Strategy. Lastly the study evaluates the impact the government's National Strategy has had on the small black economic empowerment mining companies as a sector, specifically if the government's National Strategy has created an enabling environment for them to succeed in their small-scale mining operations.

Job creation and growth of the small business sector will remain one of South Africa's most urgent needs. Most severe social and economic ills result directly from inadequate progress in both these domains. Since the first democratic elections of 1994, an intensive process had been undertaken to address the urgent need for job creation and income generation, particularly among the majority black population. From these processes, policies were formulated, institutions created and funds allocated in the quest for these goals.

While opinions may differ widely on the most effective measure to achieve steady progress, one factor has not been placed in doubt, namely that the richest source of job creation may come, not from the country's big business sector, but from the small and medium enterprise sector. This reality is hardly unique to South Africa alone, but a proven fact in virtually every country developed and less developed alike.

According to the study there seems to be a consensus that job creation ranks among the country's most urgent priorities, along with AIDS, crime and education. High unemployment remains the obstacle to the country's long-term social, economic and political stability. The government's National Strategy was meant to address all these issues as it is a web that links many economic and social sectors of the country. Job creation in the all-important small business sector is not just an "industry" issue; it cuts across many different policy areas, from individual livelihoods, economic development, political empowerment, human resource development, market development and physical infrastructure.

The government's National Strategy, according to the study, is not perceived as a "strategy" as such, which would imply an integrated national plan linking all programmes at the national and regional level to achieve defined goals. It is however, seen as an array of independent, largely uncoordinated programmes, aimed at a common set of social and economic goals.

A critical flaw in the government's National Strategy, the study had also shown, is its failure to "segment its market", namely to realistically differentiate its support among its two principal target groups - micro/survivalist enterprises and small/medium businesses - each with distinctly different needs. The government's National Strategy also appears to have suffered from several internal contradictions especially with regard to the institutions created under its institutional framework.

With regard to the implementation of the government's National Strategy, the study has noted that the National Strategy seems to be leaderless and not effectively coordinated. The National Strategy also seems to have spawned an explosion of programmes and service providers, frequently duplicating other national and regional programmes. The Centre for Small Business Promotion within the DTI seems not to be playing the role it was intended to play while Ntsika's centralised/standardised mode of operation makes adaptation of training to diverse local groups and needs very difficult and Khula's programmes seem to have fallen short of their objectives, despite an effective and professional internal organization.

Contrary to its design, provinces and municipalities do not play a major policy or operational role in the government's National Strategy yet these are typically most informed and connected to local businesses and often have better understanding of the needs and success factors.

With regard to the small black economic empowerment mining sector, the study has revealed that the government's National Strategy has not been utilized effectively by this sector and because of this the government's National Strategy has not played a pivotal role in creating an enabling environment for small-scale miners to fully succeed in their small-scale mining operations.



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## **GLOSSARY OF ABBREVIATIONS:**

ARM: African Rainbow Minerals

BBSEE: Broad Based Socio-Economic Empowerment

BBSEEC: Broad-Based Socio-Economic Empowerment Charter

BDS: Business Development Services

BEE: Black Economic Empowerment

BONI: Business Opportunities National Initiative

BONIs: Business Opportunities National Initiatives

BRAIN: Business Referral and Information Network

CBO: Community Based Organization

CC: Close Corporation

CCs: Close Corporations

CET: Contractor Entrepreneurship Training

CGIC: Credit Guarantee Insurance Corporation

CSBP: Centre for Small Business Promotion

CSDF: Corporate SMME Development Forum

CSIR: Council for Scientific and Industrial Research

DBSA: Development Bank of Southern Africa

DET: Department of Education and Training

DME: Department of Minerals and Energy

DTI: Department of Trade and Industry

EMIA: Export Marketing and Investment Assistance Scheme

EEZ: Emerging Enterprise Zone

FRD: Foundation for Research Development

GA: Get Ahead

GCC: Gold Crisis Committee

GDP: Gross Domestic Products  
GEAR: Growth, Employment and Redistribution  
HDSA: Historically Disadvantaged South African  
HDSAs: Historically Disadvantaged South Africans  
IDC: Industrial Development Corporation  
IDT: Independent Development Trust  
ILO: International Labour Organisation  
ISS: Institutional Support Services  
JSE: Johannesburg Securities Exchange  
LBSC: Local Business Service Center  
LBSCs: Local Business Service Centers  
MAC: Manufacturing Advisory Centre  
MACs: Manufacturing Advisory Centers  
MDB: Mineral Development Branch  
MED: Management and Entrepreneur Development  
MMD: Matrix Marketing Databanks  
NAFCOC: National African Federated Chamber of Commerce  
NEPA: Ntsika Enterprise Promotion Agency  
NGO: Non Governmental Organization  
NGOs: Non Governmental Organizations  
NMC: New Mining Corporation  
NPC: National Population Census  
NSBA: National Small Business Act  
NSBC: National Small Business Council  
NSC: National Steering Committee  
OECD: Organization of Economic Co-operation and Development  
PDI: Previously Disadvantaged Individual  
PDIs: Previously Disadvantaged Individuals  
PhD: Philisophiae Doctor (*Latin*)

PGMs: Platinum-Group Metals

RBSA: Reserve Bank of South Africa

RDP: Reconstruction and Development Programme

RFI: Retail Finance Intermediary

RFIs: Retail Finance Intermediaries

SABS: South African Bureau of Standards

SACOB: South African Chamber of Business

SADC: Southern African Development Community

SAR: South African Receiver of Revenue

SBDC: Small Business Development Corporation

SBEEM: Small Black Economic Empowerment Mining

SME: Small Medium Enterprise

SMEs: Small Medium Enterprises

SMME: Small, Medium and Micro Enterprise

SMMEs: Small, Medium and Micro Enterprises

SSA: Statistics of South Africa

SSP: Skills Support Programme

TAC: Tender Advice Centre

TACs: Tender Advice Centres

TPMAC: Technopreneur Programme and Manufacturing Assistance  
Centre

TPMACs: Technopreneur Programme and Manufacturing Assistance  
Centres

UIF: Unemployment Insurance Fund

USA: United States of America

VAT: Value Added Tax