

# “Historical perspective of small business development initiatives in South Africa with special reference to Limpopo province”

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## SECTION 3. General issues in management

Watson Ladzani (South Africa)

### Historical perspective of small business development initiatives in South Africa with special reference to Limpopo province

#### Abstract

The study presents a historical perspective of small business development initiatives in South Africa since the early nineties. The aim of the study is to examine measures taken by the government to address the constraints of small business development. Specific objectives include analyzing policies, structures and programs created as well as evaluating small business successes, benefits and constraints that still exist. The Limpopo province served as a reference to this study. Brief historical background information laid the foundation for discussing government initiatives in small business development. The research, this study is based on, entailed unstructured interviews with stakeholders of small, medium and micro enterprises (SMMEs) to collect primary data. Secondary data comprised content analysis of policy documents and other relevant published materials that relate to small business development. In this regard, the White Paper on the National Strategy for the Development and Promotion of Small Business was the springboard for the study. The findings of the study, which focused mainly on the Limpopo province, showed the successes, benefits and constraints of the initiatives. The study concludes by providing recommendations that could help to reduce the failure rate and improve small business development in the province.

**Keywords:** small business development, small, medium and micro enterprises (SMMEs), SMME support.

**JEL Classification:** O17.

#### Introduction

Small business development is central and essential to both developed and developing economies. All these economies realize the contributions that small businesses can make to income generation, curb unemployment and poverty, reduce social ills and grow these businesses into larger enterprises (Ladzani & Netswera, 2009, p. 225; Tambunan, 2005, p. 138; Maes, Sels & Roodhooft, 2005, p. 17; Visser, Coning & Smit, 2005, p. 60 and Ligthelm & Cant, 2003, p. 41). Pranter and Ghosh (2005, p. 155) reported that small businesses in developing countries account for more than 90 percent of all jobs, sales, and added value while in developed countries they account for over 50 percent of these measures. Banhegyi et al. (2009, p. 83) confirm similar contributions of small businesses to national economies.

In spite of these contributions to national economies, there are obstacles that reduce the impact of small business development. The developing nations seem to be hard hit by these obstacles. South Africa in particular, given its history, could not be exempted from such obstacles. The study focused on small, medium and micro enterprises (SMMEs) development in South Africa with special reference to the Limpopo province. Limpopo Province is one of the nine provinces of South Africa. It is the most northern Province of South Africa; hence, previously known as the Northern Province. It was renamed Limpopo Province in 2003.

The reasons for focusing on the Limpopo province are numerous. The province is one of the poorest and

worst affected by the divisions of the previous government. It has, among other things, the largest rural population (89%) of all the nine provinces, and unemployment was the second highest of all the provinces (46%) (Statistics South Africa, 2000). Unemployment rate continued to rise even after ten years since the introduction of small business development initiatives. The SAIRR (2008a: 4) reported unemployment rate of 57.3% in 2005, 59.0% in 2006 and 53.5% in 2007. This province is one of the most rural provinces in South Africa, the worst affected by the divisions of the previous government, had one of the highest unemployment rates (46%) and the lowest literacy levels (73.6%) (Ladzani & Netswera, 2009, p. 229).

#### 1. Historical background

Before the year 1990, South Africa was characterized by conflict which entailed exclusion of some population groups (blacks, Indians and coloreds) from political and economic participation. Friday, February 2<sup>nd</sup>, 1990 was a turning point in the history of Southern Africa. After 42 years in power, the National Party's leader, President FW de Klerk, made an announcement in Parliament releasing political prisoners, unbanning political parties and calling for negotiations towards a new Constitution, based on one man one vote (Hetherington, 1991, p. 65). This announcement marked the beginning of political change that led to the first democratic elections that were eventually held in April 1994.

Hetherington (1994, p. 72), while applauding what the politicians did, indicates what he regards as true freedom or liberation by stating the following:

Political liberation is important, but you cannot eat politics. Economic liberation feeds people. Economic

liberation allows everybody to create wealth; to earn their own living; to feed, clothe and house their families; and buy better education for their children. Parliaments have their place but markets are more important.

Political change led to equal opportunity for all to participate in, among other things, the economic development of their country. It is on the ground that this paper focuses on the impact of small business development in South Africa in the 1990s. Hetherington (1994) and the White Paper (South Africa, 1995) reflect briefly on what the situation was like under minority rule.

Hetherington (1994, pp. 23-24) captures the historical past of the South African economy as follows:

A little over a hundred years ago, in South Africa itself, black entrepreneurs were doing very well. They dominated the transport industry, and there were many superb farmers. They quickly recognized the benefit of Western technology. Blacks grew and ginned the first cotton ever sold on the Pietermaritzburg market, and they owned at least two sugar mills, which they supplied from their own farms. Their knowledge of the care and breeding of cattle attracted international attention. Dissatisfied with the trade skills their children were being taught at mission schools, they initiated and financed their own private schools and hired white teachers to teach their children the commercial and management skills they needed to become business owners rather than employees.

Hetherington (1994, p. 24) continues by pointing out that under such circumstances white farmers could neither compete nor attract blacks to work on their farms and mining industries. This led to the importation of Chinese and Indian laborers to fill this gap, and laws were passed to prohibit land ownership by blacks and to restrict the entrepreneurial talents of black people. African education was gradually reduced to the level required to make blacks 'good laborers' or junior clerks in government offices. By the 1950s, restricting black people from freely participating in the economic activities of their country has been almost complete. With the exception of a few historical remnants, blacks owned no land. In the 87% of the country deemed white, black people, who were by far in the majority (but occupying only 13% of the land), could not manufacture anything. They could not form companies and could not employ whites; they could not even trade except for a very restricted list of daily provisions, and then only with other blacks.

Black businessmen resisted this discrimination in the best possible way. In 1964, the National African Federated Chamber of Commerce (NAFCOC) was formed. From 1979, blacks had been allowed to manufacture, but only in black townships, not industrial areas designated as 'white'. In the early 1990s, all

remaining apartheid legislation was dismantled. Now everybody can buy land anywhere and can establish any kind of business, but the damage caused by the decades of suppression will take years to repair (Hetherington, 1994, pp. 23-25).

The government of national unity of South Africa placed issues of economic empowerment and growth high on its agenda when it took office in April 1994. The government gave full attention to the fundamental task of job creation and to generating sustainable and equitable growth in order to address the problems of millions of unemployed and underemployed South Africans. SMMEs were earmarked as an important vehicle for addressing the challenges of job creation, economic growth and equity in the country.

In October 1994, the Department of Trade and Industry released the discussion paper "Strategies for the development of an integrated policy and support program for small, medium and micro enterprises in South Africa". This document gave birth in March 1995 to the White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa. The two documents were important in redressing the legacy of the past regarding constraints upon small business development. The White Paper (South Africa, 1995, p. 12) acknowledges that small business, compared to big business worldwide, faces a wide range of constraints and problems, even in effectively functioning market economies. These constraints relate mainly to the legal and regulatory environment, access to markets, finance and business premises (at affordable rentals), the acquisition of skills and managerial expertise, access to appropriate technology, quality of the business infrastructure in poverty-stricken areas and, in some cases, the tax burden.

The historical past in South Africa has made the situation even worse, particularly for entrepreneurs in rural areas and for women. The White Paper is based on the understanding that South Africa has a vast number of potential entrepreneurs, encompassing all races, all sectors and all the provinces (Kirsten, 1995, p. 1). It appears, however, that little research has been conducted on the ways to improve SMMEs' impact on the economy and specifically examination of measures that would ease development of the SMMEs in poor South African areas.

## 2. Problem statement

This study provided a historical perspective of SMME development in South Africa since the year 1994. The impact of successes, benefits and constraints of small business development broadly at national level and specifically at provincial level (focusing on the province of Limpopo – formerly known as Northern Province) was evaluated. It is assumed that South Africa's political past contributed largely to the negative state

of small business development in the country. The democratically elected government brought in new legislation for small businesses and institutional configurations (state and non-state institutions at national and provincial levels) in order to create opportunities for the development of small business. The fundamental question in the study concerns the measures taken by the South African government to address the constraints. However, the focus of the study is only on the Limpopo Province.

### 3. Aim and objectives of the study

The broad aim of this study is to examine measures taken by the South African government to address the constraints of small business development.

Specific objectives are to:

- ◆ analyze policies, structures and programs created to enable small businesses to thrive in South Africa;
- ◆ evaluate the successes, benefits and constraints of small business development initiatives in the Limpopo Province;
- ◆ develop relevant guidelines for improving small business in developing regions;
- ◆ make necessary information available to relevant SMME stakeholders in order for them to address the problems and practices of small businesses, especially those of previously disadvantaged individuals (PDIs).

### 4. Design and methodology

The research design, population, data collection, analysis, validity and reliability of data are discussed in this section.

**4.1. Design and population of the study.** The design of this study was qualitative. The study population included personnel in government agencies and business associations, as well as individual business people. Government agencies in this regard included government departments (Department of Trade and Industry, Department of Labor and Department of Finance) and semi-governmental institutions (Northern Province Investment Initiatives, Development Bank of Southern Africa and university-based small business institutions) that support small business development.

**4.2. Sampling.** A purposive sampling technique was used in this study. Purposive sampling is a type of nonprobability sampling in which the units to be observed are selected on the basis of the researcher's judgment about which ones will be the most useful or representative (Mouton, 2001, pp. 143-180; Babbie, 2010, p. 193). The reason for using purposive sampling was to ensure that the sampling units had the required answers to the problems being addressed in the study. The criterion used to determine participants who qualified to be selected was SMME stakeholders in managerial positions of the indicated agencies.

**4.3. Data collection.** Secondary data were collected from relevant small business development materials. These materials included the Discussion Document on the Strategy for Policy for SMMEs (Northern Province, 1994), the White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa (1995) and the Carana Corporation Final Report (1999).

Primary data were collected by means of unstructured interviews held with respondents who either offered support to or dealt directly with small business development. The number of participants interviewed depended on 'data saturation' in repeating themes that focused on the topic under review (Botes, 1995, p. 2; Beck, 1994, p. 499). For this study, ten high-ranking government officials, five senior business association representatives and fifteen small business practitioners were interviewed. The government officials, at the province's head office in Polokwane, represented all six regions of Limpopo. Inclusion of all regions of the province was intended to ensure data saturation. Data saturation defined as data adequacy and operationalized as the collection of data until no new information can be gathered (Morse, 1995, pp. 147-149; Rubin & Rubin, 1995, pp. 72-74).

Personal and telephonic interviews were used to collect data. An interview guide with four main questions was used. The questions were: What are the main initiatives for small business development introduced since the beginning of the new political dispensation? What are the small business constraints in Limpopo province? What are the main successes and benefits of small business initiatives in the past ten years? What are the SMME investment projects that had an effect on the economic development of Limpopo province? Telephonic interviews were used only for follow-up purposes and to contact those respondents who were difficult to reach in personally.

Primary data was captured by means of field notes taken in line with Fontana and Frey (2005) and Lofland et al. (2006). Brief notes were taken during the interview. These notes were written in detail immediately after each interview.

**4.4. Data analysis.** Content analysis was used to analyze secondary data. The content that was used to gauge the SMME progress started with establishing the status of SMMEs regarding participating parties in small businesses in the province. This served as the starting point of data analysis, where data was of text format. This entailed confirming the initiatives that existed for SMMEs, and the types of people for which the initiatives were targeted to help. This was followed by identifying the SMMEs' constraints that existed prior to 1994 in Limpopo. Analysis entailed a comparison of the extent to which SMMEs advanced in the

province regarding the parties that were participating in relation to before 1994. It also identified the constraints of SMMEs that were eliminated in the province and those that persisted, and the economic impact made by the Limpopo SMMEs in the post 1994 era.

**4.5. Validity and reliability.** Validity is appropriateness, meaningfulness, usefulness and truthfulness; and refers to how well an idea “fits” with actual reality (Dooley, 2001, p. 76). It refers to the degree to which a test measures that which it is supposed to measure (Oschman, 2004, p. 308). Neuman (2006, p. 188) describes reliability as dependability or consistency. Babbie (2007, p. 146) describes reliability as the quality of the measurement method that suggests that the same results would be reached each time in repeated data collections.

To ensure that this study was valid and reliable, the Trustworthiness Model of Guba was used (Lincoln & Guba, 1980, p. 290). The model has four criteria to ensure trustworthiness: truth-value, applicability, consistency and neutrality. The data were continuously checked with the participants to ensure that these four criteria were met at the data collection stage.

**5. Findings of the study**

The findings of the study are divided into two categories: secondary and primary data.

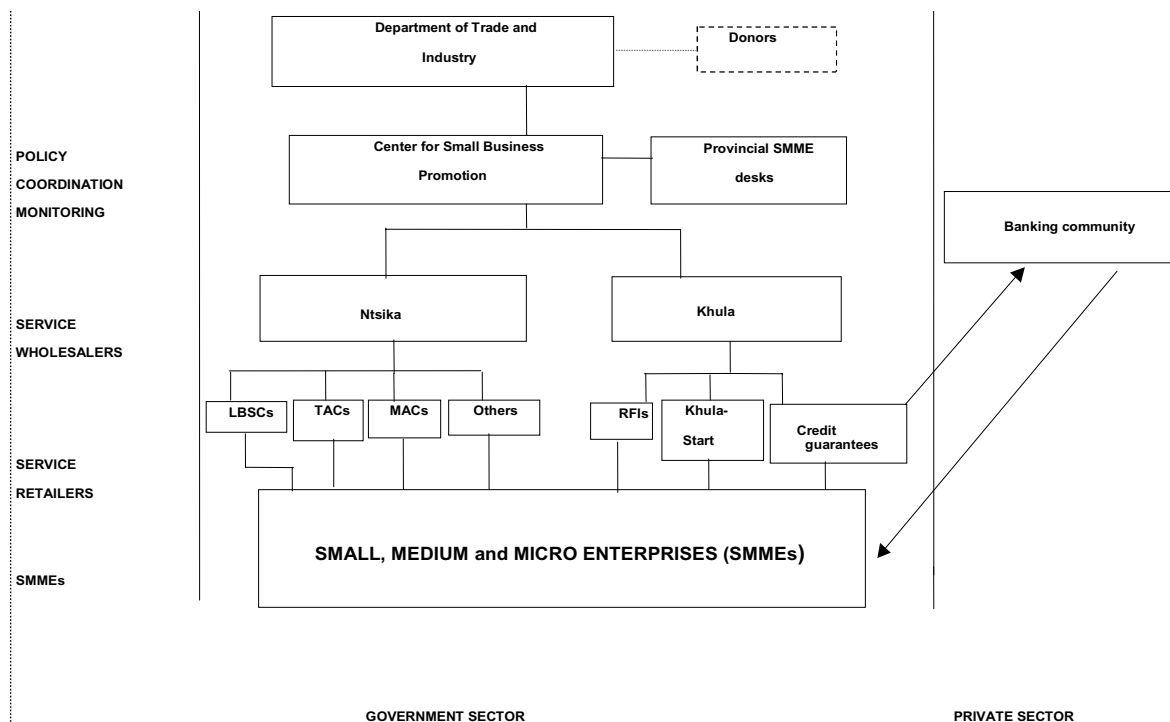
**5.1. Findings from secondary data.** The secondary data, through review of the literature, revealed that small business development initiatives were introduced by the South African national government since 1994. Literature review indicated that these initiatives from

national government were cascaded to provincial governments. At provincial level, the secondary data focused on the Limpopo province. The Carana report was used mainly to evaluate the small business initiatives.

A number of SMME development initiatives have been started since the installation of the democratically elected government. These initiatives include the discussion document that led to the White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa and the enactment of the National Small Business Amendment Act of 2004. The government has identified underdeveloped and undeveloped SMMEs as a window of opportunity for addressing the challenges of job creation, economic growth and equity in South Africa. The starting point for the process of small business development was the creation of an enabling environment – an environment that would enable the SMME stakeholders to develop and promote small businesses in South Africa with fewer difficulties (South Africa, 1995).

The Discussion Document on the Strategy and Policy for SMMEs, released in October 1994, resulted in the White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa. The President’s Conference, held in March 1995, discussed and endorsed the national framework for small business development and promotion.

Figure 1 highlights the institutional frameworks that were created by the National Strategy in order to realize the critical national objectives of job creation, income generation and economic growth.



**Fig. 1. Structure of the national strategy for small business development and promotion**

Source: Carana Corporation Final Report, 1999.

## 5.2. Policies, structures and programs initiated by the government.

The government, through the Department of Trade and Industry (DTI), established the Center for Small Business Promotion (CSBP) at national level. This center is responsible for all policy related to the SMMEs and supports programs that are directly and indirectly assisted by government. The CSBP introduced the main statutory bodies that support and assist SMMEs. The Ntsika Enterprise Promotion Agency provides a wide range of non-financial services to local service delivery groups on a 'wholesale' basis – that is, delivery of resources to local providers (in the different provinces and their regions) who work directly with SMMEs. These services are offered by accredited local service providers and include institution-building of these organizations, training programs for entrepreneurs, mentoring of individual firms, marketing, procurement advice and technology assistance (Carana Corporation Final Report, 1999, p. 25).

Khula Enterprise Finance Limited provides 'wholesale' finance to the non-governmental organizations (NGOs) that offer micro-loans to starter entrepreneurs. This is done through the development of retail financial intermediaries (RFIs) that are financially sound, with the commitment and the capacity to serve the SMME sector (Directory of Retail Financial Intermediaries, n.d.). Provincial SMME desks have been formed in all nine provinces. The purpose of these desks is to offer SMME support in all the provinces.

The government initiatives do not imply that there were no SMME support structures in place during the minority rule government. There were a number of programs and small business support policies during that time. Semi-government institutions such as the Development Bank of Southern Africa (DBSA), the Small Business Development Corporation (SBDC) and the Industrial Development Corporation (IDC) developed as financiers and SMME support agencies. However, most of these institutions that developed over the years were mostly racially and gender-biased. The contributions made by government initiatives include the inclusion and emphasis of the previously excluded populations in the former homelands.

Regional development corporations during the apartheid era, the focus of which was largely to develop black entrepreneurs and participation in

SMME development, had a limited impact. There was little co-operation extended directly to the black business sector from central government level. An example was the public tendering system that favored established and larger businesses (largely white businesses). It was very difficult for newly established businesses to enter the public tendering system. University-based small business units and the private and non-governmental organization (NGO) sectors were also involved in small business development but were not effective in their overall impact, were often in competition with each other, and were frequently uncoordinated. It is against this background that the call for co-ordination, co-operation and a clear national strategy framework increased over a number of years. Lack of legitimacy of the apartheid government made it impossible for that government to fulfill such a role (South Africa, 1995, pp. 13-14).

*5.2.1. Evaluating small business development initiatives in South Africa.* The National Strategy for Small Business Development and Promotion was followed by the challenge of implementation. Policies, structures and programs (refer to 6.1.1) were put in place by the relevant government departments (Examples of these departments are the Department of Trade and Industry, Department of Labor and Department of Finance). Broad time frames were also set. Short-term implementation was mainly preparatory work. This work included preparation for the discussion paper, analysis of grassroots responses, and preparation of the White Paper. The medium-term phase stretched up to the year 2000. It included developing a systematic funding framework for SMME support, developing monitoring and evaluation systems for program assistance, regulatory monitoring, adjusting existing programs, and shifting emphasis in SMME support from central/provincial to local economic development. The longer-term phase, based on the progress made up to the year 2000, includes further expansion of target programs, the phasing out of some programs and ongoing streamlining of the institutional framework.

The White Paper lists a number of the constraints that SMMEs face. These constraints include the legal and regulatory environment and access to markets, procurement and finance.

Figure 2 attempts to summarize policies initiated to address specific SMME constraints.

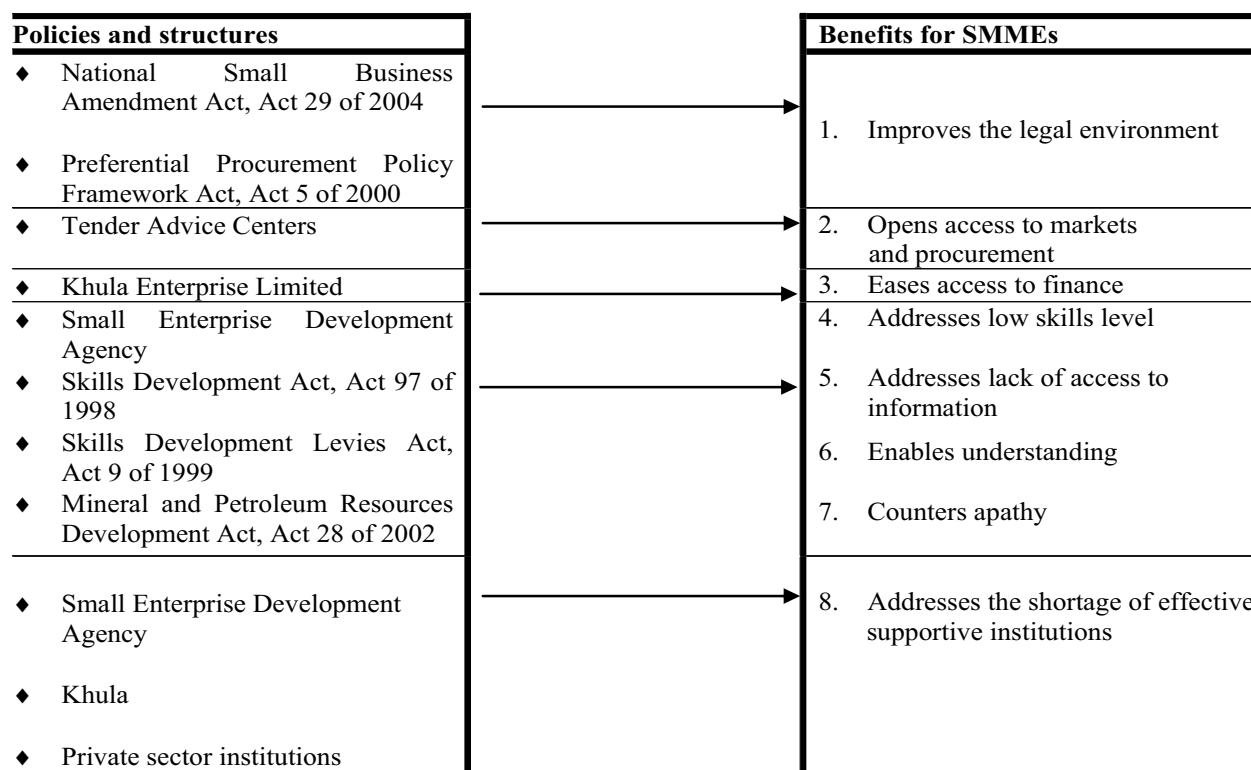


Fig. 2. Policies initiated to address specific SMME constraints

Source: Banhegyi et al. (2009, p. 88).

The Department of Trade and Industry commissioned the mid-term evaluation of the National Strategy for the Development and Promotion of Small Business in South Africa. This project was undertaken by an international consulting firm, the Carana Corporation, and two South African consulting firms, Upstart Business Strategies and MSS Consulting Group. The evaluation was intended to provide a frank and practical assessment in order for government to make the National Strategy more effective in meeting the critical national objectives of job creation, income generation and economic growth (Carana Corporation Final Report, 1999, p. 3). The National Strategy has encountered enormous difficulties and growth disturbances in achieving an impact in such a short period – that is, three years since its implementation. Many of the disappointing early results can be attributed to South Africa's dearth of entrepreneurial tradition and culture among the previously disadvantaged populations, as well as the lack of basic education and management experience needed to run successful businesses. These factors alone will mean that progress will be slow, regardless of the resources committed to these efforts (Carana Corporation Final Report, 1999, p. 4).

The evaluators of the National Strategy were specifically asked to evaluate the essential objectives, the institutional framework created by the strategy,

the programs created by these institutions and the utilization of resources. The following is a brief highlight of some of the findings reflected in the Carana report (1999, pp. 6-10):

- ◆ *The National Strategy is not seen as an integrated national plan linking all programs at national and regional levels to achieve defined goals.*

There is no center to the strategy, a body with the necessary authority or stature to direct and coordinate SMME development. The DTI is only one of several government departments and has not been given a definite mandate to integrate all government programs to meet the National Strategy objectives.

- ◆ *The strategy has 'failed' to 'segment its market'.*

Examples: The strategy does not differentiate between the ability of the different target groups (micro, small and medium) to create jobs. Most jobs potential is in the 'small business' category and in manufacturing, not in micro/survivalist and retailing activities. Small businesses (between 10 and 50 employees) have not benefited greatly from the strategy's efforts to improve their access to finance.

- ◆ *The National Strategy is seen as leaderless and not effectively coordinated*

Examples: There is no co-ordination between Ntsika, Khula and the CSBP; there is very limited communication or policy co-ordination between the CSBP, Ntsika and Khula; and co-ordination between the CSBP and other government departments working with small business is rare.

- ◆ *Ntsika does not effectively link training programs (both business and technical) with (1) aftercare and mentoring of trainees, and (2) market opportunities.*

Aftercare and mentoring of trainees ensure better implementation results. Leaving trainees to seek marketing opportunities on their own usually yields poor results.

- ◆ *Khula's programs have fallen short of their objectives, despite an efficient and professional internal organization.*

Examples: Khula is too risk-averse, too conservative for an organization with strong development objectives; Khula's design is flawed, requiring that retail financial intermediaries lend to the 'unbankable' and yet that they are self-sustaining at the same time. Retail Financial Institutions (RFIs) are not commercial banks, yet Khula's charter requires them to function as such; Khula's success is dependent on whether the commercial banks wish to lend to small business, which, in general, is not the case; the credit guarantee program has, thus, fallen far short of its objectives, serving principally medium-sized white-owned businesses (estimated at 62%).

The aforementioned observations and many other conclusions were not solely the opinions of the evaluators, but reflected the majority of views of SMME stakeholders around the country. Interviews were held with the banking community, university researchers and other consulting groups that had worked with these programs, business leaders and foreign donors. Direct interviews were also held with representatives of SMMEs, both rural and urban, that had received or been denied services by groups set up by the National Strategy (Carana Corporation Final Report, 1999, pp. 5, 16).

The report listed recommended actions that, if implemented, could strengthen SMME development in the country. Without going through the list, it suffices to say that SMME development and promotion is such an important issue that it cannot be left in the hands of only one department. A proposed structure of the National Strategy for Job Creation and Small

Business Development was developed. This structure proposes that all government-driven SMME development and promotion initiatives and support structures should be under the office of either the President or Deputy President.

*5.2.2. The demographic profile of the Limpopo province.* South Africa is divided into nine provinces. The study focused on the Limpopo province to reflect the impact of small business development initiatives. Limpopo is situated in the northeastern corner of South Africa. The province shares international borders with three countries – Botswana to the west, Zimbabwe to the north and Mozambique to the east. This unique feature gives the province a distinct advantage, especially regarding trade opportunities, as the province is the link between South Africa and sub-Saharan Africa to the north.

With an estimated total population of 4.8 million, 46% of the population of the Limpopo Province was unemployed in 1996. The human development index and the household income (55.8% of the workforce earn less than R6 500 per annum) were the lowest of all the provinces in the Republic of South Africa, the public sector being the single most important provider of employment opportunities in Limpopo (UP, 1996, pp. 13-46). In 1993, the most important sectors for employment were provincial government (36.7%), agriculture (21%) and mining (9%) (DFET, 1999). Limpopo province is predominantly rural. Only 11% of the area is urbanized. The African population constituted 95.8% of the population; whites constitute 3.9%, coloreds 0.2% and Asians 0.1% (UP, 1996: 18).

Since the nineties, the situation has not significantly changed in the province. However, research (SAIRR, 2008b) shows that poverty levels are on the decrease. These levels declined from 16.5% in 1996 to 14.0% in 2001 and 12.2% in 2007 (SAIRR, 2008a, p. 5). The SAIRR furthermore reported that people living in urban areas declined from 12.4% in 1996, to 11.4% in 2001 and 10.2% in 2007. The province's contribution to the national GDP increased from 5.6% in 1996 to 6.7% in 2001 and 6.8% in 2006 (Limpopo Provincial Government, 2009a, p. 31). The unemployment rate is, however, on the rise. These rates were 46% in 1996, 50.2% in 2001 and 53.5% in 2007 (SAIRR, 2008b, p. 211).

Table 1 presents a comparison of the demographic profile of the Limpopo Province with that of South Africa.



Table 1. Comparison of Limpopo provincial and national demographics (1996-2007)

	1996		1999-2001		2006-2007	
	Limpopo province	South Africa	Limpopo province	South Africa	Limpopo province	South Africa
Population	12.1% (4.9 million)	40.6 million	11.8% (5.3 million)	45.6 million	11.3% (5.4 million)	47.8 million
People in urban areas	12.4%	54.0%	11.4%	55.9%	10.2%	57.2%
Unemployment (expanded definition)	46.0%	34.0%	50.2%	36.25	53.2%	38.3%
Poverty levels	16.5% (296 669)	1 803 394	14.0% (359 775)	2 573 990	12.1 (113 638)	942 731
Contribution to national GDP	5.6%	-	6.7%	-	6.8%	-

Source: Own construction from SAIRR, 2008a; Statistics South Africa, 2004; Limpopo Provincial Government, 2003.

*5.2.2.1. Implementation of small business development initiatives in the province.* A concern is how small business development initiatives were implemented in Limpopo province. When the democratically elected government took over, programs initiated at the national level were disseminated to provincial and local levels. The directive from the national office to put up provincial SMME desks was implemented. This exercise also meant redefining and restructuring some of the institutions that were already in existence.

The three regional development corporations were amalgamated into the Northern Province Development Corporation (NPDC) (now called the Limpopo Development Corporation) and the three training trusts merged into the Northern Training Trust (NTT). The Northern Province SMME Support Agency was established in 1999. This agency's mission was to empower business entrepreneurs through facilitation of training, support and mentoring services. The main pillars of the Limpopo economy are agriculture, mining and tourism. Interviews held with the public and private sectors and individual entrepreneurs in the province revealed a number of successes and benefits that the government's small business development initiatives have brought to the province.

**5.3. Findings from primary data.** Primary data revealed the findings of the respondents interviewed in Limpopo. These findings indicate that there were visible changes of SMME development in the province. The policies, structures and programs that were outlined have been put in place. The respondents raised a number of issues based on the four central questions posed to them. Different themes emerged from these interviews. These themes include the successes and benefits that the small business development initiatives were starting to enjoy and the constraints that small businesses were still facing. Some of these findings confirm secondary data findings. The respondents pointed out a number of government initiatives that had a positive impact in developing small business in the province. Many

respondents mentioned visible changes mainly in the tendering system, training of emerging entrepreneurs and investment projects.

The following is a summary of the major successes and benefits that both the respondents and literature revealed:

*5.3.1. SMME support structures.* The government's procurement policy, the 10-point plan, includes the following strategies: improving access to tendering information, the development of tender advice centers, the unbundling of large projects into smaller contracts and the simplification of tender submission requirements (South Africa, 1998, p. 12). All these strategies pave the way for especially the previously disadvantaged SMMEs to benefit from what they never realized before.

Tender Advice Centers (TACs) provided (counseling) support to small businesses such as assisting with accessing tender opportunities and completing tender documents. Tender-related services include explaining invitations to tenderers, assisting in completing tender documents, counseling (pre- and post-tender), providing information on procurement and tendering policies and holding tender awareness workshops, seminars and forums (Advice Centers, 2009). There were five tender advice centers (TACs) operating in the regions of Limpopo in 2000. The provincial small development enterprise development agency (Seda) recorded ten enterprise information centers (EICs) in the province (Seda, 2010). The TACs since changed to EICs. The province, furthermore, introduced satellite EICs. This was prompted by a number of SMMEs in the rural areas that did not know what tendering was all about, who were, therefore, also not aware of tendering opportunities in the government. Outside government, Telkom and Eskom, for example, introduced preferential procurement in favor of SMMEs. In general, the SMMEs in Limpopo were in the year 2000 starting to reap the benefits of these initiatives.

There were 18 local business services centers (LBSCs) that were accredited by Ntsika (Ntsika changed to Seda) in the province in 2000. The main services that these centers provided were training, aftercare, counseling, marketing and linkages. These centers have, however, been discontinued and replaced by the Enterprise Information Centers (EICs). The province had ten EICs recorded in 2010 (Seda, 2010). The Directory of Retail Finance Intermediaries listed seven RFIs in the province in the year 2000.

**5.3.2. Agriculture.** Despite being one of the poorest, Limpopo is one of South Africa's richest agricultural areas. It produces 75% of South Africa's mangoes, 65% of its pawpaws, 25% of its citrus, 25% of its litchis, 75% of its tomatoes, 54% of its macadamia nuts and about 60% of its avocados (Financial Business News, 2008). The province also produces more than 700 000 tons of timber every year from 170 plantations, with equal quantities of hard and soft wood (South Africa. Info, 2010). Agriculture provides employment for 21% of the employed labor force in the province. The contribution from agriculture to the economy in Limpopo was 8.0% in 2000. This translates to approximately R1 680 million in 2000 prices (DFET, 2000: 8).

**5.3.3. Mining.** Major international mining operations contribute 20% of Limpopo's economy, making the primary driver of economic activity after the government services (South Africa. Info, 2009). Limpopo's diverse mining activities include diamonds, iron ore, coal, copper and phosphates (South Africa. Info, 2009). The income turnover in the Western and Bushveld sub-regions of the province increased by 220% in 1996 (DFET, 2000, p. 8).

Mining and quarrying increased from 22,3% in 2005 to 22,9% in 2006. There is a steady increase in this sector due to the slow implementation of mining beneficiation programs and the construction phase of mega mining and infrastructure projects (Chabane, 2008). The province is the world's largest producer of antimony, a strategic element used in alloys and medicine (South Africa. Info, 2009).

**5.3.4. Tourism.** Limpopo is a tourist attraction destination. It is renowned as the Province of peace. It is endowed with bountiful natural resources, including 54 provincial reserves and many private game reserves. The Province boasts the Waterburg mountain range, supporting the thriving farming and game ranching, nature reserves and resorts (The Limpopo Province General Information, 2010).

There are a growing number of hunting farms and lodges as well as bed-and-breakfast outlets to accommodate tourists in the province. The hunting business, which attracts both local and foreign hunt-

ers, is a lucrative business in the province (DFET, 2000, p. 9). Projects that were making an impact on the tourism industry include the Maputo Development Corridor that attracted actual and planned investments totaling R36 billion (Gateway to Africa, 2000). Eco-tourism is the fastest growing sub-sector of the tourism industry. The African Ivory Route initiative stimulated the industry and the economy in general with the construction of cultural villages and a number of other tourist attractions, which increased the accommodation and catering capacity of the province. The tourism market in the province generates about R1 433 million per annum (R1 051 million from international visitors and R382 million from domestic visitors).

The Limpopo Province shows an average yearly growth of 22% in national visitors and 9% in international visitors (Travelwires, 2009).

Table 2 summarizes some projects in Limpopo province that are making an impact on small business development.

Table 2. Investments projects in Limpopo province

Project	SDI	Sector	Value (R'm)	Jobs	Start date
Bruboer – packing house	Phala	Agriculture	5	120	Feb. '00
Green houses – Modjadji	Phala	Agriculture	2,5	75	May '98
Florium Roses	West/east	Agriculture	3	30	Aug. '96
Rockfield Mining	Dikolong	Mining	5	60	Jan. '96
Bestaf Granite	Dikolong	Mining	10	60	Feb. '98
Venmag	Trans/Limpopo	Mining	10	500	May '98
Sani Rentals	Trans/Limpopo	Tourism	2	5	June '00
Karins Camp	West/east	Tourism	15	80	Sept. '00

Source: NPII, 2001. SDI = Spatial development initiative.

**5.2.5. Constraints of small business development initiatives in Limpopo.** The respondents also echoed what the evaluators of the National Strategy pointed out regarding the constraints that still existed in Limpopo. Figure 2 (under section 5.2.1.) highlights these constraints. These highlights are explained in the next paragraph.

Shortages of capital and skills were among the major constraints that the province faced. Many small business owners and potential entrepreneurs were battling to secure capital for their businesses. These business owners indicated that it was difficult to service their loans. Many small business owners were disappointed with Khula Enterprise Finance

Limited. They indicated that Khula was not delivering according to their expectations. One respondent went to the extent of saying that “access to finance is the biggest problem, because financial institutions are not buying into the government initiatives of financing small business”. The other concern was that there were few FTIs that handled financial issues in the province. The financial banks were available only in urban and semi-urban areas and not in rural areas. On the issue of skills shortages, respondents indicated that there were a number of small business people who lacked technical know-how of the tendering system, for example. Management and entrepreneurial skills were still a problem to many small business people in the province.

The Limpopo Provincial Government (2009b, pp. 43-44) presented a number of critical challenges that are still hindering SMMEs to develop to their full potential. These challenges are, amongst others, the following:

- ◆ the need for better information on the SMME sector;
- ◆ the need for integration and transformation;
- ◆ the need to improve access to SMME development services;
- ◆ the need for better provincial and local business environments;
- ◆ the need for a more entrepreneurial society;
- ◆ the need to improve the institutional framework for SMME development.

**5.4. Remarks.** Small business development is a process. In 1994 South Africa had just started with the rebuilding of her economy. The South African government is to be applauded for initiating and putting small business development policies, structures and programs in place. Evaluating the National Strategy and its implementation is commendable. Appropriate adjustments should, however, follow recommended actions. The findings of the Carana report could enable not only South Africa but also other nations to learn from the mistakes committed and successes achieved.

### Recommendations and conclusions

The following actions are recommended to reduce failure and speed up SMME development, especially at provincial and local levels, where actual implementation takes place:

- ◆ **Continuous assessment:** Small business development strategies and implementation should be assessed periodically.
- ◆ **Avoidance of copying:** Every environment is dynamic and unique. People can learn from

each other’s experiences. Good projects can be adapted to suit the local environment.

- ◆ **Training and aftercare:** Training is essential but proper aftercare needs to follow in order for the process to have more impact on small business development. Measures should be taken not to over-invest in training at the expense of aftercare services.
- ◆ **Integrated approach to development:** It is imperative to involve all local stakeholders in SMME development. Use of input of local people is essential. These people can either make or break small business development initiatives because they know local conditions.

In conclusion, the statement that best reflects the findings of this study is ‘*united we stand, divided we fall*’. When concerted efforts are made by governments, labor and business to stand together in order to alleviate the problems of unemployment, poverty and economic growth – in South Africa and anywhere else – a better future for all can be assured.

A step that seemed to be in the right direction was the proposed merger by two major chambers of commerce in the country, NAFCOG and SACOB (i.e. the National African Federated Chamber of Commerce and the South African Chamber of Commerce and South African Chamber of Business). It was hoped that this initiative would yield many benefits for the country. The proposed merger was hoped to reflect the initiative aimed at bringing white and black business together. This proposal had, however, not received unequivocal support from either within Nafcoc or Sacob (Grawitzky, 2002, pp. 29-30). Business Unity South Africa (BUSA) was consequently created in October 2003 through the merger of Black Business Council and Business South Africa. BUSA is a confederation of chambers of commerce and industry professional associations, corporate associations and unisectoral organizations (BUSA, 2006, p. 1).

The first local government elections were held only towards the end of the year 2000. There were expectations that local governments would speed up local economic development. After 10 years the inception of the municipalities, many people have argued that local government is still in the process of transformation. The intended good contributions of the established municipalities towards building a developmental state is shadowed by diverse challenges that have been met that undermine the progress and successes achieved thus far. Of paramount importance would be acknowledging that the 283 municipalities in the country have different capacities and are faced with different social and economic challenges (Mgwebi, 2010).

Policy makers and researchers in the field of small business development still need to do more work to help the SMMEs development. More research should be undertaken. Consultations with all SMME stakeholders before, during, and after policy making should be central in enabling future small business development initiatives to succeed. There should also be continuous evaluation of small business development, especially in the areas of job creation and contribution to economic development.

### Limitations of the study

The study could not secure input from the personnel of chambers of business, labor unions and big companies at the national level. There were, however, discussions with provincial chambers of business. The focus was on Limpopo province, mainly on the process as depicted by government and channeled to grassroots level through the Department of Trade and Industry. The study did not focus on other departments that also support SMME development.

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