

**GUIDELINES FOR SMME DEVELOPMENT
IN HERMANUS**

by

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**Dissertation submitted in partial fulfilment of the requirements for the
M Tech: Business Administration**

**in the
FACULTY of MANAGEMENT
at the
CAPE TECHNIKON**

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CAPE TECHNIKON**

**CAPE TOWN
April 2003**

I, Dalene Basson, hereby declare that the contents of this dissertation represent my own unaided work, and that the dissertation has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Technikon.

ABSTRACT

Unemployment has economic and social effects. The main social threat is the stability of the family as an economic and social unit as family relationships suffer should basic needs not be met.

The most practical way to combat this problem is through entrepreneurship, where small medium and micro enterprises can address issues such as job creation and economic growth. These enterprises are of particular importance to government and donors resulting in numerous studies being done in especially urban environments. Rural areas have, however, been neglected, owing to the lack of knowledge, funds and initiatives on the part of local authorities.

Rural development differs from urban development owing to smaller markets, seasonal fluctuations and slower growth rates, especially in coastal towns. This study was therefore undertaken to provide guidelines to local authorities and community leaders, specifically in Hermanus, to enable them to support local small businesses.

As a first step, existing government policy and strategies were investigated (Chapter 2), after which available assistance, on government and non-government level, was discussed (Chapter 3). The Department of Trade and Industry is the main role player in terms of small business development. There are also institutions providing financial assistance (for example Khula and the Industrial Development Corporation), institutions providing services (such as NEPA, SABS and CSIR), and finally, institutions providing indirect support (such as SACOB and DBSA).

Hermanus as the basis of the study has certain policies in place, namely the Integrated Development Plan, Spatial Development Framework and two tourism-related studies (Chapter 4). Individual interviews were held with certain role players in the area (Chapter 5) which resulted in the following:

- Role players are not aware of government initiatives in terms of small, medium and micro enterprises in the region.

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- Role players are not aware of government initiatives in terms of small, medium and micro enterprises in the region.

- Role players are unsure if hives/craft markets could contribute to job creation.
- Role players are concerned about job creation but not through small, medium and micro enterprises as a vehicle.

Chapter 6 concludes with two success stories, namely Stutterheim and Melkhoutfontein, and provides broad guidelines in terms of small business development in Hermanus.

OPSOMMING

Werkloosheid het ekonomiese en sosiale gevolge. Die hoof sosiale bedreiging is die stabiliteit van die gesin as 'n ekonomiese en sosiale eenheid aangesien die gesinsverhouding daaronder ly indien basiese behoeftes nie bevredig word nie.

Die mees praktiese manier om hierdie probleem te bestry is entrepreneurskap waar klein, medium en mikro ondernemings uitdagings soos werkskepping en ekonomiese groei kan aanspreek. Hierdie ondernemings is veral van belang vir die regering en donateurs wat al heelwat studies in stedelike omgewings onderneem het. Landelike gebiede was ongelukkig oor die algemeen agterweë gelaat weens plaaslike owerhede se onkunde in die verband en 'n tekort aan finansies en inisiatiewe.

Landelike ontwikkeling verskil van stedelike ontwikkeling weens faktore soos kleiner markte, seisoenale skommelings en stadiger groeikoerse, in veral kusdorpe. Hierdie studie is dus onderneem om 'n konsep vir plaaslike owerhede en gemeenskapleiers daar te stel ten einde die ontwikkeling van klein besighede te ondersteun, met Hermanus as 'n basis.

Die eerste stap was om alle bestaande regeringsbeleid en strategië te ondersoek (Hoofstuk 2) waarna beskikbare bystand, op regerings en nie-regeringsvlak bespreek is (Hoofstuk 3). Die Departement Handel en Nywerheid is die hoof rolspeler met betrekking tot klein sake ontwikkeling. Daarna is daar instellings wat finansiële bystand verleen (soos Khula en die Industriële Ontwikkelingskorporasie), instellings wat dienste lewer (soos NEPA, SABS en WNNR), en instellings wat 'n indirekte meer ondersteunende rol speel (soos SACOB en OBSA).

Hermanus as die basis van hierdie studie het sekere beleide in plek soos die Geïntegreerde Ontwikkelingsplan, Ruimtelike Ontwikkelingsraamwerk en twee toerisme studies (Hoofstuk 4). Individuele onderhoude met sekere rolspelers in die gebied het die volgende opgelewer (Hoofstuk 5).

- Rolspelers is nie bewus van regeringsinisiatiewe met betrekking tot klein, medium en mikro ondernemings in die streek nie.

- Rolspelers is onseker of korwe/handwerkmarkte tot werkskepping sal bydra.
- Rolspelers is besorg oor werkloosheid maar kan nie klein, medium en mikro ondernemings sien as 'n medium tot werkskepping nie.

Ten slotte word in Hoofstuk 6 verwys na suksesverhale, soos Stutterheim en Melkhoutfontein, en breë riglyne word verskaf met betrekking tot klein sake ontwikkeling in Hermanus.

ACKNOWLEDGEMENTS

I wish to thank:

- My promotor, Norbert Haydam, for his guidance, encouragement and tremendous support.
 - Prof Liz van Aswegen for linguistic revision, Rolf Proske for Internet and library assistance, Anton Bouwer for his research on Zwelihle, and Debbie Smal for tourism assistance, all from the Cape Technikon.
 - Prof Wolfgang Thomas of Wesgro, for his insightful contribution.
 - Henri Lerm, Glynnis van Rooyen and other members of the Hermanus Business Chamber, for assistance.
 - Wessel Heunis, Pierre Hugo and Paul du Toit, Vivienne Owen, Dr Hannelie Nel and other role players in Hermanus, for allowing time to be interviewed.
 - Dudley Adolf and John Peters of the Department of Economic Affairs, Agriculture and Tourism Western Cape, for their valuable assistance.
 - Cecil Madell of MCA Planners, for his assistance.
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- The financial assistance of the National Research Foundation towards this research is hereby acknowledged. Opinions expressed in this dissertation and the conclusions arrived at, are those of the author and are not necessarily to be attributed to the National Research Foundation.

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CHAPTER 1

INTRODUCTION

1.1 BACKGROUND

Unemployment has economic and social effects. On the one hand, idle human resources represent a loss of goods and services produced and therefore a loss of real income. In other words, unemployed resources could have contributed to society's wellbeing; hence the economic value of this lost contribution of goods and services is the economic cost of unemployment. Sharp, Register and Leftwich (1988:310) mention that unemployment might even affect the current as well as the future production of goods and services.

The main social effect of unemployment is that it threatens the stability of the family as an economic and social unit. Without income, the head of the family cannot play the role in which he or she was cast. As the needs of the family are not met, the family relationships suffer as a consequence. Through idleness people lose their self-respect and in time their pride and confidence, thus becoming spiritually disabled.

What is the unemployment situation in South Africa? Using the strict definition of unemployment,¹ in 2001, 26,4% of South Africa's labour force or 4,24 million people were unemployed. Africans constituted the biggest portion, i.e., 85,5% of the unemployed. In the same year, the unemployment rate for the Western Province was 18,7%, the lowest of all the provinces (SAIRR, 2001:213). Unemployment is thus a reality in South Africa as it affects at least one in every four people in the labour market.²

¹ The unemployed are those in the economically active population who (i) "have not worked during the last seven days prior to being interviewed, (ii) want to work, and are available to start work within a week of the interview, and (iii) have taken active steps to look for work or to provide themselves with job interviews in the four weeks preceding the interview" (SAIRR, 2001:213).

² Narrow definition.

It is believed that the most practical way to combat this problem is through entrepreneurship. Small, medium and micro enterprises (SMMEs) represent an important vehicle in addressing the challenges of job creation, economic growth and equity in the country in this regard (DTI, 1995:iv). Throughout the world one finds that SMMEs are playing a critical role in absorbing labour, penetrating new markets and generally expanding economies in creative and innovative ways. The stimulation of SMMEs could be seen as part of an integrated strategy to take South Africa's economy onto a higher road, one in which the country's economy is diversified, productivity is enhanced, investment is stimulated and entrepreneurship flourishes (DTI, 1995b:5).

In Table 1.1, one can see that approximately 906 690 enterprises exist in South Africa of which 716 273³ (79%) are considered to be SMMEs, i.e., micro, small (and very small) and medium enterprises. It should be noted that the income generated by the survivalist enterprises (which comprise 20% of all businesses) is below the poverty line and is not included in the SMME definition (Karungu, Marabwa & Stettler, 2000:14).

Although Karungu *et al* (2000:13) stress that it is difficult to assess the contribution of the sector due to the characteristics and fluctuating existence of especially micro and very small (survivalist?) enterprises, the importance of the SMME sector is nevertheless highlighted in Table 1.1.

Firstly, in terms of employment, SMMEs are accountable for 54,8% (4,05 million) of employment in South Africa (refer to Table 1.1). Secondly, if one looks at the absorption capacity⁴ of these enterprises, one can clearly see the bigger the establishment, the higher the labour absorption capacity of the business. If one assumes that there is a constant upward movement of businesses, i.e., growing larger, then the SMME sector will become more prominent in the future as it is the feeding ground for larger establishments (with higher labour absorption capacities). The above-mentioned underlines the importance of the SMME sector in terms of employment and economic growth.

³ Excludes survivalist enterprises and large corporations.

⁴ Calculated as $\left[\frac{\text{number of employees}}{\text{number of firms}} \right]$.

Table 1.1: Kinds of enterprise and employment in South Africa

Type of Firm	Number of Firms	%	Number of Employees	%	Labour absorption capacity (*)
Large	6 017	1	3 159 931	43	525.2
Medium	11 322	1	909 880	12	80.4
Small	58 851	7	1 225 972	17	20.8
Very Small	180 000	20	1 068 431	14	5.9
Micro	466 100	51	848 549	11	1.8
Survivalist	184 400	20	184 400	3	1.0
TOTAL	906 690	100	7 397 163	100	8.1

(*) $\left(\frac{\text{number of employees}}{\text{number of firms}}\right)$ [Source: Karungu *et al*, 2000:14].

Hence, the SMME sector is of particular interest to government and the donor community because of the sector's contribution to employment creation and poverty reduction. Donors (be they national or international) in particular, pursue the SMME sector with the objective of alleviating poverty. Various international donors are concerned with poverty alleviation and suggest that GEAR has failed to create jobs, although it has won approval from big business and international communities. These donors tend to focus rather on micro and very small enterprises, as they prefer to target the individual (who is trapped in the poverty cycle) and not the business (Karungu *et al*, 2000:10).

To achieve the above, an enabling environment is necessary to implement flourishing entrepreneurial firms in South Africa. However, there are obstacles, specifically relating to growth and development, to overcome in this regard (Hoselitz, 1952:19).

Firstly, in many countries, the wealth, political power and education are concentrated in a small group of people. Frequently it is these individuals who are the best educated and control political power. The gap between the privileged and the masses is immense and ever increasing.

Secondly, the aspirations or economic development plans of underdeveloped countries are often unrealistic and divorced from the more immediate needs and productive capacity of the country. For some reason underdeveloped countries normally give high priority to the establishment of heavy industry. For example, GEAR is more favoured by big business at the expense of small businesses.

Furthermore, Third World and developing countries are faced with great world market uncertainties and often-violent fluctuations affecting their economies. Diversification of resources seems to be the answer in this regard but is not always feasible as developing countries tend to specialise in specific resources, which provide them with much needed income/foreign exchange.

Lastly, countries allocate resources for short-term projects, which in turn make the attainment of the long-run objectives more difficult. Moore (cited in Hoselitz, 1952:23) points out that the implementation of short-run objectives creates vested interests in political as well as business circles, which impede the full realisation of the long-run developmental goals.

Another major obstacle can be found on the micro level. This includes the limited involvement by government, private sector and NGOs to provide (i) financial sources to start or expand a business and (ii) non-financial aid to enhance the skills entrepreneurs require in the various aspects of running a business, such as stock control and marketing.

To illustrate this point, Du Toit (1990:2) refers to the unique situation which exists in the small business sector in black urban squatter villages. Common problems such as lack of financing owing to a lack of security, language problems, and inefficiency in bookkeeping and stocktaking, were identified as key problems in urban squatter villages.

One of the key reasons for the lack of support by the government has to do with the fact that national and provincial programmes of generalised small business support and promotion are generally expensive and often show disappointing results. This is not only true for South Africa, but was also found in a number of countries around the world (October & Thomas, 1996:5).

Other problems with regard to aid refer to the availability of manpower to execute these courses. For example, the Rural Foundation had a situation in the 1990s where various communities could not be visited on a regular basis to do training because of the lack of manpower.

The high unemployment levels in the townships motivated many NGOs and community-based initiatives to look at ways and means to strengthen SMMEs in their areas. Funds for these efforts have always been extremely scarce, even with the rise of foreign donor interests in the South African SMME sector. Often these and corporate sponsorships did little more than somewhat lengthen the "vicious circle" of poor SMME performance, low programme efficiency and effectiveness and NGO failure and/or withdrawal (October & Thomas, 1996:12).

Previous studies by Natrass and Glass (1986), Du Plessis and Levin (1987), and Du Toit (1990) focused on urban development in squatter settlements such as Khayelitsha and Crossroads. Various studies were also conducted in the urban Port Elizabeth and Durban regions. Rural areas are often excluded in this regard. Thus the problem is greater in these areas because of the limited, if any, assistance. This stems from the fact that the private sector in these areas is relatively small and often not interested in the upliftment of their communities. Hence, there seems to be a greater need for SMME development in these rural areas.

Although the establishment of the national grid of local business service centres (LBSCs) remained prominent on the agenda of several institutions in the 1990s, relatively little was done to encourage grassroots-based or bottom-up SMME support. The situation for rural LBSCs was in fact much worse. For instance, many local service centres located in relatively isolated places, had little direct support for the centre staff in their endeavours. Thus, far from being effective SMME trainers, mentors, advisors or information suppliers, the LBSC staff were all too often themselves at a loss as to their actual tasks and how to fulfil them in a complex world (October & Thomas, 1996:8).

From the preceding evidence it is apparent that the rural areas are left behind in the scheme of things. The local authorities do not have the expertise, finances or foresight to start new initiatives. Whenever they get involved, they tend to concentrate on previous practices, which is not necessarily the present need.

1.2 MAIN RESEARCH PROBLEM

To identify the extent of constraining factors limiting small, medium and micro enterprises in rural communities, using Hermanus as a case study.

1.3 OBJECTIVES OF THE STUDY

The main purpose of this research is to pinpoint the major constraints and to reach a framework for a workable solution to the problems experienced by rural SMMEs.

1.4 SIGNIFICANCE OF RESEARCH

Rural development differs from urban development owing to factors such as smaller markets, seasonal fluctuations in coastal towns (tourism driven) and slower growth rates. These areas require a joint vision by the key role players in order to promote development and growth. Previous studies concentrated on urban areas. It is, however, important to identify key role players' opinions and key factors which could act as the main driving force to small business development in the rural areas.

Thus, the research will benefit individuals in the rural areas trying to start up or expand businesses, and will hopefully give local authorities, specifically in Hermanus, a blueprint to assist small business development in their respective areas.

1.5 HYPOTHESIS FORMULATION

Hypothesis 1: The key role players of the local community are aware of government initiatives regarding SMME development in the region.

Hypothesis 2: The key role players perceive a hive/craft market as a viable proposition to solve unemployment.

Hypothesis 3: The majority of the key role players in Hermanus encourage SMME development in the area.

Business
enterprises.

1.6 RESEARCH METHODOLOGY

The interviewing technique used was an in-depth, qualitative, face-to-face interview. A judgmental sample was drawn and eleven key role players were interviewed during January and February 2002. The following key role players were interviewed with regard to various aspects of SMME development:

Table 1.2: Key role players interviewed

NAME	COMPANY/ ESTABLISHMENT	POSITION	SMME RELEVANCE
Mr Henry Lerm	Chamber of Business	Chairperson	Hermanus chapter of Cape Regional Chamber
Mr Wessel Heunis	Auberge Burgundy Restaurant/Guesthouse	Owner	Entrepreneur Assists with community projects
Mr Pierre Hugo	Hermanus Abalone	Owner	Entrepreneur Trains and utilises unemployed to provide secondary services
Mr Paul du Toit	Wine Village National and international wine sales	Owner/ Businessman	Entrepreneur
Ms Vivienne Owen	Bayside Foods Rainbow Trust	Partner Trustee	Actively involved with community upliftment and training
Dr Hannelie Nel	Abalone Guest House	Owner	Researcher – researched tourism in greater Hermanus
Ms Glynnis van Rooyen	Images Business Chamber	Owner Member	Organises festivals, in particular the Whale Festival
Mr Peter Spronk	Spronk & Associates	Surveyor/ Businessman	Knowledge of building industry
Mr Willem Murray	WH Murray & Assoc	Partner/Attorney	Assists with SMME development at chamber
Mr Mark Guthrie		Entrepreneur/ Businessman	Involved with old harbour development.
Mr Colie Pretorius	Risk Planning Services	Insurance Agent	Business and risk planning

1.7 DEFINITIONS AND CONCEPTS

Various definitions and concepts are used in the text. In order to eliminate any discrepancy with regard to these concepts, the following definitions and descriptions of concepts apply: (Refer to Appendix A for the small business classification schedule.)

- i. **Survivalist enterprises** are activities by people unable to find a paid job or get into an economic sector of their choice. Income generated from these activities usually falls far short of a minimum income standard, with little capital invested, virtually no skills training in the particular field and only limited opportunities for growth into a viable business.
- ii. **Micro enterprises** are very small businesses, often involving only the owner, some family member(s) and at the most one or two paid employees. They usually lack formality in terms of business licences, value-added tax registration, formal business premises, operating permits and accounting procedures. Most of them have a limited capital base and only rudimentary technical or business skills.
- iii. **Small enterprises** constitute the bulk of the established businesses, with employment ranging between five and about 50. They are usually owner-managed or directly controlled by the owner-community and are likely to operate from business or industrial premises, be tax-registered and meet other formal registration requirements.
- iv. **Medium enterprises** are basically owner-manager controlled, employ up to 200 and have capital assets of up to R5 million.

Table 1.3: List of Abbreviations

ABBR	INSTITUTION	DEFINITION/DESCRIPTION
BRAIN	Business Referral and Information Network	National electronic information resource for small businesses.
BUDS	Business Development Services	Access to high quality business support.
CAPEMAC	Cape Manufacturing Advisory Centre	Cape chapter of MAC.
CBO	Community Based Organisation	Organisations operating in communities.
CSBP	Centre for Small Business Promotion	Established by Department of Trade and Industry.
CSIR	Council for Scientific and Industrial Research	Indirect assistance for SMMEs by providing infrastructure to institutions assisting SMMEs,
CSS	Central Statistical Services	National statistical services.
DANIDA	Danish Institute	Provides financial assistance to Third World countries.
DBSA	Development Bank of South Africa	Addresses socio-economic imbalances and helps improve the quality of life of the people of southern Africa.
DTI	Department of Trade and Industry	National government - facilitates access to sustainable economic activity and employment for all South Africans.
FRAIN	Franchise Referral and Information Network	National electronic information resource for franchisees.
GEAR	Growth Employment and Redistribution Strategy	Macro-economic framework through which targets for growth and development can be established.
IDC	Industrial Development Corporation	State-owned development finance institution supporting SMMEs.
IDP	Integrated Development Plan	Local authority requirement in order to obtain government funding for projects.
IDRC	International Development Research Centre	A public corporation created by the Canadian government to help communities in the developing world.
Khula	Khula Enterprise Finance	Financial assistance for SMMEs via RFIs.
LBC	Library Business Corners	Assistance at libraries for SMMEs.
LBSC	Local Business Service Centre	Responds to training and counselling needs of local SMMEs.
LED	Local Economic Development	Identifies, harnesses and utilises resources to stimulate the economy and create new jobs.
MAC	Manufacturing Advisory Centre	Network to service needs of small manufacturing enterprises.
MCO	Micro Credit Outlet	Funding outlets in rural areas. Start programme from Khula.
MTEF	Medium Term Expenditure Framework	A co-operative process to review and analyse national and provincial budgets.
NAMAC	National Manufacturing Advisory Centre	National co-ordinating office of MAC programmes.

NSBC	National Small Business Council	Sanctions the national support framework and becomes a sounding board for small business interests and concerns.
NEPA	Ntsika Enterprise Promotion Agency	Non-financial assistance to SMMEs.
NGO	Non-governmental Organisation	Non-profit organisation assisting SMMEs.
NPI	National Productivity Institute	Measures national productivity.
ODA	Overseas Development Assistance	Promotes networking amongst NGOs working with SMMEs.
PAWC	Provincial Administration Western Cape	Provincial government.
PDC	Provincial Development Council	Provincial co-ordinating body for development in the province.
RDP	Reconstruction and Development Programme	Government reconstruction programme initiated after 1994.
RFI	Retail Financial Intermediaries	Provides loans and guarantees to SMMEs. Link between Khula and SMMEs.
SABS	South African Bureau of Standards	Established SMME development department. Geared towards making wealth of expertise, experience and facilities available to SMMEs.
SACOB	South African Chamber of Business	Pursues specific strategic objectives and thereby assists SMMEs indirectly.
SALGA	South African Local Government Association	Legislative guidance to local authorities.
SBDC	Small Business Development Corporation	Replaced by Business Partners, a specialist investment group.
SDF	Stutterheim Development Foundation	A foundation established in Stutterheim to assist the transformation of the town.
SETA	Services Sector Education and Training Authority	Established in terms of Section 9(1) of the Skills Development Act, 1998 to identify and provide skills requirements for all sectors of the economy.
SME	Small and Micro Enterprise	Exclude medium enterprises.
SMEDP	Small and Medium Enterprise Development Programme	Cash incentive for new programmes. Funding from foreign donors.
SMEITT	Small, Medium and Micro Enterprise Innovation and Technology	Strives to empower SMMEs through research and improved technology.
SMMEs	Small, Medium and Micro Enterprises	Definitions on previous page.
TTO	Triple Trust Organisation	NGO geared towards business start-ups. Provides skills and business training and access to financial markets.
UNDP	United Nations Development Programme	Supports the sustainable use of natural resources and responsible tourism in the country.
USAID	United States Agency for International Development	Provides support strategies for SMME development.
WESGRO	Western Cape Investment and Trade Promotion Agency	Investment and trade promotion on behalf of provincial government.

1.8 FRAMEWORK OF DOCUMENT

Chapter 2 provides an overview of the Government's Strategy and Policy towards SMME development. Various Acts are also referred in the chapter.

Chapter 3 concentrates on the types of SMME assistance available to entrepreneurs. An account of all governmental, non-governmental and other institutions providing assistance to small, medium and micro enterprises is provided.

Chapter 4 provides an overview of Hermanus as the study area and its context in the Overberg region. This includes an overview of the history of Hermanus, as well as a profile of the socio-demographic and business sectors.

Chapter 5 depicts the results of the qualitative interviews conducted with role players in Hermanus and concludes by testing these results against the stated hypothesis.

Lastly, Chapter 6 provides strategic guidelines for SMME development in rural areas, but in particular Hermanus.

CHAPTER 2

GOVERNMENT STRATEGY AND POLICY TOWARDS SMMEs

2.1 INTRODUCTION: GOVERNMENT'S NATIONAL STRATEGY TOWARDS SMME DEVELOPMENT

National Government recognises the fact that small, medium and micro enterprises represent an important vehicle in addressing the challenges of job creation, economic growth and equity in the country (DTI, 1995b:5). Realising the lack of support in this area, the need was identified by national government for a systematic national framework, within which the national, regional and local policies could function. Such a framework would then assist in the setting of priorities and allocating scarce public funds (DTI, 1995b:15).

Hence a process was started whereby a comprehensive preparatory process was conducted, after which the "National Strategy for the Development and Promotion of Small Business in South Africa" was approved in March 1995. This was followed by the President's Conference on Small Business where various steps for implementation of such a strategy were formulated by the respective role players (South Africa. Office of the President, 1995:iv).

The strategy itself stresses the government's approach of how it envisages promoting the SMME sector in South Africa. It outlines set objectives to support SMMEs and presents key plans to reform the present support institutions.

The primary objective of the strategic policy framework is to "create an enabling environment for small enterprises" in South Africa (DTI, 1995b:16). The following key objectives are set against the backdrop of the strategy policy framework:

- i. to create a greater equalisation of income, wealth and earning opportunities;
- ii. to create jobs in the long-term;
- iii. to stimulate sector-focused economic growth;
- iv. to strengthen the cohesion between small enterprises; and

- (v) to level the playing fields between bigger and small businesses as well as between rural and urban businesses (DTI, 1995b:16).

In order to achieve its objectives and because small enterprises do not operate in a vacuum, policies implemented on national, regional and local level need to complement this framework. Hence, the government formed an Interdepartmental Committee on Small Business to strengthen the co-operation between ministries with regard to small business development (DTI, 1995a:6).

However, the scarcity of public resources is a fundamental constraint on the support and development of SMMEs. Hence, the budget earmarked for small business development has to be supplemented with alternative funding from foreign donors in order to achieve the stated objectives (DTI, 1995b:19). The drawback of foreign funding is that the extent of the involvement of foreign donors remains unpredictable in the future.

With regard to SMME development and support, one is not only faced with financial constraints as discussed above, but also with other key issues. These issues include the following:

Firstly, the different business segments of the SMME sector must be seen as an interconnected part of the larger economy, which includes not only the government, but also NGOs, parastatals and private sector partners. This is confirmed by Karungu *et al* (2000:7) who also stress that provincial and local governments are not effectively integrated in terms of SMME development, which thus hampers their advancement. Secondly, the multiple needs of SMMEs must be recognised in a demand-driven creative approach instead of the traditional static approach. Furthermore, SMMEs must comply with broadly accepted flexible standards but also with standards of (formal) business behaviour such as paying taxes.

Notwithstanding the challenges facing SMMEs, these businesses can become dynamic and competitive through a range of organisational practices. These organisational practices include co-operation, co-ordination and networking among the smaller firms (DTI, 1995b:18).

②

2.2 NATIONAL SMALL BUSINESS ACT, 1996 (ACT 102 OF 1996)

The consequence of the strategic framework, was the proclamation of the *National Small Business Act of 1996 (Act 102 of 1996)* which provides for the establishment of two statutory bodies, namely the National Small Business Council (NSBC) and the Ntsika Enterprise Promotion Agency (NEPA) (South Africa. Office of the President, 1996:2 and DTI, 1996a:6). The latter was formed to facilitate and co-ordinate the implementation of different support strategies outlined in the strategy document. To ensure bottom-up support and transparency, the NSBC was established with a small business council in each province, nominating members to the NSBC. Both the NSBC and NEPA were established as juristic bodies, which must perform their functions in accordance with the Act and its constitution. The functions and operations of NEPA are discussed in Chapter 3.

2.3 OTHER STRATEGIES TOWARDS SMME DEVELOPMENT

The government's national strategy for SMME development should not be seen as the primary strategy, and must be seen in the context of other strategies established by the government or private sector which are not necessarily SMME-focused. The following strategies and Acts have definite bearing on SMME development.

③

2.3.1 GEAR and SMME development

The Growth Employment and Redistribution (GEAR) policy features mainly as the macro-economic framework through which targets for growth and development can be established. Economic growth is, however, just a vehicle to, *inter alia*, improve conditions and attract savings, and not a cure-all for a higher level of human development (PDC, 1998a:23). The SMME sector thus does not feature as a component of growth in this strategy but rather as a sidekick for employment creation and income generation (Karungu *et al*, 2000:5).

The strategy recognises that a sustained reduction in inequality accelerates job creation, which in turn requires structural transformation to achieve higher and more labour-absorbing growth within the economy. GEAR therefore focuses its strategy on higher growth rates in several related fields such as reprioritising the government budget towards social spending, consolidating trade and industry reforms, and social agreement to facilitate wage and price moderation (SALGA, 2000:8).

The government's strategy relating to SMMEs must therefore be seen in the context of the overall GEAR policy as described above. Fiscal policy, monetary policy, trade policy and labour policy are designed to achieve accelerated economic growth by government creating an environment where the private sector will be willing to take the lead. One of the Trade Policy highlights is to use legislation and the establishment of programmes and institutions to promote SMMEs (Karungu *et al*, 2000:5). For example, the IDC offers a range of financing facilities ranging from medium-term loans for industrial buildings to share capital for new projects (Cape Regional Chamber, 2002:94) (refer to Chapter 3).

Although the SMME sector is a key element in the government's strategy to create employment, the sector is severely underdeveloped owing to obstacles of the past. Since the inception of GEAR in 1996, the strategy has not led to job creation; in fact between 1996 and 1999 unemployment has actually increased by more than 100 000 per year. The government therefore hopes that SMMEs will be part of the plan to remedy this problem of unemployment (Karungu *et al*, 2000:6).

2.3.2 Medium-Term Expenditure Framework (MTEF) and SMME development

The National Strategy for Small Business Development made provision for the assistance of small businesses using the Department of Trade and Industry (DTI) as a vehicle. The DTI was designated as the co-ordinating body for all policies related to small business promotion and all government-assisted support. In order to fulfil its function as a co-ordinating body, the DTI established a Centre for Small Business Promotion¹ (DTI, 1996a:6).

¹ See Chapter 3 for the discussion.

An important tool implemented by government in this regard is the medium-term expenditure framework (MTEF). The MTEF programme is a co-operative process to review and analyse national and provincial budgets and to prepare a consolidated expenditure framework consistent with government's social, economic and developmental policies. It is within this framework that the DTI, as well as other institutions, encourages SMME development. However, small business development is only one of the DTI's ten major programmes for which medium-term expenditure estimates are made. Furthermore, expenditure on small business promotion is less than 5% of the DTI's MTEF budget, resulting in an enormous lack of funding for the SMME sector (Karungu *et al*, 2000:6).



2.3.3 Skills Development Act, 1998 (Act 97 of 1998)

Karungu *et al* (2000:7) also state that not only financial constraints as mentioned above, but also the lack of technical skills need to be addressed before headway is made in the sector. In order to address the above, the Skills Development Act should be seen within the framework of the *National Small Business Act of 1996*, as more of a supportive role.

The Skills Development Act was proclaimed in 1998 to provide a framework to develop and improve the skills of the South African workforce, to provide for learnerships that lead to recognised occupational qualifications, and to provide financing for skills development by means of a levy grant scheme, amongst others (South Africa. Office of the President, 1997:2).

The Act prescribes the establishment of the National Skills Authority, SETA (refer to Chapter 3), learnerships and skills programmes. The purpose of the Act is to assist persons to enter special education and training programmes, to find employment, to start income-generating projects, and to participate in special employment programmes (South Africa. Office of the President, 1997:28).

2.3.4 Tourism and SMME development

As Hermanus lies in the main tourism region of the Western Cape, tourism and SMME development require a special mention. The main thrust of tourism with respect to SMME development is outlined in the *White Paper on Sustainable Tourism Development and Promotion in the Western Cape*. The White Paper endeavours to focus and co-ordinate the tourism industry in order to effectively provide entrepreneurship, employment and skills development opportunities in the sector (DEAAT, 2001:3).

The tourism White Paper stresses the importance of tourism development to improve the quality of life of all citizens, and at the same time to protect the environment for all future generations. The policy has also been developed in the context of the provincial government's economic growth and development strategy, which stresses, amongst others, the improvement of job creation, the raising of the quality of basic services to the poorest citizens and the development of tourism sectors. This policy should lead to the absorption of more low-skilled labour (DEAAT, 2001:4). The aim is to provide sustainable tourism, not only benefiting the well-educated but providing opportunities to the poor as well as indirectly to other industries.

The tourism industry is perceived as fertile for SMME start-ups. The reasons are that low initial investment and prospective entrepreneurs need no special skills. Although provincial/local government or the private sector initiates major projects, small enterprises are necessary to provide a supporting role. The commitment from government to involve SMMEs is evident in the range of programmes and funding opportunities initiated (DEAAT, 2001:44).

The strategic objectives set in this policy to promote SMME development are to create an environment within which small businesses in tourism can operate, to establish a tourism entrepreneurship support programme at provincial level, and to establish marketing assistance programmes to facilitate access for disadvantaged entrepreneurs (DEAAT, 2001:44-45).

Another strategy of the policy is to improve participation of local communities and to stimulate investment in underdeveloped areas. This will indirectly contribute towards SMME development and job creation in these areas.

The Department of Economic Affairs, Agriculture and Tourism (DEAAT) also initiated an Integrated Tourism Development Framework for the Western Cape. This framework expands on the vision for tourism as outlined in the above White Paper by providing a basis for the delivery of a combination of tourism opportunities available in the Western Cape. It is also important to set realistic expectations regarding social development as tourism cannot solve the socio-economic problems of each community (DEAAT, 2001:2).

2.4 CONCLUSION

Chapter 2 provides an overview of the legislative, developmental and operational context in which SMMEs operate. The National Strategy and the *National Small Business Act (Act 102 of 1996)* provides the overall strategic policy framework for SMME development in South Africa.

Tourism, as outlined in the white paper on sustainable development, seems to be the key driver for SMMEs in the Greater Hermanus area. In the Western Cape, however, tourism is guided by the DEAAT's integrated tourism development plan.

The key functions of all the establishments which provide financial or non-financial SMME support are discussed in the next chapter (Chapter 3).

CHAPTER 3

SMME ASSISTANCE

3.1 OVERVIEW

Chapter 2 dealt with the legal and operational environment SMMEs operate in. This chapter narrows the focus down to the functions and the type of SMME assistance provided to this sector in South Africa.

Figure 3.1 depicts the various agencies, which were established to work in collaboration with the DTI in order to deal with the constraints facing SMMEs. Although this diagram is not exhaustive in terms of listing all the role players involved in SMME development, it provides a sound overview of the type of support of the SMME sector in South Africa. Financial support is indicated by "———" and non-financial support by "—". Various types of institutions can be identified. Firstly, there are development finance institutions which include Khula and the IDC. Then there are the specialised service providers such as NEPA, NAMAC, the SABS and CSIR. Other agencies such as SETA, Triple Trust Organisation and Business Partners provide primarily training assistance in order to prepare the entrepreneur to operate a successful enterprise. Finally, there are other institutions (not listed in Figure 3.1) which have a more supportive, i.e., more indirect role to play for SMME development and include institutions such as SACOB, DBSA and SABS. For example, the DBSA provides the overall infrastructure for Southern Africa in which SMMEs operate, and without such infrastructure, SMMEs cannot function effectively.

Figure 3.2 puts SMME support (financial and non-financial) into a different perspective. It provides a layout of the support for various types of businesses ranging from survivalist enterprises to big corporations. The focus of this chapter is to concentrate on SMME support, which per definition excludes survivalist enterprises, informal establishments and big businesses. It can be seen that the IDC (medium-sized enterprise support), Khula, MAC, BRAIN and NEPA are all involved in SMME support at various levels.

Small enterprises (even more so for survivalist and micro enterprises) have very little access to capital, which is a critical issue in the South African context, as most previously disadvantaged entrepreneurs operate in these sectors. Owing to administrative costs of banking and limited entrepreneurial sophistication, formal institutions are unlikely to serve these enterprises successfully (DTI, 1998:9). This is mainly due to the following constraints faced by formal institutions in making SMME investments. There are two categories of constraints, namely:

- i. factors relating to debt and equity – these factors include high overhead and administrative costs, high risk of business failure, low returns on SMME investments and cost of making the investment; and
- ii. factors relating to debt – these factors include an inability to accurately assess the level of risk, lack of collateral especially previously disadvantaged entrepreneurs and the cost of registering and realising collateral (DTI, 1998:12).

Hence, these enterprises are dependent on NGOs, micro lenders and family for financing. NGOs, for example, tend to focus on the survivalist and micro enterprises by providing mainly two types of funding to these institutions: (i) loan finance for up to R6 000 in a group-based lending scheme, and (ii) individual loan amounts for up to R50 000 (DTI, 1998:7).

However not all support for survival and micro enterprises comes from the above-mentioned parties. To address these constraints, Khula (financial) and NEPA (non-financial) were established in 1996 (refer to Chapter 2). The institutions' mandates were to establish programmes that would absorb a portion of the risk and cost of making SMME investments. Although significant strides have been made by these agencies, more rapid progress is required (DTI, 1998:12).

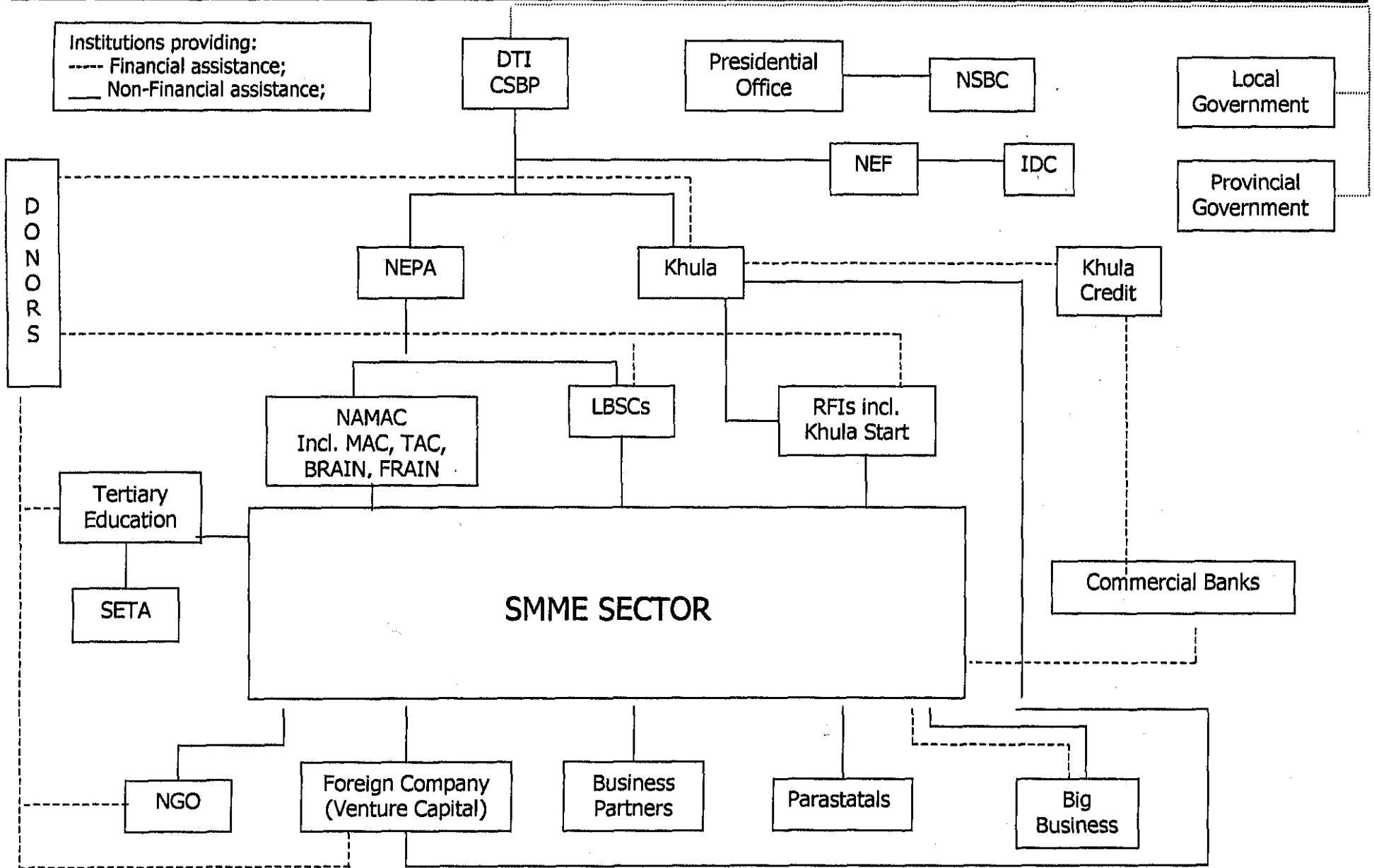


Figure 3.1: SMME sector support [Source: Adapted from Karungu *et al*, 2000:27]

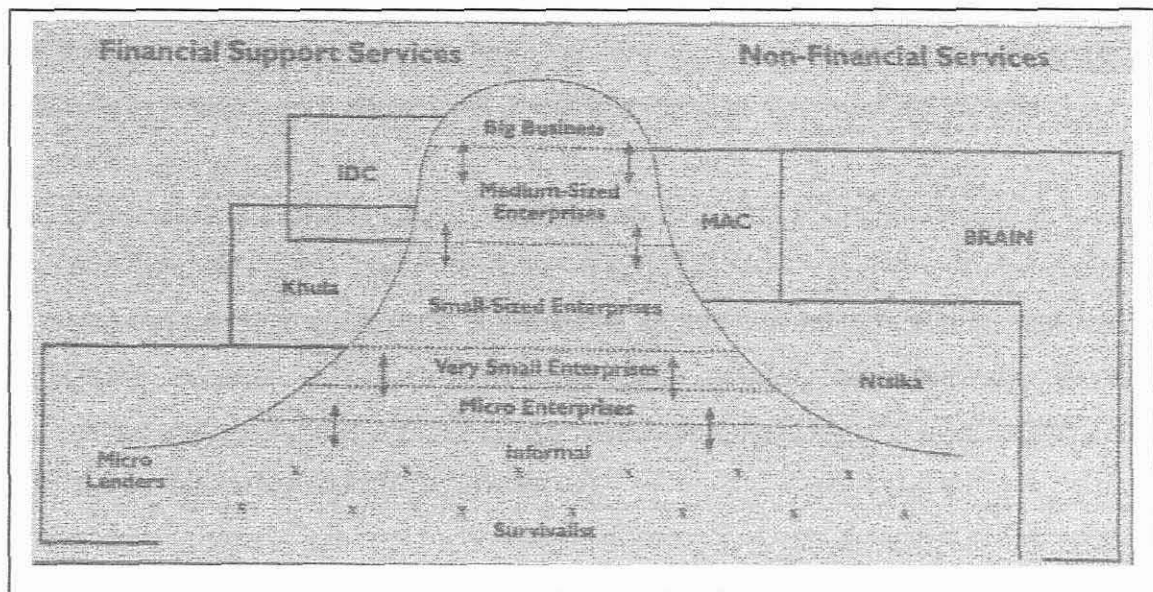


Figure 3.2: Support service model [Source: NAMAC, 2001b:12]

3.2 SUPPORT AGENCIES FOR SMMEs

The functions and operations of the key institutions as depicted in Figures 3.1 and 3.2 will now be discussed in more detail.

3.2.1 Department of Trade and Industry (DTI)

The DTI is the main role player with regard to SMME development (see Figure 3.1). The key role of the Department is to facilitate access to sustainable economic activity and employment for all South Africans. The key objectives by which to achieve this are to attract higher levels of domestic and foreign investment; to increase market access of foreign investment; and to achieve a fair, efficient and competitive market place for domestic and foreign businesses and consumers (DTI, 2002a:1).

The DTI's role in terms of the National Strategy led to the establishment of the Centre for Small Business Promotion (CSBP) to, *inter alia*, co-ordinate and facilitate the institutional structuring of SMME support at provincial level and to focus on SMME needs and mobilise funds for micro enterprise incubators and hives (PAWC, 1997:15).

Another DTI initiative with regard to SMME development is the Small and Medium Enterprise Development Programme (SMEDP) which was initiated by the DTI to address constraints experienced by SMMEs.

The objective of this programme is to, amongst others, create wealth and generate employment, utilise local raw material, ensure long-term sustainability of projects receiving incentives, and reduce investment lost for small and medium investors.

This programme is available countrywide to local and foreign firms investing not more than one hundred million rand in land, buildings, plant and equipment in new projects or expansion of existing projects. Companies engaged in manufacturing, high value agricultural projects and agro-processing, aqua culture, biotechnology, tourism information and communication technology investments, recycling, culture industry and business services may apply (DTI, 2002b:10).

A concern, however, is that SMMEs receive only approximately 2,6% of investment capital flows, through both formal and informal agents (DTI, 1998:3). The formal financial sector, as well as parastatals, focuses mainly on small and medium enterprises and therefore survivalist companies fall by the wayside.

3.2.2 Industrial Development Corporation of South Africa Limited (IDC)

The Industrial Development Corporation (IDC) supports small to medium-sized businesses financially (refer to Figure 3.2). It is a state-owned development finance institution with the primary objectives being to contribute to a balanced, sustainable economic growth and economic empowerment of the population. This is done by building competitive industries and enterprises based on sound business principles (Cape Regional Chamber, 2002:94).

Key priority areas in assisting SMMEs are for the IDC to (i) finance small and medium independent industrial undertakings, (ii) initiate projects contributing towards regional development, and providing assistance for research and development of industrial and trade policy. This is done by offering a range of financing facilities ranging from medium-term loans for industrial buildings, plant, equipment and working capital, ordinary and preference share capital in new projects, and guaranteeing facilities for importers and extended credit for export of capital goods (Cape Regional Chamber, 2002:94).

3.2.3 Khula

Khula is a limited liability company set up in 1996 to financially assist small and medium businesses in South Africa (refer to Figure 3.2). The Department of Trade and Industry is the company's major shareholder.

Its strategic role is to sustain the delivery of credit and equity for emerging enterprises to enable the creation of asset ownership, wealth and employment by previously marginalised communities in South Africa (Khula, 2001). Their vision is to become a wholesaler of choice in SMME finance, and therefore Khula started various programmes to assist different sectors of the SMME market.

Khula's mandate is to facilitate loan and equity capital to SMMEs by providing the bank with the appropriate guarantees through approved retail financial intermediaries, referred to as RFIs. These RFIs must pass the Khula eligibility criteria before applying for guarantees. It must be noted that Khula does therefore not deal directly with SMMEs, instead it provides its services to these approved RFIs to serve SMMEs. The services include loans, guarantees to reduce risk and collateral deficiency in the SMME sector, grants to RFIs without access to adequate capital and those who will serve the most marginalised SMMEs, and institutional development services to enhance the long term capacity of RFIs (Khula, 2000:1).

SMME applicants, however, have additional criteria to meet, namely that (i) the applicant must be the owner involved in the daily management of the business; (ii) the principal place of business must be in the Republic of South Africa; (iii) the SMME must be economically viable and be run strictly for profit; and (iv) the applicant must have an acceptable credit record and possess knowledge, skill and experience directly related to the management of the business (Khula, 2000:2).

Khula, however, experienced difficulties with the implementation of the strategy as retail financial intermediaries lacked the experience and capacity to disburse their funds, with the subsequent loss of funds and donor participation. To improve service delivery, the Start programme was initiated with micro credit outlets (MCOs) operating specifically in the rural areas (Karungu *et al*, 2000:32).

- i. **Khula Start:** Khula Start is a group-lending scheme for the lower end of the micro enterprise market. It targets historically disadvantaged communities, particularly women in rural areas and informal sectors. Khula Start will be initiated through existing NGOs and Community Based Organisations (CBOs) who have to apply to become Micro Credit Outlets (MCOs) (DTI, 2002a).
- ii. **Khula Technology Transfer Guarantee Fund:** Khula Technology Transfer Guarantee Fund promotes access to local and international technology. The fund is specifically targeted to assist SMMEs. The applicant will be able to obtain a maximum guarantee of one million rand. The initial focus of the fund is on manufacturing technology, excluding the service industry (DTI, 2002a).

3.2.4 Ntsika Enterprise Promotion Agency (NEPA)

As seen in Chapter 2, NEPA was established as a juristic body in 1997 in accordance with the *National Small Business Act, 1996 (Act 102 of 1996)* as a wholesale service provider for small and micro enterprises (refer to Fig 3.2). It was established to (i) expand, co-ordinate and monitor the provision of training, advice, counselling and any other non-financial services to small business in accordance with the National Strategy (as discussed in Chapter 2) and (ii) to provide financial support to service providers that provide the services contemplated in (i). This is achieved by:

- i. Identifying priorities and design interventions that will promote the development of SMMEs.
- ii. Providing information to policy-makers, business-development practitioners and entrepreneurs in order to create and further develop an SMME-enabling environment.
- iii. Establishing an effective Service Provider Network which will implement and deliver efficient services to SMMEs and liaise with SMME stakeholders and entrepreneurs.
- iv. Promoting the development of an entrepreneurial culture in South Africa, in order to increase self-employment and business growth (Ntsika, 2002:1).

- v. Consulting with the government, the NSBC or any other service provider to facilitate, *inter alia*, the provision of business advice and counselling services, access to raw material and other products, and to strengthen the capacity of service providers to support small business (Ntsika, 2002:1).

NEPA recognises the lack in capacity of retail service providers (especially LBSCs) owing to the difficulties with the implementation of the National Strategy and the lack of a network of NGOs ready to act as service providers. NEPA was therefore occupied with setting up such a network to give SMMEs non-financial assistance. Karungu *et al* (2000:31) mentions in this regard that the staff also feel restricted by being a wholesale provider only, and would prefer to act as a retail service provider in certain instances.

Lastly, the Local Business Service Centre (LBSC) programme, set up by NEPA, forms the cornerstone for the provision of non-financial assistance to SMMEs. Its mission is to render an efficient and effective promotion and support service to SMMEs in order to contribute towards equitable economic growth in South Africa. The programmes are geared to be sensitive towards the needs of women, the disabled, youth and rural communities (Ntsika, 2002:1).

3.2.5 Local Business Service Centres (LBSCs)

As seen in the previous section (Section 3.2.4), Local Business Service Centres (LBSCs) fall under the business service division of NEPA (refer to Figure 3.2). In the National Strategy for the Promotion of Small Enterprises, it was recommended that each town should establish an LBSC to fill the need for knowledge and business principles (Thomas, 2001:1). However, there are currently only between 120 and 160 LBSCs in South Africa.

For the centres to be operational they must comply with certain accreditation criteria to become an LBSC. Criteria include, *inter alia*, strategy, statement of purpose, core services, code of ethics, legal status, and financial solvency (Ntsika, 1996). These accredited centres are community resource centres, delivering business support and services in the form of training, counselling, research and other services, to small and micro enterprises.

They are therefore community-based partnerships, whose target markets are viable and potentially viable micro and small enterprises within its area of service. LBSCs also form part of a national network, whose goal is to offer standardised, high quality small business support in the form of training, counselling, information and referrals, throughout South Africa (Ntsika, 1996).

LBSCs provide the first tier of generic services, including business information, general business management advice and counselling, aftercare and networking to SMMEs. The LBSC network is a unique national SMME support movement which is enabling mutual assistance and the dissemination of best practice; through accreditation a brand image and independent criteria for benchmarking are provided. Accreditation also gives the LBSC creditability in dealing with clients, government, donors, and corporates (Ntsika, 1996).

LBSCs do not, however, function effectively, because the cost of such a network of LBSCs turned out to be far too high for NEPA and the DTI to finance. Furthermore, LBSCs have limited access, and entrepreneurs are frustrated about the lack of access to information at these centres (Thomas, 2001:1). The lack of access to information at these centres is also exacerbated by the location of LBSCs. For example, the LBSCs closest to Greater Hermanus are situated in Montague and Stellenbosch, both well out of reach of the disadvantaged entrepreneur in Hermanus (City of Cape Town, Undated:19-20).

3.2.6 National Manufacturing Advisory Centres (NAMACs)

The national co-ordinating body (NAMAC) was established as a trust in 1997, with the CSIR, Ntsika and NPI as core partners. Its task was to implement support programmes on behalf of the DTI, aligned with SMME development, black economic empowerment, job creation, competitiveness and geographic outreach (rural focus) on national level. NAMAC prefers to initiate pilot projects, which may grow into more projects and programmes.

In this regard the Manufacturing Advisory Centre (MAC) programme was established and aims to supply high-quality advisory services to existing manufacturing SMMEs in order to ensure acceptable quality, competitiveness and productivity. The programme targets small and medium manufacturing enterprises with between five and 200 employees (NAMAC, 2001b:9).

Owing to the support and ongoing commitment of MAC centres, client companies have improved their products and processes, boosted their productivity and become more export oriented. The MAC model has drawn from the expertise of the CSIR, NEPA, NPI and DANIDA (link with Denmark), as well as programmes abroad in order to roll out a unique model suited to local conditions. It is required that MAC advisors complete stringent training programmes in order to be equipped to use sophisticated diagnostic tools and facilitate training, development, business linkages and information needs of SMMEs (NAMAC, 2001a:3).

Furthermore, a MAC centre is established in each province, with Capemac responsible for the Western Cape region. In this regard, Capemac was launched as a Section 21 company in October 2001. The company has already received ISO accreditation and finances were transferred in April 2002 (NAMAC, 2002c:3).

A second programme initiated by NAMAC is the Business Referral and Information Network Programme (BRAIN), tasked in 2000 by the DTI as another leg of this trust. BRAIN's vision is to supply relevant value-added information to SMMEs through a network of business service centres through South Africa. Apart from the information available on BRAIN's website, the consultants also have access to national and international databases. Any individual or small business centre can call the national centre in Pretoria or visit their website¹ (NAMAC, 2002a:9).

The Franchise Advice and Information Network (FRAIN) is a third programme initiated by NAMAC. This system aims to support existing and new franchises which are also available on their website² (NAMAC, 2002b:1).

¹ <http://www.brain.org.za>

² <http://www.frain.org.za>

3.2.7 Services Sector Education and Training Authority (SETA)

Services SETA was established in terms of Section 9(1) of the *Skills Development Act, 1998 (Act 97 of 1998)* to ensure that skills requirements for all sectors of the economy are identified and training is provided. Each SETA must perform its functions in accordance with this Act and its constitution (refer to Chapter 2) (South Africa. Office of the President, 1997:16).

The majority of SETA members are small and micro enterprises, which necessitated an SME department. This department addresses the needs of the small and micro enterprise sector. The institution also undertakes research regarding SME demographics, determines fundamental training needs and marketing strategies, and opens channels between the formal and the informal sector (SETA, 2002:1).

3.2.8 Triple Trust Organisation (TTO)

As an NGO, the Triple Trust Organisation was established in 1988 to provide support to unemployed people in South Africa. The organisation addresses unemployment by providing skills and business training and access to finance and markets (TTO, 2002:1).

The TTO offers training courses throughout the Cape Town area and in the Eastern Cape. The courses consist of competency-based training methods and action learning methodology. In total, four key courses are offered: business introduction, business action plan, business growth and expansion, and business restructuring courses. There are also skills training courses which include sewing, leatherwork, machine knitting and silkscreen printing (TTO, 2002:2).

Other services provided by the TTO are marketing (marketing awareness workshops, participants visiting markets to gain exposure), enterprise finance (equips participants to compile a marketing plan) and the TTO Club (provides support and aftercare service) (TTO, 2002:3).

3.2.9 Business Partners

With the establishment of a wholesale finance agency (Khula) to deal with loan finance, foreign-donor contributions and credit guarantees for SMMEs, and NEPA, the role of the Small Business Development Corporation (SBDC) was in question. The subsequent transition and privatisation was gradual, with emphasis on the devolution of powers, funding and responsibilities on provincial and local levels (DTI, 1995b:7).

Business Partners emerged as a specialist investment group, providing investment, mentorship and property management services for small and medium enterprises. The group's mission is to invest capital, skill and knowledge into viable small and medium enterprises (Business Partners, 2002:1). Investments are made in the fishing, agro-industry, manufacturing, services and trade sectors in amounts ranging from R150 000 to R5 million. Venture capital from R5 million to R15 million is also offered as well as premises where appropriate (Cape Regional Chamber, 2002:95).

3.2.10 Local authorities

Local Economic Development (LED) is a locally driven process designed to identify, harness and utilise resources to stimulate the economy and create new job opportunities. LED occurs when the local authority, business, labour, NGOs and individuals strive to improve their economic status by combining skills, resources and ideas. The importance of LED lies with job creation, the increase in income levels enabling people to pay for services and thereby broadening the tax and revenue base of the local authority (NBI, 1998:2).

Local authorities therefore play a central role in economic development by influencing the local economic environment through policies and by-laws they pass, the programmes they support and the tender practices they follow. Local authorities are required to understand their specific roles in order to ensure that these powers and functions are harnessed strategically to promote economic growth and job creation (NBI, 1998:3).

There are nine strategies that local authorities can use to support economic development, namely (i) Small, Medium and Micro Enterprise Development, (ii) Regulations and By-laws, (iii) Land Building and Other Public Assets, (iv) Public/Private Partnerships for Infrastructure and Service Delivery, (v) Business Retention, Expansion and Attraction, (vi) Human Resource Development, (vii) Promotion and Marketing, (viii) Regional Linkages, and (ix) Plugging the Leaks (NBI, 1998:7).

The first strategy, Small, Medium and Micro Enterprise Development, is the largest source of employment for many communities and the source of most new jobs. Although the national government adopted a range of policies and programmes (DTI, NEPA, Khula), it is the local authority's role to provide a valuable support base for SMME assistance and to ensure access to these resources by an enabling local policy environment. The establishment of a central information centre, staffed with trained officials, providing information on national and provincial programmes, consumer patterns and other issues, will prevent long delays and confusing procedures associated with licensing, tendering, rates, permits, zoning and building approvals (NBI, 1998:8).

The way local authorities can assist SMMEs is by establishing so-called local business service centres (LBSCs). Local authorities must, however, take a pro-active role in accessing the necessary programmes and bringing together local stakeholders (NBI, 1998:10).

Apart from assistance provided from so-called LBSCs, local authorities must also reform the tender process to allow small businesses to access the mainstream procurement activities. Although the tender process is governed by the Constitution and the Provincial Ordinance, there are efforts the local authority can embark on to streamline the procedure. Large contracts can be unbundled, the tender procedure can be simplified, tenders can be widely publicised in the preferred languages of the area and training and capacity building of entrepreneurs can be supported (NBI, 1998:13).

Lastly, local authorities are also required by law to compile an Integrated Development Plan (IDP) describing the local authority's policies and strategies and defining its intended operational strategies. The plan will ensure a high degree of accountability on political, administrative and financial levels (Young, 2001).

3.3 INDIRECT SUPPORT FOR SMMEs

The following institutions are examples of establishments which have a more supportive role to play for SMME development. These companies are therefore only indirectly involved with SMME development, yet their role in terms of SMME development cannot be neglected.

3.3.1 South African Chamber Of Business (SACOB)

SACOB pursues specific strategic objectives and thereby assists SMMEs indirectly (SACOB, 2001:1). The Chamber promotes participation and creates opportunities for small businesses and business set-up, adopts a socio-market approach to achieve growth levels to reverse social stratification, unemployment and underdevelopment, and promotes human resource training programmes for its members and their employees, with particular emphasis on skills development (SACOB, 2001:1)

SACOB established an SMME desk to represent the interests of business in this sector through the local chambers. This is being done by:

- i. Lobbying to create an environment conducive for small, micro and medium enterprises to thrive in.
- ii. Working with local chambers to design and develop products that appeal to members who are categorised in this sector.
- iii. Identifying national, provincial and local government policies that present opportunities for SMMEs, ensuring that members take advantage of these policies, and also ensuring public/private enterprise partnerships at all levels.
- iv. Involving members directly in addressing challenges they are faced with and also canvassing opinion on matters of importance through the SACOB SMME committee.
- v. Collecting, assessing and disseminating information regarding sources to assist the SMME sector.

- vi. Continuously exploring opportunities for business linkages between businesses locally, and for market access opportunities for businesses ready for international trade (SACOB, 2001:2).

The Hermanus Business Chamber falls under the jurisdiction of SACOB and adheres to the above as a member of the Chamber. During a strategic planning exercise in 2001 to ascertain members' views on the purpose of the Business Chamber (HBC, 2001:1), its purpose was perceived to be a communication centre for members to create networking opportunities. The chamber should also represent members' interests and act as facilitator to secure opportunities and assist small businesses (HBC, 2001:2).

3.3.2 South African Bureau Of Standards (SABS)

The SABS is a statutory organisation governed by Act 29 of 1993. As South Africa's official body for the preparation and publication of standards, the SABS renders an important service to government, trade, industry and the consumer. Its main objectives are to strengthen the economy and to enhance the quality of life for all South Africans by promoting quality and standardisation (SABS, 2002:2).

To achieve the above objectives, the SABS established an SMME development department. They are geared towards making their wealth of expertise, experience and facilities available to small, medium and micro enterprises in order to boost economic growth (SABS, 2002:1).

The formation of the department is a proactive effort to reach out to the developing sector. Its mission strives to co-ordinate internal and external interface between the SABS, South African SMMEs and state departments. The Missing Link Programme was initiated to provide information that will assist SMMEs to understand the requirements of high quality products and services (SABS, 2002:1). Training programmes are also conducted in specific industries, where possible in conjunction with accredited and reputable training centres (SABS, 2002:2).

3.3.3 Development Bank of South Africa (DBSA)

The DBSA's key purpose is to address socio-economic imbalances and help improve the quality of life of the people of southern Africa. Its mandate is to invest in infrastructure and facilitate the provision of infrastructural development finance; finance sustainable development in partnership with the public and private sectors; and to respond to development demands and act as a catalyst for investment (DBSA, Undated:1).

The DBSA invests in regional, municipal, rural, social, eco-tourism enterprises and institutional infrastructure. The bank's principles include add-on value, maximum development and sound banking. The DBSA's policies aim to, amongst others optimise development impact, address socio-economic development backlogs and maximise the impact of projects in respect of sustainable job creation, appropriate technology, community participation and environment sustainability (DBSA, Undated:2).

The bank has various areas of competency and development partners. It works with donors and its other partners at international, national and provincial levels to build relationships with all key role players in development to ensure the best use of resources to reach goals and development initiatives (DBSA, Undated:3).

3.4 REGIONAL SUPPORT: WESTERN CAPE

Other key support for SMME development found in the region include Wesgro and the Provincial Administration Western Cape.

3.4.1 Wesgro

The Western Cape Investment and Trade Promotion Agency (Wesgro) was reconstituted as a Section 21 company in 1996. Wesgro's primary activities are the mobilisation of foreign as well as local investors, the marketing of investment opportunities and the facilitation of investment projects. It is also involved with trade promotion and fulfils tasks for various stakeholder groups represented on the board (Wesgro, 1999:3).

Wesgro as a public-private partnership has to closely co-operate with national, provincial, regional and local authorities, all of which have a role to play in the stimulus of economic development. Close interaction with the private sector is required, as most initiatives for investment originate in the private sector. Wesgro has the challenge of developing and maintaining an effective network of foreign investment contacts for investment and trade purposes (Wesgro, 1999:3).

Although the foreign investor is its main client, Wesgro always encourages equity participation by previously disadvantaged groups. Wesgro hosts workshops for small businesses wishing to export, assists metropolitan and rural initiatives to support small businesses, and devises policies and strategies in areas where small business development is needed (Wesgro, 1999:17).

Apart from Wesgro's global programmes, the Library Business Corners were initiated to assist would-be entrepreneurs with relevant knowledge of business principles which are not readily available. Although LBSCs were to serve as information centres to provide these principles as well as facilitate training and supply a range of services, only a few materialised owing to the exorbitant start-up costs (Thomas, 2001:2). Thus an alternative solution was required and certain libraries expressed a willingness to fulfil this role.

The library enters a commitment with the LBC-team of Wesgro to increase the availability of small business-related material in its library. Following this, the library receives a launching grant of R5 000 to R10 000 to acquire books, journals, shelving, files, videos, or other material. A corner of the library is then transformed to establish a business corner. Libraries are also encouraged to engage in other business-related activities such as training workshops at the library, notice boards for neighbourhood activities, storage of pamphlets on SMME support and linking up with schools.

The LBC is a low risk venture, which can gradually expand and might be the only way in which to indirectly support small business all over the country (Thomas, 2001:4).

3.4.2 Provincial Administration Western Cape

In the Western Cape the Department of Economic Affairs, Agriculture and Tourism was tasked with SMME development through its Business Promotion and Tourism branch. The branch is tasked with creating conditions conducive to economic growth and strives to offer high quality services for the benefit of all the people of the province (DEAAT, 2002:1). To achieve this, the *White Paper on sustainable tourism development and promotion in the Western Cape*³ and the *White Paper on preparing the Western Cape for the knowledge economy of the 21st century* were presented to Cabinet in 2001.

The White Paper on preparing the Western Cape for the knowledge economy of the 21st century has a core objective of creating jobs for the people of the Western Cape. This document seeks to lay foundations for the province: (i) to become a leading learning region equipping its people and businesses with the necessary knowledge to survive in a changing world; (ii) to be effectively linked to the rest of South Africa and the world; and (iii) to become a leading centre for entrepreneurship and innovation capable of promoting sustainable growth and development and improved quality of life for all (DEAAT, 2001:19).

Available evidence suggests that the Western Cape offers a friendly environment for new business start-ups, but that the local experienced and trained entrepreneurs are insufficient to drive the 6-7% growth rate required to promote job creation. There are still needs in terms of provision of venture capital, introduction of effective incentives and a more flexible regulatory framework. The constraints and a lack of finance particularly in the rural areas prevent many small to medium businesses from participating effectively (DEAAT, 2001:44).

The business promotion and tourism branch also compiled a work pack to start a business. The work pack (refer to Annexure D) was compiled to reduce the risk of failure by providing a useful checklist and summarised guide for entrepreneurs in the process of starting a business. These brochures are distributed free of charge (DEAAT, Undated:2).

³ White Paper discussed in Chapter 2.

3.5 OTHER SUPPORT: FOREIGN DONORS

A wide range of foreign support with regard to SMME development exists. The European Union, as well as Canada and America, is well-known for their involvement either financially or in a supportive consultative and research role. The following two establishments serve as examples of foreign involvement in SMME development and support.

3.5.1 International Development Research Centre (IDRC)

The IDRC is a public corporation created by the Canadian government to help communities in the developing world find solutions to social, economic and environmental problems (IDRC:1999:1). One of the IDRC's sectors concentrates on Small, Medium and Micro Enterprise Innovation and Technology (SMMEIT). As most jobs in the developing world are created by small and micro as well as informal enterprises, SMMEIT strives to empower these enterprises through research and improved technology. Technology does not unlock all doors but a durable hand pump or groundnut sheller can make a difference to an entrepreneur (IDRC, 1999:2).

The constraints the informal sector face include outdated technology, limited access to credit and training, lack of state support and increased competition. SMEITT supports research in development and transfer of technologies, but it is done as part of the broader strategy to address other needs of the SMME market. These strategies strive to address the constraints mentioned above and to promote policies encouraging small enterprise innovation and development (IDRC, 1999:2). SMEITT recognises that flourishing small businesses, whether a high-tech start-up or a street vendor, play an important role in relieving poverty through job creation (IDRC, 1999:3).

3.5.2 United Nations

The United Nations Development Programme (UNDP) supports the sustainable use of natural resources and responsible tourism in the country. This is achieved by providing support in policy formulation and implementation, building capacity to protect the environment and empowering communities to develop solutions to environmental challenges (UN, 2002:1).

Various programmes have been established to achieve the above, of which one is community empowerment for sustainable development. This programme supports CBOs, NGOs and local authorities by providing small grants to support communities to protect the environment while improving livelihoods through job creation, and capacity building of national programmes such as urban renewal programmes and sustainable rural development programmes (UN, 2002:2).

3.6 CONCLUSIONS

The chapter focused on SMME development in South Africa as provided by a number of institutions. The focus now shifts to Greater Hermanus as the chosen study field.

CHAPTER 4

HERMANUS OVERVIEW

4.1 INTRODUCTION

Having discussed the Government strategies towards the enhancement of SMMEs (Chapter 2) and the assistance available for SMME development (Chapter 3), the focus now moves towards Hermanus as a rural economic area and the role SMMEs can play to increase employment in the region.

4.2 PROFILING HERMANUS

The following sections provide an overview of Greater Hermanus. All sections discussed are interrelated and should be viewed in context with one another.

4.2.1 Economic profile

The Greater Hermanus area forms part of the Overberg sub-region. This sub-region has an estimated population of 178 000 and a GRP of R2,2bn (1997 estimates). Its economic base is reliant on the rich agricultural land of Caledon, Swellendam and Bredasdorp; tourism and related activities of the coastal zone (including Hermanus); and increased traffic along the N2 national road (Wesgro, Undated.b:1). Hermanus's GGP was R135 million in 1998 with the trade, catering, finance and real estate sectors being the main contributors (Wesgro, Undated.a:2).

The following growth forces were identified by Wesgro (undated.a:3) for the area:

- i. The economic base should be diversified from mainly a retirement, to a popular tourism destination.
- ii. The area should act as a regional service town as it is located along a popular coastal route linking the smaller coastal towns.
- iii. The property market is strong and growing with fast appreciating property prices in the higher income categories (1997 estimates average between R100 000 and R800 000).

- iv. The construction sector is healthy.
- v. Approximately 75 000 visitors are attracted by popular festivals such as the Whale Festival.

4.2.2 Geographical overview of Hermanus

In the late 1990s Hermanus was amalgamated with the surrounding local authorities to form the Greater Hermanus Transitional Council (see discussion in section 4.3). After the final amalgamation, Greater Hermanus was defined as the region from Fisherhaven in the west right up to Voëlklip in the east (Wesgro, Undated.a:3). Refer to Figure 4.1.

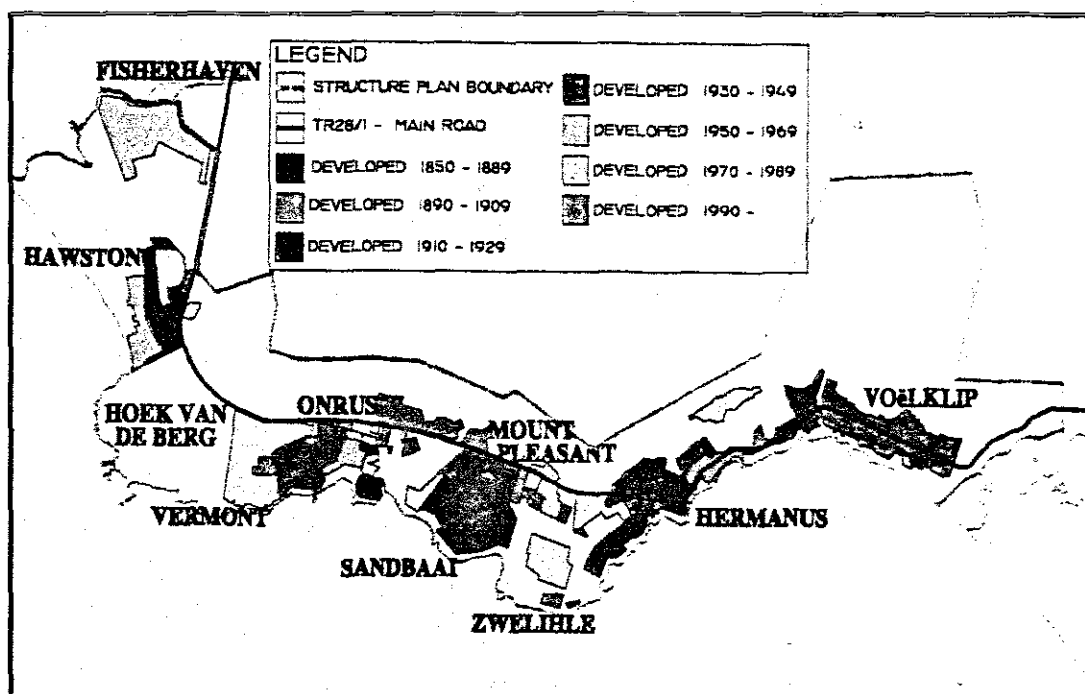


Figure 4.1: Greater Hermanus locality plan [Source: Wesgro, Undated.a:4]

With regard to the availability of land in the Greater Hermanus area, one arrives at a very mixed picture with many extremes. On the one hand there is Zwelihle (refer to map), where the demand for land far outstrips the supply. Already in 1997, the area required an additional 1 400 erven to satisfy the demand for housing/accommodation. The population since then has grown at a rate of approximately 20% per annum, posing a serious problem for land availability in the area (Young, 2001:35).

- iv. The construction sector is healthy.
- v. Approximately 75 000 visitors are attracted by popular festivals such as the Whale Festival.

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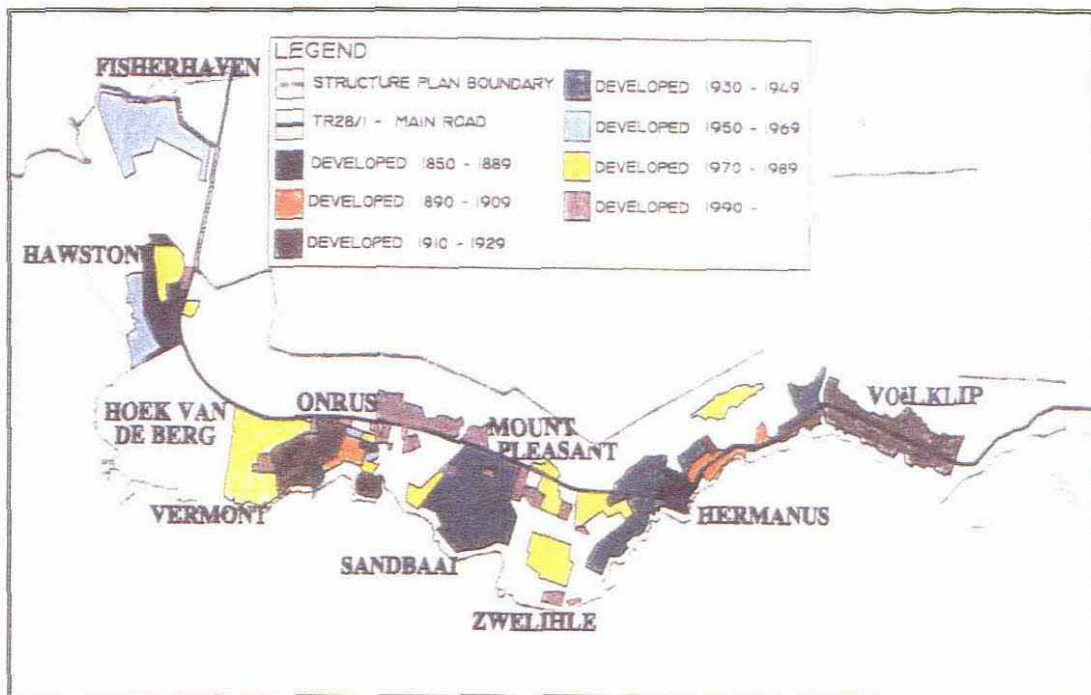


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With regard to Hermanus itself, the total area has only 17% vacant stands left. Hence, it is expected that Hermanus will grow at an average of 2% in years to come. However, with the limited number of stands left, the threat of high-density developments exists which will impact on the tourism and eco-tourism potential in the region.

The growth rate in the other remaining areas is much higher even if compared with the South African averages, and will probably remain so owing to expected developments in Fisherhaven, Onrus River, Vermont and Sandbaai where 64%, 38%, 46% and 41% of vacant stands are open respectively.

4.2.3 Demographic profile of Hermanus

With regard to the population, the area has an estimated population of around 30 000 (2000) living in the string of villages along the R43-road, as indicated in Figure 4.1. The approximate growth rate for the population increased steadily from 3,1% (1985 – 1992) to 7,2% (1991 – 1996). The expected growth rate between 2000 and 2010 is 11%, as a result of the anticipated population increases in Zwelihle¹ (Young, 2001:34). The key reason for this growth is the influx of people from rural areas after the 1994 elections.

4.2.4 Employment

In the previous section it was estimated that about 30 000 people live in the Greater Hermanus region. The question arises, in which industries do the people find work in the Greater Hermanus area? Table 4.1 provides a breakdown of "most used" employment categories. Building and construction is the larger employment provider.

¹ Where the growth rate is estimated at 20% per annum.

Table 4.1: Employment industry

INDUSTRY	AFRICAN	COLOURED	WHITE
Domestic Workers	21%	20%	-
Building and Construction Industry	30%	23%	18%
Industrial Industry	11%	-	11%
Service Industry	16%	17%	23%
Trade Industry	-	13%	18%
Fishing Industry (fish factories, etc)	-	15%	-

[Source: Young, 2001:43)

The main employers in the area are construction, fish processing plants and the local authority. The construction sector is growing, thereby providing increased employment, although the market can be unstable (Wesgro, Undated.a:3).

The fishing industry provides excellent opportunities owing to the export of abalone and kelp farming. The future of small-scale subsistence fisherman might become more secure because of quota allocations to development orientated organisations (Wesgro, Undated.a:2). This objective has however not materialised in Hermanus as unemployment has increased because of the quota system.

The real estate sector shows an overall boom period with residential properties realising good capital growth. Residential, commercial and to a lesser extent industrial properties offer investment opportunities for property development. This is complemented by the redevelopment of existing commercial land and development of individual residential properties, shopping centres, a private hospital and retirement village, apartment complexes and resorts (Wesgro, Undated.a:3-4). These developments will have a positive influence on the building and construction sector.

Light industry and the informal sector have been growing gradually. Although industrial space in Hermanus is limited, nearby Botrivier shows strong potential for industrial development, complementing Hermanus (Wesgro, Undated.a:3).

The economic activity of the retail sector is increasing with a growing small business sector. Small formal businesses in the area are known for a high failure rate. The table below sets out the formal business activities found in the area (Wesgro, Undated.a:2).

Table 4.2: Formal business activities

SECTOR	NUMBER OF BUSINESSES
TOURISM RELATED	12
Adventures, Charters, Tours	(6)
Pubs and Restaurants	(6)
SERVICES	147
Professional Services (Attorneys, Architects, Insurance)	(63)
Personal Services (Beauty Salons, Hairdressers, Florists)	(26)
Business Services (Computer, Laundry, Signwriting, Printing)	(22)
Garden Services (Nurseries, Florists)	(7)
Vehicle Services (Rentals, Repairs, Sales)	(16)
Other (local authority, post office, postnet, plumbing, etc)	(13)
RETAIL	92
Food related (Butcheries, Cafés, Take-aways, Wineries)	(42)
Personal (Jewellers, Outfitters, Sports)	(30)
Furniture and Hardware	(9)
Stationery and Books	(5)
Other (Pharmacies, Toy Shops)	(6)
CONTRACTORS	40
Building – materials, contractors and services	(29)
Electronics and electrical contractors	(11)
OTHER/CULTURAL	18
Art Galleries and Cinemas	(7)
Churches	(4)
Schools	(7)

[Source: Hermanus, Undated]

The Hermanus Business Chamber supports the formal business sector of Hermanus. The Chamber is a member of SACOB and is operated in terms of their principles (refer to Chapter 3). In 2002, the Chamber already had nearly 170 members and now operates from the Whale Festival Offices in Hermanus. The chamber also represents members' interests and acts as facilitator to secure opportunities and assist small businesses (MPBS, 2001:2).

4.2.5 Unemployment

In 2001, unemployment in the Greater Hermanus area was estimated at 36%; with 25% Africans, 9% Coloureds and 2% Whites being unemployed. The key reason for the unemployment situation in Hermanus has to do with the skills and education levels of the workforce. A household survey in 1994 indicated that 64,4% of Africans and 42% of Coloureds in Hermanus have an education up to standard five (grade 7) (Young, 2001:41). This in itself adds to the unemployment problem, as a low education does not provide the skills necessary to be gainfully employed.

Unemployment has its social costs in the form of crime. Crime and muggings are perceived as a great problem threatening the tourism sector and distressing for all inhabitants of the area. The high unemployment rate is considered the cause of this wave of crime. Options such as training of people to patrol cliff paths, starting a company to provide, *inter alia*, gardening, plumbing and other services, and employing people to clean the streets were offered in order to alleviate the unemployment problem.

4.2.6 Tourism profile

In the late 1980s a renewed interest in the tourism sector in Hermanus developed with subsequent physical and economical development. Guesthouses and restaurants increased and whale tourism, both local and international, became popular. The estimated income from whale watching grew worldwide from ±\$14 million in 1981 to a staggering ±\$504 million in 1994 (Nel, Undated:2). Whale watching became just as popular in Hermanus after 1992, coinciding with the previously "slow" months of July to November (Nel, Undated:2).

The tourism sector is perceived as the fastest growing sector with the most important event being the annual Whale Festival, in the latter part of September. Tourist attractions in the Greater Hermanus area such as beaches and water sports ensure that Hermanus is a popular holiday destination. Furthermore, eco-tourism also plays a part in the area's popularity as Hermanus forms part of the Fynbos Route as a result of a variety of coastal and mountain fynbos and a lucrative fresh-cut and dried flowers industry.

The "Heaven and Earth" Valley provides vineyards, flowers, fruit and wines in a sought-after setting (Wesgro, Undated.a:2-3).

Hermanus provides a concentration of tourist facilities and attracts large numbers of people during weekends and peak seasons. The town has an international profile which is strengthened by luxury developments such as the Arabella Estate (DEAAT, 2001:30). The fact that Hermanus is primarily visited during weekends and peak seasons provides a problem for SMMEs, as small businesses cannot survive for months without an income.

The number of bed and breakfast and self-catering establishments grew from 22 in 1995 to 117 in 2001 (see Table 4.3). Many holiday homes are available as informal accommodation when homeowners are not using their private properties. There are approximately 3 500 beds available through these sources (Nel, Undated:4).

Table 4.3: Accommodation sector 2001

TYPE	NUMBER OF ESTABLISHMENTS	NUMBER OF BEDS
Hotels	2	238
B&B/Guesthouses		
□ Small (1-2 bedrooms)	21	72
□ Medium (3-5 bedrooms)	29	236
□ Large (6+ bedrooms)	10	190
Self-catering cottages (total)		
□ Small (1-3 guests)	12	28
□ Medium (4-6 guests)	29	149
□ Large (7+ guests)	6	62
Apartments	5	182
Backpackers	3	67
TOTAL	117	1 224

[Source: Nel, Undated:3]

It is estimated that the population doubles from approximately 30 000 residents to 60 000 people during the festive periods (Christmas - New Year, Easter) and consists mainly of South African holidaymakers. The formal holiday accommodation (hotels, guesthouses, B&Bs and self-catering units) are mostly supported by foreigners (about 70% of all formal accommodation used is by foreigners) (MPBS, 2000:21).

The following table highlights the seasons as well as the origin of visitors for each season (MPBS, 2000:27).

Table 4.4: Seasonal Visitors

SEASON	TYPE OF TOURIST
Festive Season (Christmas – New Year, Easter)	75% domestic
Whale Festival (September)	Domestic and Foreign
Spring/Early Summer (August – November)	78% foreign
Summer/Autumn (December – April, excl Festive periods)	Domestic and Foreign
Winter Season (May – July)	Domestic and Foreign

[Source: MPBS, 2000:27]

Although various types of visitors arrive in Hermanus during the year (as depicted in Table 4.4), tourists to Hermanus can be divided into three segments namely "Explorers" (49%), "Pleasure Seekers" (34%) and "International Roamers" (17%). The Explorers are mostly domestic tourists staying for more than four days and visiting on a regular basis. Pleasure Seekers are also mostly domestic tourists from the Peninsula and Winelands visiting regularly during weekends to enjoy the beaches and related activities. The International Roamers consist mainly of international tourists and their visiting patterns are more or less the same as the Pleasure Seekers, while whale watching is their primary reason for visiting (Nel, Undated: 4).

To put tourism into perspective, various perceptions were probed with regard to tourism in two studies, namely the Greater Hermanus Tourism Strategy Plan (MPBS, 2000:49) and the Spatial Framework for Tourism in Overstrand (MPBS, 2001:13). The following summary highlights the pro's and con's of tourism for the general stakeholders.

Table 4.5: Stakeholder perceptions

NEGATIVE	POSITIVE
Coastal Destination: Beachfront boring – no organised activities. Littering of picnic sites and dunes. Lack of routes linking beach with rest of town.	Sun, sand and sea. Linkages with Cape Town – strong product portfolio. Potential to link tourism to local commerce.

<p>Clean Destination: Greater Hermanus is dirty - no one is taking responsibility. Lack of pride in destination. Day-trippers litter picnic sites and vandalise amenities.</p>	<p>Greater Hermanus can be cleaned with investment in time and effort. There is an opportunity to reposition Greater Hermanus by improving the environment.</p>
<p>Hospitable Destination: Lack of civic pride and poor understanding of emerging African market. Lack of connectivity of key attractions and facilities. Lack of structured sub-region and poor standard of services. Hermanus should be user-friendly.</p>	<p>Hosts are regarded as friendly. Strong opportunity to create friendly destination.</p>
<p>Leisure Destination: Leisure tourists do not spend money on attractions. Seasonal visitor numbers create sustainability problems and over-crowding causes congestion at leisure attractions. Tourists abuse facilities maintained by residents.</p>	<p>Relaxed village atmosphere with favourable climate. Rented houses create family friendly atmosphere. Leisure activities offer adventure and excitement.</p>
<p>Cultural Destination: Few historical sites or events – historically a fishing community. Pensioners retire in Hermanus because they prefer lack of activity.</p>	<p>Unique setting for creating new coastal culture – no need to link culture to historical context. Historical and archaeological sites could be developed and marketed as part of a heritage trail.</p>
<p>Eco Destination: Tourism damages environment and should be strictly controlled. Little funding available for sustainable eco-tourism development.</p>	<p>Allow limited access to ecologically sensitive areas. Entrance fees generate income for maintenance. Opportunities for private and public partnerships.</p>

[Source: MPBS, 2000:27]

Finally, Hermanus manages its tourism via the Hermanus Tourism Bureau. The Tourism Bureau receives information from regional and national bodies and effectively disseminates this information to provide the tourist with up-to-date information about places to visit and things to do. The Bureau serve the visitor by providing, amongst others, maps, booking services and parking cards. It is also important to serve the interests of members by identifying initiatives that may add value to sectors and to the members. Another objective is to play an active role amongst other interest groups, namely conservation, town planning and representative tourism interests.

4.3 GREATER HERMANUS SUB-REGIONAL SPATIAL DEVELOPMENT FRAMEWORK (SDF)

The Greater Hermanus Transitional Council was formed in the late 1990s as an amalgamation of eight former local authorities. The Council, amongst others, undertook an Integrated Development Plan (IDP) in order to meet the needs and improve the quality of life of the local communities, and compiled a Spatial Development Framework to guide the Council in the management of the sub-region (Young, 2001: 29).

A management process was undertaken after the Transitional Council was formed where certain goals were identified relevant to growth and development. The first goal was to develop and maintain a strong local economic base. Tourism was recognised as a fundamental economic driver of the sub-region. The core objectives of this goal were to promote tourism, develop and stimulate economic activity, market the area more effectively, develop attractive and viable business districts within a village context and improve the accessibility to the central business district (Urban Dynamics, 1999:9-11).

Added to this, the second goal was to ensure that the Greater Hermanus plays a responsible and distinctive role in tourism and the economic and social development of the region. The objectives were to facilitate liaison between the local authority and relevant communities, to conserve the amenity value of the area, to conserve and improve the visual quality of the landscape and the scenic route experience of the main transport routes and to improve and develop tourism related facilities (Urban Dynamics, 1999:9-11).

The third goal was to effectively address the social needs and expectations of all sectors of the community. The objectives for this goal were to (i) provide and maintain a full spectrum of social services and opportunities, (ii) to meet the needs of the population, (iii) to improve and maintain infrastructure, and the quality of the built and natural environment, (iv) to facilitate liaison between the local authority and the community, and (v) to co-ordinate the joint management of certain functions, such as sporting facilities, job creation and education on a sub-regional level (Urban Dynamics, 1999:9-11).

This objective, amongst others, must be seen against the backdrop of an inherited system by the Council of unequal infrastructure provision between the townships, with roads and services in wealthy areas far superior particularly to those in the informal settlements.

In this regard, Zwelihle township deserves special mention. The township is located adjacent to Hermanus and has the opportunity to become part of a township tourism route in the area (refer to Figure 4.1). Given the influx of people into the area, the unemployment problem was exaggerated, and impacted on the Hermanus CBD and the surrounding towns. Consequently, Mr Anton Bouwer executed a needs analysis for the township in 2001.

The aim of the assessment was to determine the basic needs of the community, the community profile and the extent of bonding in the community, as bonding increases involvement of the community in shaping its environment. A wide array of needs was identified. These ranged from adult education and jobs to the removal of the dumping site and the sewerage dam adjacent to the township. What the results showed was that there was a strong feeling among the residents that education was important to improve their standard of living. The need for a training centre was therefore frequently raised. Suggested skills to be taught at the training centre included skills training, bricklaying, computer literacy, vegetable gardening and general entrepreneurial skills. An investigation into establishing tourist attractions in the area was also high on the community's priority list (Bouwer, 2001:112).

A community index was compiled as the second part of the study in order to establish the satisfaction or dissatisfaction the community is experiencing with existing facilities. A value of 0 represents most dissatisfied, whereas 10 means most satisfied. Figure 4.2 depicts the overall results of the community index.

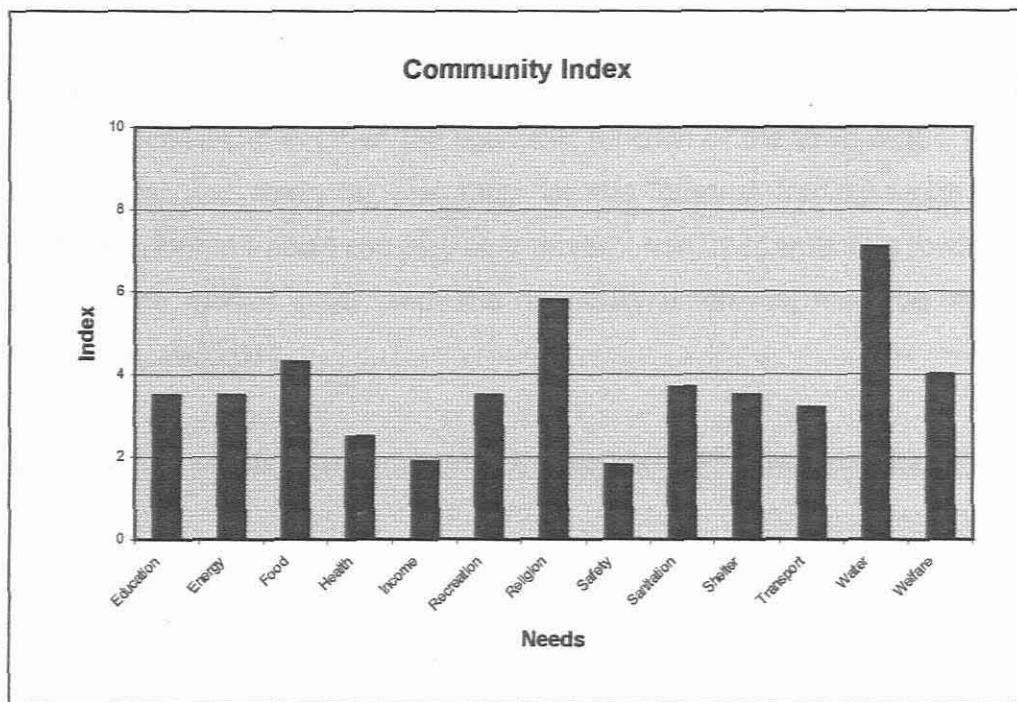


Figure 4.2: Zwelihle community index [Source: Bouwer, 2001]

Given the high unemployment rate, the community indicated numerous basic needs although the extent of bonding in the community is above average for a township. The community profile, however, denotes below average satisfaction in terms of social and physical needs, except for water supply and religion with which the community is fairly satisfied. Refer to Figure 4.2 (Bouwer, 2001:95).

The needs of the community were identified separately from the community leaders and consequently, diverse opinions were expressed. For example, it is interesting to note that priority needs of the leaders score lower than the priority needs of the community. Needs such as subsidies for people to build their own houses, a taxi rank, old age home, soccer stadium, land close to the beach for a hotel, and a building construction body featured in the leaders' responses, but not in those of the community (Bouwer, 2001:111).

Finally, a commercial land-use policy was also developed as an objective of the SDF. The purpose of the commercial land use policy was to address the growing demand for and opportunities within the region and to ensure balanced economic growth.

This policy strives to, *inter alia*, create a hierarchy of commercial nodes and provide adequate retail facilities, strengthen the economic function of the town centre and the commercial nodes, and recognise and cater for the informal trading sector. It is recognised that informal trading can play an important role by contributing towards job creation; therefore market areas, with the necessary amenities, must be identified (Urban Dynamics, 1999:31).

To put the SDF into practice, an Integrated Development Plan was developed for the region.

4.3.1 Greater Hermanus Integrated Development Plan (IDP)

The IDP was initiated by a public participation process, which was undertaken to determine the overall needs of the community. Economic development linked to the upgrading and maintenance of the infrastructure, and job creation, were highlighted as key needs in the region (Young, 2001:25).

The infrastructure requirements for Hermanus were primarily the upgrading and maintenance of roads and pedestrian sidewalks, and the creation of more parking spaces. In contrast, the requirements in Zwelihle consisted of installation of streetlights, upgrading of streets, water drainage and sewerage network problems, and a site for an old age home and a crèche (Young, 2001:12-13).

Lastly, local economic development was recognised as a prerequisite for job creation and economic stimulation of the area. The historic, cultural and natural environment should be developed and conserved as a key attraction for tourists. The Zwelihle community identified a need for industrial sites or factories to be utilised for small businesses, a support sector to assist SMMEs and the reform of the tender procedures to accommodate disadvantaged small businesses (Young, 2001:2-13).

4.4 CONCLUSION

This chapter provides an overview of the economic, geographic and demographic profile of Hermanus as the study area. Special mention is made of Zwelihle as the area adjacent to the Hermanus CBD and with the higher unemployment rate in the Greater Hermanus area. The next chapter will deal with the results of the one-to-one interviews conducted with role players in Hermanus.

CHAPTER 5

RESULTS OF INTERVIEWS

5.1 INTRODUCTION

Having looked at Hermanus as the target area under investigation in the previous chapter, this chapter depicts the results of the in-depth interviews conducted with the various role players. See Appendix B for the questions asked during the interviews. In total, eleven in-depth interviews were conducted with key role players from Hermanus. The role players available for interviews consisted of three people from the tourism industry, two respondents providing professional services, one each from the business chamber, fisheries, retail, and building industry, a Chamber of Business member, and a developer. See also Chapter 1 for a detailed breakdown of respondents surveyed.

5.2 TOURISM

Chapter 4 highlighted the importance of the tourism sector in Hermanus in terms of its current and potential contributions in respect of employment and growth in the region. With regard to tourism, the following emerged:

5.2.1 Macro overview

Most of the respondents were of the opinion that the tourism sector in Hermanus was poorly organised, which resulted in the area's not being marketed effectively both locally and internationally. As it is close to Cape Town, it was mentioned that tour operators and visitors from mainly the Cape Peninsula used Hermanus as a quick stopover to watch whales or for a short visit or sightseeing. Consequently, these tourists do not contribute fully towards the local economy. Respondents recommended that steps should be taken to rectify this situation, through discussions with tour operators or via marketing strategies to increase the duration of tourists' stay in Hermanus.

All respondents felt that crime was an enormous problem and that the security of the tourists was therefore in jeopardy. Unemployment was perceived as the main contributor to this problem and it was recommended that action should be taken to provide employment, which in return would reduce the perceived crime levels. SMMEs were not mentioned as a possible vehicle to address the unemployment situation in Hermanus. Rather, respondents mentioned a generalistic approach of "addressing the unemployment situation in Hermanus".

5.2.2 Eco-tourism

Only two interviewees identified eco-tourism as an untapped sector in the area. It was mentioned that the Greater Hermanus had lovely beaches, hiking and cycling trails; the Fernkloof Nature Reserve with its outdoor theatre, and whale watching in the winter/early spring were added attractions. However, respondents felt that eco-tourism should be regarded as a vehicle to attract tourists to the region and not as an employment-creating sector as such.

5.2.3 Festivals

All interviewees viewed festivals, specifically the whale festival, as a very important tourist magnet, especially in the winter months during the tourist off-season period (refer to Chapter 4). Furthermore, with regard to festivals in particular, respondents identified two key problems:

Firstly, most tourists did not stay over in the region (refer to item 2.1). This deprived the region of valuable tourist income in especially the tourism hospitality sector, i.e., catering and accommodation. Secondly, travelling crafters, acting out of self-interest, posed another problem for the region as they travelled from one festival to another festival, taking monies, wages and profits out of each region. In both cases, Hermanus did not gain economically. All interviewees felt that in order to address the unemployment problem, it was important that the capital should stay in the area. This would boost employment and provide vital funding for infrastructure.

5.2.4 Accommodation

The majority of interviewees considered bed and breakfast (B&B) and guesthouse facilities to be well provided for. In terms of potential growth in the accommodation sector, respondents were divided. Some were of the opinion that the accommodation sector was oversupplied whereas others felt that there was still potential for growth in this sector.

It was mentioned that accommodation facilities were fully utilised during summer months, the whale festival and most weekends. However, it was mentioned that during the off-season, most places of accommodation were struggling to survive. It was, however, mentioned that given the capital layout required to start a B&B or guesthouse, these facilities did not really provide that many job opportunities. Hence as an SMME sector, not much growth in terms of employment can be expected.

5.2.5 Restaurants

Most interviewees experienced restaurants to be well attended. Parking in the centre of town was cited as a key problem for restaurateurs. One respondent was of the opinion that restaurants provided other spin-offs to enterprises such as laundrettes and fresh produce markets. This could be noted as a potential SMME opportunity.

5.2.6 Other

A few interviewees felt that the nature reserve should be upgraded and the amphitheatre in the reserve should be used for performances. A suggestion was made in this regard (by a non-tourist role player) that cultural shows should be presented at the amphitheatre using the local community as a base to draw talent from.

However, most respondents were actually of the opinion that the wind in Hermanus was the main problem why the amphitheatre was not utilised and probably never would be.

5.3 HIVES

5.3.1 Craft markets

Two schools of thought were expressed on craft markets as SMMEs providing employment in the region. Some were of the opinion that there should be more craft markets. It was stressed that these craft markets should be formalised in artistic structures (to be built) or unused buildings could be used in this regard. The other group was of the opinion that craft markets were not a solution, as they did not provide enough jobs. It was also mentioned that most craft markets would not survive in the low season. One interviewee was of the opinion that craft markets created competition for existing businesses and if properly organised had the potential to put existing formal establishments out of business.

It was also noted that there were currently only a few potential sites set aside for retail in crafts and related products in the area.

5.3.2 Manufacturing hives

Some interviewees were of the opinion that manufacturing hives would be a more viable solution. Respondents noted that most of the products sold in the craft markets were brought in from the north and that nothing was really made in the area. Only a few traditional objects of Xhosa culture were noted – mainly beads and bead-related products. Hence, in order to diversify, training should be considered to equip the local people to produce various crafts. It was felt that overall this would result in the creation of more jobs. However, neither NEPA nor any government agency was mentioned to provide training assistance in this regard.

It was also mentioned that the success of these hives depended primarily on the location of these establishments. It was recommended that these hives should be included on a tourist route of the area to allow tourists to observe the community at work. Hence, the local infrastructure of the area would have to be upgraded in order to consider this option.

5.4 FISHERIES/FARMING

It was mentioned that abalone farming had increased owing to international demand and the depletion of natural abalone resources. Three farms were already operational in the Hermanus area with another two in the pipeline. The interviewee was of the opinion that the farming of abalone was labour intensive, thus providing jobs for the local community. It was also noted that especially after the allocation of the fishing quotas, an increase in unemployment figures and subsequent poaching in the area were experienced. Hence, this farming activity was seen as very important in the area.

The interviewee also indicated that apart from the fact that abalone farming was labour intensive, various secondary opportunities were provided as a result of these farms. These included the cleaning of pipes, making baskets, producing kelp and growing algae which could be sold to the abalone farm to feed abalone. One abalone farmer was in the process of training community members to become self-sufficient by providing the above secondary services to the abalone farms.

5.5 BUILDING INDUSTRY

Interviewees were of the opinion that a large group of residents was reliant on this industry. The general perception was also that the building industry did not require literate employees, and therefore was open to a large number of people.

A few interviewees suggested the initiation of an institution providing the necessary training and keeping a register of qualified artisans to ensure reliable contacts in the area.

It was also stated that the construction sector was prone to business cycle fluctuations, making it a very volatile and unstable sector.

5.6 TRAINING

Most interviewees were of the opinion that the unemployed should receive some form of training in order to provide them with the necessary business and other skills to start a small business and/or become self sufficient.

One interviewee who was actively involved in the community mentioned that the local people would only attend training courses if they were certain of an income on completion of the course. The only project currently receiving a positive response is a training course to enable the attendees to produce the whale crier doll, a doll to be sold to tourists.

5.7 THE ROLE OF THE LOCAL AUTHORITY

Most of the respondents believed that the local authority should become more involved with the problems of job creation and crime. Some interviewees expressed an opinion that it was solely the role of the local authority to solve these problems. However, most respondents held the view that this was not possible and that all role players and parties should get involved to address the problems of unemployment and crime. Some respondents singled out the private sector to become more involved through partnerships with the local authority. The provision of venues or old unutilised buildings by the local authority served as an example as to how the private sector could actively become involved with the lucrative utilisation of spaces in Hermanus.

Only a few interviewees were aware of projects initiated by the local authority already underway, for example, training and employing women to beautify/clean streets and sidewalks.

5.8 SMME ASSISTANCE

In Chapter 3, assistance available to SMMEs was discussed. Most interviewees were not even aware of these services offered by any of these establishments. Only a few had heard of companies such as Khula and NEPA (Ntsika) but did not know about the functions and operations of these establishments at all.

Only the Rainbow Trust was recognised as the establishment which was actively involved in the community and which was responsible for providing training and trying to get small businesses started.

5.9 SMMEs

When probed directly, most respondents felt that SMME development could have a positive effect in the area. Nearly everyone perceived craft markets as an example of SMMEs. However, not everyone perceived them as effective in job creation. In this regard, some felt that manufacturing hives (see section 5.3) could really work. In terms of job creation, the Billabong factory in Jeffery's Bay was mentioned as an example of a successful small/medium-sized enterprise. It was felt that the same concept could be applied in Hermanus.

It was also mentioned that the only real possibility for SMME development at this stage was the development of small secondary industries to provide assistance to the abalone farms. The hindrance in this regard, however, was the fact that interviewees were under the impression that the local authority should initiate any action. The Business Chamber realised the problem but was also at a loss as to how to get a project of this nature off the ground.

5.10 OTHER

All the interviewees were of the opinion that there was no synergy between the sectors and that fierce competition and below standard services were factors which limited growth in the area.

5.11 CONCLUSION

In order to contextualise the results in view of the aims/objectives of the research, one has to test the three hypotheses of the study against the backdrop of these results.

Hypothesis 1: The key role players of the local community are aware of government initiatives regarding SMME development in the region.

The research has indicated that the key role players in the local community are not aware of any government initiatives with regard to SMME development. Hence the hypothesis is rejected.

Hypothesis 2: The key role players perceive a hive/craft market as a viable proposition to solve unemployment.

Nothing conclusive emerged with regard to hives/craft markets. Respondents were indecisive as to whether a hive would lead to job creation or not. Manufacturing hives offer the best possible opportunity for success. The null hypothesis is therefore accepted.

Hypothesis 3: The majority of the key role players in Hermanus encourage SMME development in order to provide employment in the area.

Key role players were concerned about creating employment in the area but not through SMMEs as a vehicle. Overall, most respondents could not link SMMEs to job creation. Hence, the null hypothesis is rejected.

CHAPTER 6

RECOMMENDATIONS

6.1 INTRODUCTION

In South Africa there are a number of success stories with regard to SMME development and employment creation. However, unfortunately only a few have been documented, the two most famous cases were that of Stutterheim (in the Eastern Cape) and Melkhoutfontein (Stilbaai - Western Cape). What both these case studies illustrate is that SMME development cannot take place in isolation. It involves participation of communities, the business sector, NGOs as well as the local authorities. What can be learned from these cases?

The developments in Stutterheim, a small town in the Eastern Cape must be seen against the backdrop of political unrest in the 1980s. Not only were the communities divided, but they were also suspicious and distrustful of one another. An increasing crime rate in the area only added to this overall negative sentiment (Nussbaum, 1997:7). After a lengthy process of building trust and negotiating, conflict was channeled into the overall development of the area. This was supported by the establishment of the Stutterheim Development Foundation - a Section 21 company (Nussbaum, 1997:13). The following developments enhanced SMMEs' growth in the area.

- i. Electricity was provided to the population in the townships.
- ii. Access to water and decent sanitation was provided on household properties.¹ (Nussbaum, 1997:15).
- iii. Furthermore, periodic markets were established to create new points for economic activity in rural areas. Regular monthly market days were arranged where people could meet by buying and selling a wide range of produce. Peripheral businesses and social services such a bank, post office and clinic facilitated business activity on these market days.
- iv. Added to this, schools in the area were upgraded with the ultimate aim of increasing educational opportunities in the area.

¹ Funded by the Independent Development Trust Site and Service project.

- v. The Stutterheim Business Advice Centre (SBAC), which opened in 1992, supported the business community in a number of ways. For example, in the first three years of operation, it was responsible for the training of over 400 adults in technical and business skills (Nussbaum, 1997:29-36).

Overall, the above-mentioned had a profound effect in the generation of employment in the area. Within three years (1993 to 1995), over 500 jobs were created in Stutterheim.² Job creation took place mainly (in order of importance) in the building development sector, small business sector, retail and markets, as well as through the Stutterheim Development Foundation offices.

In Stutterheim, the overall scenario was community upliftment, whereas in Melkhoutfontein the key purpose was to create jobs and small businesses using tourism as the main thrust.

In 1993 Dreamcatcher, an NGO uplifting communities through tourism development and marketing, was requested to save Melkhoutfontein and at the same time maintain its culture and traditions to share with visitors (Rossouw, 2000:2). As in the case of Stutterheim, partnerships were formed between the people, the public and the private sector. It was realised that plans should guarantee identifiable, practical, tangible and deliverable experiential ownership in order to succeed. Thus a 16-step programme was formulated with the aim of turning visions into achievable goals, with the first step being to assess the continuum of needs of the community (Rossouw, 2000:6).

Using tourism as a main thrust, the community was trained to understand and facilitate the tourist culture in Melkhoutfontein. Various job-related training courses were offered for over 500 individuals in the building, painting, housekeeping, food and beverage, crafting, community guiding, tourism and other fields. This resulted in Melkhoutfontein becoming a proud suburb of Stilbaai with access to jobs for 12 months of the year (Rossouw, 2000:7).

² To realise the extent of employment creation in Stutterheim, it must be remembered that Stutterheim's population was only 30 000 people at the time.

It is important to note that both towns firstly gained their communities' trust and commitment before embarking on the road of progress using SMMEs as a vehicle.

6.2 STRATEGIC GUIDELINES FOR SMME DEVELOPMENT IN HERMANUS

The following section provides strategic guidelines for Hermanus with regard to SMME development.

6.2.1 Establishing an SMME business environment

As seen from the case studies of Stutterheim and Melkhoutfontein, for any SMME development to take place, one requires the basic infrastructural facilities to be in place. These facilities include electricity, water and sanitation, upgrading of schools, and the provision of housing/low cost housing in Zwelihle.

Added to the basic infrastructure of the community, markets need to be created where regular informal trading can take place in the community. This, however, should not be done at the expense of the formal business market/sector in Hermanus. It is recommended (taking the Stutterheim example), that formal and informal traders should be separated.

It is also imperative that the business community should also become involved in business skills training within the local community. The funding and expertise for this can be drawn from Khula and NEPA (see section 6.2.2).

6.2.2 SMMEs

The constraints experienced by rural towns with regard to unemployment and SMME development are lack of knowledge and commitment from local authorities and role players in the specific areas. Research has shown that this was typically the case in Hermanus.

Firstly, the key role players were concerned about unemployment in the area, but they could not link employment creation with SMME development. These two concepts were seen as separate (see Chapter 5). It was clear from the interviews that the role players had a false impression of what SMMEs were, and therefore nothing was being done to support it. Furthermore, the main role players in Hermanus were not aware of *any* SMME support (whether financial or non-financial) available to assist them in SMME development in the area.

Chapter 2 has indicated that all the policies are in place for SMME development in South Africa (and the Western Cape Province) and a wide range of assistance is also available for SMMEs (refer to Chapter 3). However, it serves no purpose if the key role players and the community are not aware of these.

From the above-mentioned, it is therefore highly recommended that all the key role players, including the local authority and the local business chamber, inform themselves of the government policies and the wide range of support available for SMME development.

6.2.3 Tourism

The White Paper on Sustainable Tourism Development and Promotion in the Western Cape (discussed in Chapter 2) recognises the importance of the tourism industry to improve quality of life and perceives the industry as fertile for SMME start-ups. The Hermanus local authority also initiated two documents to address tourism, namely the Greater Hermanus Tourism Strategy Plan and the Spatial Framework for Tourism in Overstrand (refer to Chapter 4).

The results in Chapter 5 indicated the importance the role players placed in the tourism sector. It is imperative that the Tourism Bureau should play a more active role in promoting the area. From the experience gained from Melkhoutfontein, a tourism plan should be compiled incorporating both the community and the business sector.

The whale festival seems to be the highlight of the annual calendar. However, this concept could be expanded to include the manufacturing of clothes and other articles with this theme (whales) produced in the area. A manufacturing hive would be ideal in this regard and should be investigated. In the long term products manufactured in the area could be exported to other whale centres in the world. The various websites with information on whale centres and products from around the world could be used as a guideline. See Annexure C for a list of website addresses in this regard.

6.2.4 Hives

Craft markets seem to be an option in providing employment in the Hermanus area (even though seasonality plays an important role). Studies have indicated that hives are not always feasible owing to various logistical and financial problems. Should Hermanus consider the establishment of hives and/or manufacturing hives as an option for employment creation, then the following guidelines should be taken into account:

- i. Hives catering for micro businesses lose money as they have small units, with too much lost space in passages. This results in a high turnover of unsuccessful businesses.
- ii. Hives with small businesses might provide a return on investment of about 10% if located near main markets, but without any subsidy they usually struggle to break even.
- iii. Stealing occurs from within the hive so internal and external security of each unit is essential.
- iv. Many micro and small businesses leave home too soon, settling in formal structures, without realising all the costs involved.
- v. Dirty hives such as metalwork and woodwork should be distinguished from the so-called clean (other) businesses. Panel beaters and glass fibre works in a hive are too messy and carry a fire risk and are not recommended.
- vi. There are several extra running costs such as electricity, water and refuse collection of which most businesses are unaware when starting out. These need to be subsidised in the initial stages at least.
- vii. Communal toilets pose problems of hygiene, vandalism and theft.

- viii. Training of hive users is critical as their skills levels are low. Needs were identified in budgeting, expense control, bookkeeping, financing capital purchases and selling.
- ix. The general appearance of any hive is very important as customers expect to pay less at a run down premises (Green, 1998:6-7).

6.2.5 Fisheries/farming

This area has a great potential for employment creation. SMMEs could assist these farms in their secondary activities as mentioned in the previous chapter. This should be investigated as a possible option.

6.2.6 Building industry

Although this sector could prove to be very volatile, the Stutterheim experience indicated that it is a key industry for SMME development and employment.

6.2.7 Local authority

The local authority shows an interest in uplifting the community by compiling the IDP and SDF in order to have a plan of action. There is still work to be done to gain the community's trust and to show commitment to the process.

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ANNEXURES

ANNEXURE A

SMALL BUSINESS CLASSIFICATION SCHEDULE

Sector or sub-sectors in accordance with the Standard Industrial Classification	Size or class	Total full-time equivalent of paid employees. Fewer than	Total annual turnover. Less than	Total gross asset value (fixed property excluded). Less than
Agriculture	Medium	100	R4.00m	R4.00m
	Small	50	R2.00m	R2.00m
	Very small	10	R0.40m	R0.40m
	Micro	5	R0.15m	R0.10m
Mining and quarrying	Medium	200	R30.00m	R18.00m
	Small	50	R7.50m	R4.50m
	Very small	20	R3.00m	R1.80m
	Micro	5	R0.15m	R0.10m
Manufacturing	Medium	200	R40.00m	R15.00m
	Small	50	R10.00m	R3.75m
	Very small	20	R4.00m	R1.50m
	Micro	5	R0.15m	R0.10m
Electricity, gas and water	Medium	200	R40.00m	R15.00m
	Small	50	R10.00m	R3.75m
	Very small	20	R4.00m	R1.50m
	Micro	5	R0.15m	R0.10m
Construction	Medium	200	R20.00m	R4.00m
	Small	50	R5.00m	R1.00m
	Very small	20	R2.00m	R0.40m
	Micro	5	R0.15m	R0.10m
Retail and motor trade and repair services	Medium	100	R30.00m	R5.00m
	Small	50	R15.00m	R2.50m
	Very small	10	R3.00m	R0.50m
	Micro	5	R0.15m	R0.10m
Wholesale trade, commercial agents and allied services	Medium	100	R50.00m	R8.00m
	Small	50	R25.00m	R4.00m
	Very small	10	R5.00m	R0.50m
	Micro	5	R0.15m	R0.10m
Catering, accommodation and other trades	Medium	100	R10.00m	R2.00m
	Small	50	R5.00m	R1.00m
	Very small	10	R1.00m	R0.20m
	Micro	5	R0.15m	R0.10m
Transport, storage and communication	Medium	100	R20.00m	R5.00m
	Small	50	R10.00m	R2.50m
	Very small	10	R2.00m	R0.50m
	Micro	5	R0.15m	R0.10m
Finance and business services	Medium	100	R20.00m	R4.00m
	Small	50	R10.00m	R2.00m
	Very small	10	R2.00m	R0.40m
	Micro	5	R0.15m	R0.10m
Community, social and personal services	Medium	100	R10.00m	R5.00m
	Small	50	R5.00m	R2.50m
	Very small	10	R1.00m	R0.50m
	Micro	5	R0.15m	R0.10m

[Source: South Africa. Office of the President, 1996:20]

QUESTIONNAIRE

Guidelines for SMME development in Hermanus

PURPOSE OF STUDY: To obtain the necessary information from the key role players in Hermanus regarding the role of Small Medium and Micro Enterprises (SMMEs) in Hermanus. This information will be used to compile a strategy document as part of my MBA studies. All information will be dealt with in the strictest confidence.

DEFINITIONS:

SMME	- Small Medium and Micro Enterprise
Micro	- An industry with 1 to 4 employees and a turnover of less than R150 000.
Small	- An industry with a maximum of 50 employees.
Hive	- A physical facility in which an emerging entrepreneur can carry out a business activity (retail, commerce or manufacturing) at an affordable cost and with future growth prospects.
NGO	- Non-Government Organisation

Hermanus sectors (for the purpose of this study):

- Government (Hermanus Municipality/Overberg District Municipality/Civic Organisations).
- Tourism (eg Tourism Board, guest houses).
- Construction and Building Industry.
- Agriculture (eg wine farms) and Fisheries.
- Retail and Services.

Objectives:

1. To determine for each of the above-mentioned sectors the following:
 - 1.1. The current problems experienced in the industry as a whole.
 - 1.2. The future of the industry in general, i.e., Overberg region, and specific, i.e., Hermanus itself.
 - 1.3. Available opportunities in Hermanus and in the specific industry – how can these opportunities be seized?
 - 1.4. Potential threats in Hermanus and the industry – how to minimise the impact thereof?

- 1.5. Identify key factors and role players (non-SMMEs) which will lead to sustainable growth in the area.
- 1.6. The perceived importance of SMMEs in order to obtain growth and employment.
- 1.7. Factors hindering the development of SMMEs in the specific sector.
- 1.8. Factors promoting the development of SMMEs in the specific sector.
- 1.9. Awareness of government and NGO/other (international) assistance.
- 1.10. Use of government and NGO/other (international) assistance. Evaluation of support.

2. To compare the required assistance in terms of manpower, training, entrepreneurship and funding with the available assistance in the market place.

Considerations: Training by Hermanus residents with specific skills; possibility of bursary scheme to assist people with potential.

3. To identify shortcomings in terms of assistance required and offered by various institutions.

4. To establish the market acceptability of a type of hive/craft market venture in Hermanus.

4.1 Identify success factors and potential threats.

4.2 Consider "mini-hive", housing a few businesses and utilising backyard businesses. Mentor necessary to incorporate all services.

5. To identify the use of a Library Business Corner with support from library staff. Obtain information from Wesgro.

6. To determine the feasibility of partnerships with overseas countries and the possibility of exports with Whale theme.

ANNEXURE C

1. The Whale Club
<http://www.whaleclub.com/index.html>
2. World-Wide-Web Virtual Library: Whale Watching Web
<http://www.physics.helsinki.fi/whale/>
3. American Cetasean Society
<http://www.acsonline.org/>
4. Pacific Whale Foundation
<http://www.pacificwhale.org/>
5. BizRate.com comparison shopping
<http://www.bizrate.com/> search Whales
6. eBay: the world's online marketplace
<http://www.ebay.com/> search Whales

BUSINESS PROMOTION & TOURISM

DEPARTMENT OF ECONOMIC AFFAIRS AGRICULTURE AND TOURISM WESTERN CAPE

ANNEXURE D

START YOUR OWN BUSINESS WORK PACK



LOPHUHLISO IWEZOSHISHINO NEZOKHENKETHO • BESIGHEIDSBEVORDERING & TOERISME

Introduction	2
Using your Work Pack	2
Are you an Entrepreneur?	3
What is a Small Business?	4
Knowing what You Want	6
Assessing your Business Idea	7
Knowing your Business	8
How to Research your Market	9
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Many people dream of owning and running their own business and, despite the risks, growing numbers are taking the big step towards realising that dream. And there are risks, but these, can be significantly reduced, with careful planning.

We produced this work pack to help you reduce the risk of failure. It is not a total solution and is not a substitute for good, professional advice. However, it is a useful checklist and summarised guide of the things you need before taking that big step. Carefully following the checklist for each stage of starting your own business will help you assess the viability of your business idea.

If you do go ahead, the work you have done will give you a more focused, business-like approach. Having a comprehensive business plan will help you in your dealings with banks, investors and state agencies.

Remember one key point: Stay within your area of expertise. If carpentry is your strength then starting up a computer business is probably not a good idea. As a first step, take time to complete the checklist on entrepreneurship, then take time to list your key areas of knowledge and expertise. Review it a few times to make sure that nothing has been left out and that you have been realistic and not been blinded by optimism.

Using your Work Pack

The work pack breaks the process of starting your own business up into logical steps. Each step is a section on its own. Work through the sections in sequence – completing each one before moving on.

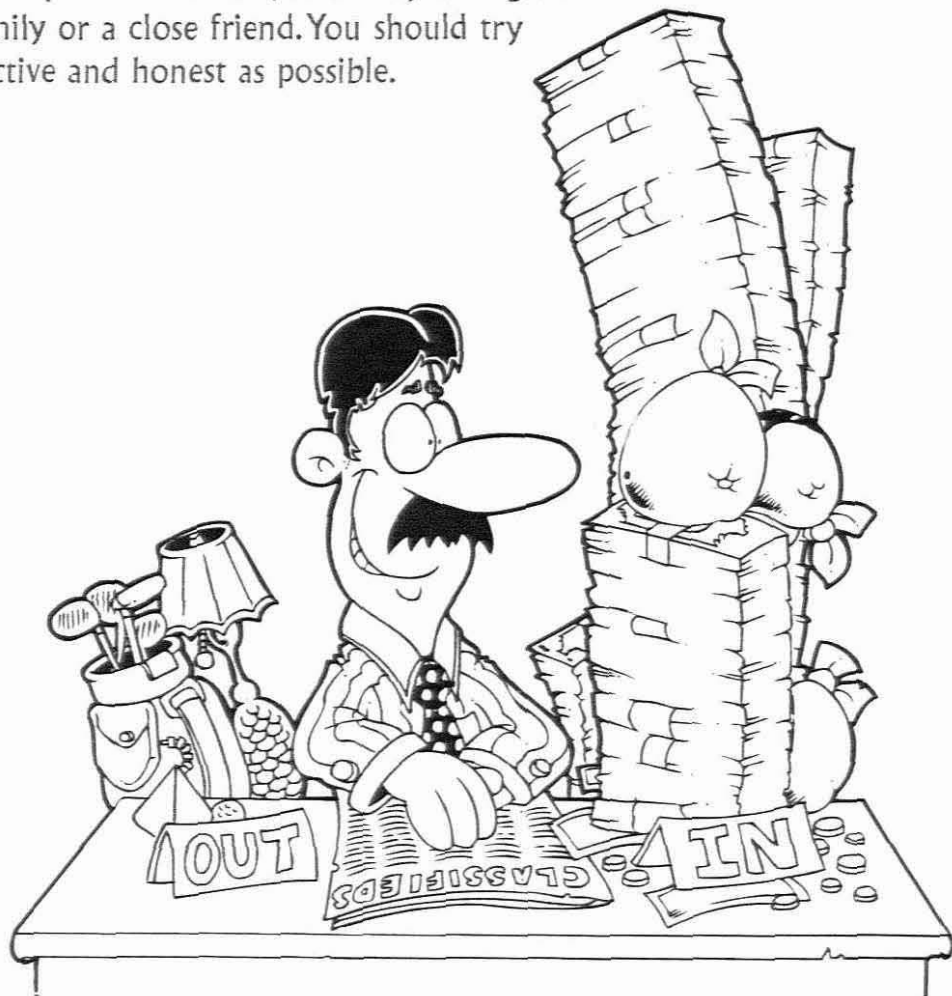


To assess whether you will be able to cope with the demands and challenges that lie ahead, check yourself against the following list of qualities that are typical of the successful entrepreneur.

Do you have:

- a high degree of drive and energy?
- a high level of self-confidence?
- the capacity for long term commitment?
- independence, initiative, and the ability to be innovative
- integrity and reliability?
- the ability to set clear goals?
- the ability to cope with uncertainty?
- the high level of determination to solve problems?
- enthusiasm for taking moderate but challenging risks?
- the ability to accept failure as part of the learning process?
- thorough knowledge of the proposed business?
- awareness of the need to make use of experts?

Work through the list, evaluate your own qualities and ask yourself whether you are truly equipped to face the demands of starting your own business. This is a very important exercise, so it may be a good idea to discuss this list with your family or a close friend. You should try to be as objective and honest as possible.



Small businesses are divided into: (a) small businesses
 (b) medium businesses
 (c) very small businesses
 (d) micro-businesses

Small businesses are grouped as follows:

Sector or subsectors in accordance with the standard industrial classification.	Size or class	Total full-time equivalent of paid employees	Total annual sales	Total gross asset value (fixed property excluded)
		Less than	Less than	Less than
Agriculture	Medium	100	R 4.00 m	R 4.00 m
	Small	50	R 2.00 m	R 2.00 m
	Very Small	10	R 0.40 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
Mining & Quarrying	Medium	200	R 30.00 m	R 18.00 m
	Small	50	R 7.50 m	R 4.50 m
	Very Small	20	R 3.00 m	R 1.80 m
	Micro	5	R 0.15 m	R 0.10 m
Manufacturing	Medium	200	R 40.00 m	R 15.00 m
	Small	50	R 10.00 m	R 3.75 m
	Very Small	20	R 4.00 m	R 1.50 m
	Micro	5	R 0.15 m	R 0.0 m
Electricity, Gas and Water	Medium	200	R 40.00 m	R 15.00 m
	Small	50	R 10.00 m	R 3.75 m
	Very Small	20	R 4.00 m	R 1.50m
	Micro	5	R 0.15 m	R 0.10 m
Construction	Medium	200	R 20.00 m	R 4.00 m
	Small	50	R 5.00 m	R 1.00 m
	Very Small	20	R 2.00 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
Retail and Motor Trade and Repair Services	Medium	100	R 30.00 m	R 5.00 m
	Small	50	R 15.00 m	R 2.50 m
	Very Small	10	R 3.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
Wholesale Trade	Medium	100	R 50.00 m	R 8.00 m
	Small	50	R 25.00 m	R 4.00 m
	Very Small	10	R 5.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.15 m

Sector or subsectors in accordance with the standard industrial classification.	Size or class	Total full-time equivalent of paid employees	Total annual sales	Total gross asset value (fixed property excluded)
		Less than	Less than	Less than
Commercial Agents and Allied Services	Medium	100	R 50.00 m	R 4.00 m
	Small	50	R 25.00 m	R 2.00 m
	Very Small	10	R 5.00 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
Catering	Medium	100	R 10.00 m	R 18.00 m
	Small	50	R 5.00 m	R 4.50 m
	Very Small	10	R 1.00 m	R 1.80 m
	Micro	5	R 0.15 m	R 0.10 m
Transport	Medium	100	R 20.00 m	R 15.00 m
	Small	50	R 10.00 m	R 3.75 m
	Very Small	10	R 4.00 m	R 1.50 m
	Micro	5	R 0.15 m	R 0.10 m
Storage	Medium	100	R 40.00 m	R 15.00 m
	Small	50	R 10.00 m	R 3.75 m
	Very Small	10	R 4.00 m	R 1.50 m
	Micro	5	R 0.15 m	R 0.10 m
Communications	Medium	100	R 20.00 m	R 5.00 m
	Small	50	R 5.00 m	R 2.50 m
	Very Small	10	R 2.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
Community	Medium	100	R 10.00 m	R 5.00 m
	Small	50	R 5.00 m	R 2.50 m
	Very Small	10	R 1.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
Social Services and Personal Services	Medium	100	R 10.00 m	R 5.00 m
	Small	50	R 5.00 m	R 2.50 m
	Very Small	10	R 1.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
Finance	Medium	100	R 20.00 m	R 4.00 m
	Small	50	R 10.00 m	R 2.00 m
	Very Small	10	R 2.00 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
Business Services	Medium	100	R 20.00 m	R 4.00 m
	Small	50	R 10.00 m	R 2.00 m
	Very Small	10	R 2.00 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m

Make sure that you know *exactly* what business you are in. Only by precisely defining your idea will you be able to stay focused on your core business. You will also need this definition to identify your market and your competitors.

Keeping your eye on the ball is as important in business as it is in sport. New businesses fail or suffer unnecessary setbacks if their owners stray away from their original idea into areas in which they have less expertise or knowledge. As a result, they spread themselves too thinly and increase the risk of failure.

Define your business as precisely as you can by preparing detailed answers to the following questions:

- Exactly what product or service will I be supplying to my customers?
- Will I be supplying it myself or through others i.e. partners, employees or distributors?
- Will I be a manufacturer? An assembler? A distributor? A service provider?
- Will I be going into business as a franchise?
- Am I buying an existing business or company or am I starting up a new one?

Bring your answers together to create a precise and comprehensive definition of your new business idea.

For example:

- *I will be in the computer service business, supplying a personal, on-site, computer colour printer repair service.*
- *I will be in the hospitality business, supplying to pubs, guesthouses and small hotels.*
- *I will be in the retail outlet support services business, supplying computer systems – designed and programmed by myself and installed on existing hardware – that control stock and re-ordering levels.*



No business can survive without sales. So before starting out, you need sufficient proof that your product or service will sell, that the potential market is large enough and, that there will be a reasonable long-term demand for your product.

The first priority will be to establish a marketing plan, but for this you need to know how to conduct a market research analysis. You will need to know the following:

1. What is the size of the market?
2. What is my likely share of the market?
3. What are the really important product features?
4. How do I go about pricing, promoting and distributing my product?

Your research must be done on two main aspects - firstly, your industry (e.g. computers, motorcars, etc.) and secondly, your market (e.g. used-car buyers).

1. Researching your industry *(Complete the following questionnaire:)*

- What is the industry's main activity?
- How large is the industry?
- How long has it been established?
- What are the current trends (e.g. increased use of computers)?
- How competitive is it (is there much competition)?
- Do barriers to entry exist (e.g. high capital costs, strict licensing)?
- What risks are related to the industry?
- What are the legal considerations (e.g. laws affecting you type of business)?

2. Researching your market *(Complete the following questionnaire:)*

- What is the approximate size of the total market?
- Who are my likely customers? Describe them in terms of age, sex, income group, level of education, location and cultural differences.
- What do customers consider to be important when buying? Is it price, product appeal, service provided, etc.?
- How many similar products or services are available?
- Who are my major competitors in terms of price and product quality?
- How much do I really know about my competitors?
- What are the strengths and weaknesses of my competitors and how will I deal with it?
- Is it possible that I can compete on price (e.g. selling at a lower price), or provide better value for money (e.g. packaging, delivery, etc.) or both?
- What methods will I use to distribute my product or service?

3. Researching your competitors

To gather information on competitors is neither expensive nor time-consuming. Low-cost ways in which to gather information include the following:

- Reading business magazines and the business sections of daily newspapers.
- Questioning the customers of your top three competitors.
- Buying the products of your competitors to examine their quality, pricing, etc.
- Visiting trade shows or exhibitions and manufacturers.

You will almost certainly need finance to bring your new idea to the market place and to grow and develop your new business. You need to do a financial feasibility study before committing any resources to your business idea.

A financial feasibility study will help you to determine -

- whether the business will show a profit
- how much money you will need to invest in the business
- how much money you will need to borrow
- what the operating or running costs will be
- how much you must sell to cover your costs
- what the cash flow will be
- whether the expected profit is worth your while given the risks involved

The two main groups of costs you need to consider are:

1. Establishment /Start-up costs

- Legal costs (e.g. contracts)
- Machinery and equipment
- Stock
- Market research
- Provision for operating costs for at least six months (e.g. salaries, advertising, rental, etc.)

2. Budgeted operating/running costs

- Salaries and wages
- Rental of premises, equipment
- Municipal services, e.g. water, electricity
- Insurance
- Advertising
- Telephone, stationery, postage, etc.



- **Simple presentation**

In raising money for a small business, you need to make a quick, simple presentation to a lender.

You need to show:

- why the business is sound or why your idea will work
- how much money you need
- when the money will be paid back
- what security can you offer

- **Providing numbers**

If your business is up and running, bring your latest annual and/or monthly income statement sheets. If your business is a sole proprietorship or a partnership, you may have to personally guarantee any loan. In this case, bring a statement showing your personal net worth (assets less liabilities). Also, you should provide a cash flow projection indicating when borrowings will be repaid.

- **Playing the part**

The financier's opinion of your capability and trustworthiness will be a major factor in the bank's (or any lending institution's) loan decision. Appear relaxed and confident about your business prospects. If you are seeking funding for a relatively new business, include a résumé (list) of your previous accomplishments in your presentation package.

- **Customising your presentation**

Appeal to the needs of the person you are approaching for money. If you are seeking loan finance, emphasise the certainty of your ability to repay the loan – don't emphasise prospects of sky-high profits. Remember, debt financiers do not share in profits. Big talk about profits will make a debt financier view you only as a risk taker or unrealistic dreamer.

On the other hand, if you are making presentations to equity (share) investors, you certainly want to emphasise your profit potential.

Here again, refer to persons and organisations who have expertise in the field of business financing.

The following table lists a few service providers in the field of financing.

LIST OF FINANCIAL CONTACTS

NAME OF LENDER	CONTACT NUMBER	CRITERIA AND TYPE OF SMME	AMOUNTS AVAILABLE	AREA
Khetani Business Finance	(021) 683 7656	Individuals with existing businesses for more than two years * Micro- and very small enterprises	R 6 000 – R 150 000	Claremont
Sizanani	08601 333 000	Business must operate from a fixed premise * Micro- and very small enterprises	R 10 000 – R 50 000	Countrywide
South Cross Business Development Trust	(021) 683 7100	Existing manufacturing, service and retail businesses * Micro- and very small enterprises	R 2 000 – R 25 000	Claremont
Nicro	(021) 397 6060 (021) 422 1225	Individuals * Micro- and very small enterprises	R 300 – R 20 000	Cape Town
Nation's Trust	(021) 424 5853	Youth (18 – 35 years) * Micro- and very small enterprises	R 1 500 – R 5 000 for Sole prop. & up to R 10 000 for partnerships	Cape Town (CBD)
THUSO	(021) 686 3130	Starting up a new business or expanding existing businesses * Very small, small and medium enterprises	R 100 000 to R 1 million	Rondebosch
Cape Metropole Savings & Credit Co-operative	(021) 418 5976	* Very small and small enterprises	Contact lender	Cape Town
EDSA	(021) 592 4792	Bridging finance for building contractors * Micro- and very small enterprises	Up to R 100 000	Goodwood, Cape Town
Emerging Enterprise Zone (Online forum for capital seekers and providers)	http://www.eez.co.za	Any unlisted company, partnership, corporation or individual requiring capital * Small and medium enterprises	R 200 000 or more	Countrywide

LIST OF FINANCIAL CONTACTS

NAME OF LENDER	CONTACT NUMBER	CRITERIA AND TYPE OF SMME	AMOUNTS AVAILABLE	AREA
Greenfields Venture Capital	(021) 671 2820	* Small and medium enterprises	R 250 000 – R 2 million	Claremont
Business Partners	(021) 464 3600	Fishing, agro-industry, manufacturing, services and trade businesses * Small and medium enterprises	R 150 000 – R 5 million	Cape Town
Industrial Development Corporation	(021) 421 4794	Manufacturing, tourism and agricultural enterprises * Small and medium enterprises	Minimum amount R 1 million	Cape Town
Nedenterprise	(021) 683 8410	Training provided by Nedcor Business College * Very small, small and medium enterprises	R50 000 – R 2 million	Claremont
Standard Bank – SME Unit	(021) 448 4209 (021) 401 2891	SNew and emerging businesses * Very small, small and medium enterprises	Up to R 600 000	Salt River / Tygervalley
ABSA New Enterprise Banking	(021) 940 7833	Starting up a new business or expanding existing businesses * Small and medium enterprises	R 20 000 – R 600 000	Cape Town
First National Bank Small and Medium Enterprise unit	(021) 419 5858	Owner must contribute at least 10% of capital requirements * Small and medium enterprises	R 100 000 or more	Parow
African Harvest Business Access	(021) 670 4600	* Small and medium enterprises	Contact lender	Claremont
Brimstone Investment Corporation	(021) 670 4500	* Small and medium enterprises	Contact lender	Claremont
Land bank	0800 00 52 59	* Very small and small enterprises	R 250 – R 18 000	Nationwide

Business and the law are inseparable – both in forming your new business and its subsequent operations. As a first step you have to decide on the structure of your new business – sole trader, partnership, close corporation or company, and it is important to take professional advice on this before you finalise your business plan. Professional advice will ensure you understand which structure would be most suitable for you.

Business Structure

The type of structure you choose will determine how you are taxed and the business records you must keep. Before proceeding you should consider the following:

1. Sole Trader

- The business is easy to set up and subject to minimal laws/regulations.
- You are personally and totally responsible for all the debts and liabilities of the business.
- It is possible to alter this business structure to, for example, a private company.
- You make all the business decisions.

2. Partnership

- The business is easy to set up and subject to minimal laws/regulations.
- The responsibility is shared.
- Partners might frequently disagree.
- Experience, finances and expertise are combined.

3. Close Corporation

- The owners (1-10) are not personally responsible for the debts.
- It is easy and relatively inexpensive to register.
- The business has growth potential.
- The type of business is more credible for dealing with suppliers and customers.

4. Company (Private or Public)

- It is a lengthy procedure to establish this type of enterprise.
- Double taxation takes place. The company is taxed on profits and dividends taxed in hands of shareholder.
- The owners are not held responsible for the debts of the enterprise.

Other Legal Considerations

Department of Labour

There are certain laws regulating the hiring, management and dismissal of workers. You have to be aware of your rights as an employer, as well as the rights of the persons in your employ. You must approach the regional office of the Department of Labour for more details.

Receiver of Revenue

You should contact the offices of the nearest Receiver of Revenue to find out about the need to register for tax purposes in terms of VAT, employees tax and income tax.

Trading licence

Trading licences are no longer required for certain types of businesses. However, the following types of businesses need a licence:

- Sale of meals and perishable foods from business premises
- Sale of take-ways and perishable foods from the roadside
- Certain classes of health facilities and entertainment (discos, movies)

Contact Numbers

Labour issues : Department of Labour : (021) 462 3680

Tax Queries : Receiver of Revenue : (021) 481-6100 (Cape Town)

Trading licences : Local Municipality : Consult your telephone directory



Your business plan is the blueprint for your business. It should give you a clear view of what you are aiming for, your business's strengths, weaknesses, opportunities and threats in your business environment. Use your business plan as your map. Like all plans, it will not be fixed in stone but will be subject to constant review and change. Try to prepare a comprehensive but succinct plan. This will make it easier for investors and lenders to review and comment on it.

Your business plan must indicate the following:

- What you intend doing
- How you will do it
- When you intend doing it
- Why you believe the venture will succeed

Your business plan could be compiled in the format below. Simple examples are provided as a guide and cannot be taken as sufficient for a complete well-written business plan. Your SMME support centre can be of great assistance here.

* **Professional-looking front page and contents page**

- Name of business (*e.g. Careline Shuttle Services*)
- Your personal information (*e.g. Kim Buthelezi, 12 Green St., Nyanga, Tel: 668-6000*)

* **Summary/important features**

- Description of product (*e.g. shuttle service between Cape Town Airport and hotels in the CBD*)
- Why venture will be successful (*e.g. We will provide 24 hour, safe, door-to-door pick-ups and drop-offs and secure exclusive rights with ABC Hotels*)
- Short-, medium- and long-term objectives (*e.g. objectives are to initially secure the CBD market and then expand to a national level*)

* **Business description**

- General description of your business (*e.g. shuttle service between airport and CBD, operating 24 hours, three vehicles*)
- Type of ownership (*e.g. close corporation, 1 member*)
- Uniqueness of the product (*e.g. 24 hours operation, exclusive rights with ABC Hotels*)

* **Marketing plan and strategy**

- target market (*e.g. overseas tourists requiring reliable transport from airport to accommodation and back*)
- competitors strategy (*e.g. most competitors charge low prices, low reliability, only operating 8 am to 6 pm*)

- your pricing, product, promotion and distribution strategy (e.g. pricing will be higher than that of competitors, offering a more reliable 24 hour service, operating with three vehicles)
- * **Financial plan and strategy**
 - Financial forecasts:
 - profit and loss (show calculations of expenses vs income) cash flow (show monthly inflow and outflow of cash) break-even analysis (show how many clients must be transported or trips undertaken to cover costs)
 - source of funds (e.g. the owner will be contributing R80 000, a family member has agreed to contribute R20 000 as a loan; a further amount of R30 000 will be requested from the bank)
 - use of funds (e.g. the funds will be used to purchase three mini-buses and office furniture to pay salaries)
 - security offered (e.g. the owner will offer his/her house as security for any loan)
- * **Operating plan and strategy**
 - staff and key personnel (e.g. the owner, three drivers, receptionist)
 - suppliers (e.g. ABC Hotels, CBD accommodation providers, tour operators)
 - description of the manufacturing/distribution of the product (e.g. vehicles will respond from call centre once request has been received; clients will be picked up at point A and dropped off at point B)
- * **Conclusion**
 - motivation as to why business will be successful (e.g. we offer an excellent service with exclusive contracts with the ABC group of hotels)
 - motivation as to why finance should be granted (e.g. we have thoroughly researched the market and are convinced that our service will meet the needs of the client, providing an above average return on investment)
- * **Additional annexures (copies of supporting documents)**
 - credit reports (e.g. bank statements of owner for past 12 months)
 - contracts (e.g. written agreement with ABC Hotels)
 - legal documents (e.g. CC registration document, PDP)
 - leases (e.g. copy of lease agreement with Airports Company for site)

The most important thing to know is that there is help available. You must simply investigate all options.

Help in starting-up your new business – in the form of grants, subsidised financing, training, business advice and market intelligence – can be obtained from a wide range of central government, provincial and local authorities and business organisations.

Some useful contact numbers of government and semi-government organisations are listed below:

Department	Contact number	Support offered	
		Financial	Non-financial
Department of Economic Affairs, Agriculture and Tourism	(021) 483 2628		Referrals to small business support organisations
City of Cape Town: Blaawberg Administration	(021) 550 1090		Tender opportunities, training, business plans, business infrastructure, research, linkages
Business Referral and Information Network	www.brain.org.za		Small business service providers, setting up and running a small business, links to government departments
City of Cape Town: Tygerberg Administration	(021) 918 7376		Technical skills training, mentoring, access to premises, business linkages
City of Cape Town: Cape Town Administration	(021) 400 2605		Technical skills training, mentoring, access to premises, business linkages
City of Cape Town: Helderberg Administration	(021) 850 4335		Advice, information, access to tendering
City of Cape Town: Oostenberg Administration	(021) 980 6115		Informal trading stands, advice, referrals
City of Cape Town: South Peninsula Administration	(021) 710 8020		Business advice, training, tendering, access to informal markets
Western Cape Provincial Tender Board	(021) 483 3128 (021) 483 3808		Registration of SMMEs for tendering for provincial procurement
Department of Public Works: Emerging Contractor Development Programme	(021) 402 2098		Tender opportunities for maintenance of government property, training for contractors

Besides government support, there are a number of organisations providing a service in various industries and fields.

The following is a list of some of these support organisations.

Department	Contact number	Support offered	
		Financial	Non-financial
Centre for Opportunity Development (Woodstock)	(021) 448 7501		Business skills, technical training (Micro-enterprises)
Atlantis Business Information Centre (Atlantis)	(021) 572 0254	Loan facilities and referrals (Micro- & very small enterprises)	Business skills, technical training, information (Micro- & very small enterprises)
Enterprise Development Unit of UWC (Bellville)	(021) 959 2595 (021) 959 3223		Business skills, technical training, information (Micro-, very small & small enterprises)
Isibane Resource Centre (Athlone)	(021) 696 2028	Accessing finance (Micro- & very small enterprises)	Counselling, job training, sourcing materials, information (Micro- & very small enterprises)
Mag Training Centre (Montague)	(023) 614 1175	Assistance in accessing loans (Micro- & very small enterprises)	Basic business training, information (Micro- enterprises)
Nicro Business Centre (Mitchells Plain)	(021) 397 6061	Loans available (Micro- & very small enterprises)	Business training, information (Micro- & very small enterprises)
Triple Trust Organisation (Mowbray)	(021) 689 6000	Links entrepreneurs to micro-lending financial institutions (Micro- & very small enterprises)	Skills and business training, counsel and advice (Micro- & very small enterprises)
Zenzele Enterprises (Khayelitsha)	(021) 361 1840		Business training, counselling, advice, tender information (Micro- & very small enterprises)
Disabled People of South Africa (Cape Town)	(021) 465 0090		Business counselling, advice and training of disabled entrepreneurs (Micro- & very small enterprises)
Plettenberg Bay Business Service Centre (Plettenberg Bay)	(044) 533 3141		Business training, information (Micro- & very small enterprises)
South Cape Business Centre (George)	(044) 873 3431		Business training, information (Micro- & very small enterprises)

Department	Contact number	Support offered	
		Financial	Non-financial
South Cape Skills Centre (George)	(044) 873 4903		Training, business advice (Micro- enterprises)
Cape Town Job Creation Centre (Philippi)	(021) 371 6100	Facilitates access to finance and access to business premises (Micro- & very small enterprises)	Tender advice, training, information, advice (Micro- & very small enterprises)
West Coast Business Development Centre (Saldanha Bay)	(022) 714 1731		Training, information and advice (Micro- & very small enterprises)
Entrepreneurial Development (Goodwood)	(021) 592 4792	Financial support for black contractors (Micro- & very small enterprises)	Training, business management for black emerging building contractors (Micro- & very small enterprises)
ED 2000 (Bellville)	(021) 951 8545		Training in business start-up, business management and finance, training of trainers and counselling (Micro- & very small enterprises)
Business Opportunities Network (Cape Town)	(021) 419 9641		Tender information, links small businesses with big businesses (Very small & small enterprises)
Clothing and Textile Service Centre (Clotex) (Mowbray)	(021) 448 8935		Technical and business training, linkages for CMTs and small clothing manufactures (Micro- & very small & small enterprises)
Business Partners (Cape Town)	(021) 464 3600	Loan finance between R150 000 & R5 million (Small & medium enterprises)	Business training, advice and information (Small & medium enterprises)
Stellenbosch Business & Learning Centre	(021) 883 8344		Business skills, advice, counselling networking (Very small & small enterprises)
Technology Enterprise Centre (Peninsula Technikon)	(021) 959 6044	Assistance in accessing loans	Business skills, advice, setting up and running a small business (Micro, very small & small enterprises)