

LOCAL GOVERNMENT SECTOR EDUCATION AND TRAINING AUTHORITY



NATIONAL ENTERPRISE AND COOPERATIVE DEVELOPMENT STRATEGY

2016/17

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1 LIST OF ACRONYMS

ASIDI	Accelerated School Infrastructure Development Initiative
BEE	Black Economic Empowerment
CRDP	Comprehensive Rural Development Programme
DBSA	Development Bank Southern Africa
DHET	Department of Higher Education and Training
DTI	Department of Trade and Industry
ETD	Education, Training and Development
FET	Further Education and Training
GEM	Global Entrepreneurship Monitor
HRDSSA	Human Resource Development Strategy for South Africa
IDC	Industrial Development Corporation
IMF	International Monetary Fund
IPAP	Industrial Policy Action Plan
LED	Local Economic Development
LGSETA	Local Government Sector Education and Training Authority
M&E	Monitoring and Evaluation
NDP	National Development Plan
NEDLAC	National Economic and Development Labour Council
NEF	National Empowerment Fund
NGP	New Growth Path
NPO	Non-profit organisation
NSA	National Skills Accord
NSDS	National Skills Development Strategy

NSF	National Skills Fund
PIVOTAL	Professional, vocational, technical and academic learning
PSET	Post-School Education and Training
QLFS	Quarterly Labour Force Survey (Statistics South Africa)
REDI	Rural Economic Development Initiative
SAQA	South African Qualifications Authority
SBD	Small Business Development
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SETAs	Sector Education Training Authorities
SIPs	Strategic Integrated Projects
SLA	Service Level Agreement
SMMEs	Small, medium and micro enterprises
SSP	Sector Skills Plan
TETA	Transport Education Training Authority
TVET	Technical and vocational education and training

2 EXECUTIVE SUMMARY

The LGSETA was established under the Skills Development Act No. 97 of 1998 with the mandate to promote skills development for the local government sector. The minister of Higher Education and Training relicensed the LGSETA, for the period of April 2011 to March 2016, to operate within the skills development framework articulated in the National Skills Development Strategy III (NSDS III) framework. The Minister has recently gazetted the extension of this licence to March 2018. In the same instance, NSDS III was extended for the corresponding period.

SETAs are concerned with education and training and are mandated to help implement the NSDS and to increase the skills of people in their sector. The SETAs have replaced the 33 Industry Training Boards and have greater powers and responsibilities. As of March 2011, there are 21 SETAs; each SETA is responsible for managing and creating learnerships, internships, unit-based skills programmes, and apprenticeships within its jurisdiction. Every industry and occupation in South Africa is covered by one of the 21 SETAs.

The LGSETA has been supporting cooperatives, small enterprises and non-profit organisations (NPOs) for years without a documented strategy. The primary objective of this National Enterprise and Cooperative Development Strategy is to present a focused strategy for the LGSETA to facilitate skills development for enterprises and cooperatives in the local government sector, the strategy is aligned to Goal 6 of the NSDS III, which relates to SMMEs and cooperatives. This strategy offers evidence based frameworks and interventions which will enable informed decisions for the development, sustainability and growth of small enterprises in South Africa.

LGSETA plays a critical role in contributing to the development of a skilled and capable work force in pursuit of a responsive, accountable, efficient and effective local government system. The Local Government SETA is therefore ideally placed as a critical stakeholder of driving this economic transformation and poverty eradication. The key external environmental factors affecting the LGSETA's ability to deliver on its National Enterprise and Cooperative Development Strategy include: weak economic growth, structural unemployment, job creation, gender disparities, small enterprise geographical areas, availability and access to funding, skills training and development, among others.

At municipal level enterprises and cooperatives have to contend with a number of challenges which differ between urban and rural municipalities such as lack of adequate business infrastructure, corruption, poor business support services and inadequate business management skills.

Strategic Framework

The NSDS III sets the skills development goals that all SETAs should attain over a five-year period and to which this Strategic Plan seeks to address. The NSDS III provides guidelines for the country's priority skills areas and that should in part inform SETA funding decisions for skills development initiatives. The NSDS III identifies seven key developmental and transformative imperatives that are required to inform the nature and scope of skills development interventions by SETAs. These are: race, class, gender, geography, age, disability, and the HIV and AIDS pandemic.

The purpose of this strategy document is to expound on Goal 6 of the NSDS III, specifically:

Encouraging and supporting cooperatives, small enterprises, worker initiated, non-governmental organisation (NGO) and community training initiatives

As a result of reviewing the external trends, policy and legislative frameworks, and guiding principles, a number of strategic priorities were identified for the LGSETA going forward. This strategy is proposing the following five strategic priorities in order to address challenges faced by SMMs and cooperatives:

- Priority 1: To continuously support cooperatives and small enterprises and improve current skills development and training interventions conducted by LGSETA
- Priority 2: Focus LGSETA SMME and cooperative programme activity on areas of highest impact
- Priority 3: Create a clear delineation of responsibility between LGSETA and other local government agencies; improve coordination and collaboration between other areas of government and with the private sector
- Priority 4: Increase focus on support for cooperatives
- Priority 5: Improve access to LGSETA SMME and cooperative support information

The monitoring and evaluation (M&E) sub-framework of the LGSETA National Enterprise and Development Strategy focuses on qualitative and quantitative indicators set out in the LGSETA Annual Performance Plan (APP) and Sector Skills Plan (SSP). These indicators are aligned to the NSDS III indicators, in order to evaluate the impact of initiatives and ensure that the programmes provided meet the required quality and relevance during implementation.

To achieve the above objectives, the LGSETA National Enterprise and Development Strategy M&E sub-framework needs to:

- be accessible to and understood by all stakeholders involved in the implementation of the strategic plan;
- be methodologically sound and consistent in the manner in which data is sourced, collected and utilised;
- be integrated into existing systems and be acceptable to stakeholders;
- contribute to improved governance, accountability and transparency;
- promote partnerships and work together with other programmes and sub-programmes;
- provide a record of findings and recommendations that will be maintained and the implementation followed up; and
- enable a culture of improvement through the utilisation of information as a basis for decision-making and accountability.

This National Enterprise and Cooperative Development Strategy aims to create an enabling environment for sustainable, growing SMMEs and cooperatives in South Africa supported by LGSETA. Challenges facing SMMEs and cooperatives have been highlighted herein and the strategy seeks to overcome these impediments through a set of interventions and activities that will be implemented by the LGSETA in partnership with identified role players.

This strategy sets a framework and outlines the principles underlying future LGSETA support and monitoring and evaluation framework. The implementation of the strategy will be guided by the defined goals and objectives, which also form the strategic framework for the strategy.

Ongoing review and impact assessment of this strategy will be critical to ensure updated changes in the global, national and local business environments in line with the progressive nature of enterprise and cooperative development.

3 INTRODUCTION

Since 1994 the South African government has acknowledged its role in promoting an enabling environment for the establishment and sustainability of small enterprises. The National Development Plan (NDP) envisions a South Africa where small, medium and micro enterprises (SMMEs) are at the epicentre of economic development, and not at the periphery. SMME development contributes significantly to the country's growth and development. These enterprises are also important contributors to job creation and thus contribute to improving the quality of lives for people and communities in the country.

3.1 Mandate of the Local Government Sector Education and Training Authority (LGSETA)

The LGSETA was established under the Skills Development Act No. 97 of 1998 with the mandate to promote skills development for the local government sector. The minister of Higher Education and Training relicensed the LGSETA for the period of April 2011 to March 2016, to operate within the skills development framework articulated in the National Skills Development Strategy III (NSDS III) framework. The Minister has recently gazetted the extension of this licence to March 2018. In the same instance, NSDS III was extended for the corresponding period. LGSETA plays a critical role in contributing to the development of a skilled and capable work force in pursuit of a responsive, accountable, efficient and effective local government system.

The Local Government Sector differs from other sectors in that, within the municipalities there are not only mostly economic sectors but also political, community and social based sectors. The sector is at the forefront of service delivery and therefore the impact of lack of skills is visible and felt by ordinary tax payers and general citizens. The Local Government SETA is therefore ideally placed as a critical stakeholder of driving this economic transformation and poverty eradication.

The LGSETA has been supporting cooperatives, small enterprises and non-profit organisations (NPOs) for years without a documented strategy.

The purpose of this document is to present a focused strategy for the LGSETA to facilitate skills development for SMMEs and cooperatives in the local government sector, the strategy is aligned to Goal 6 of the NSDS III, which relates to SMMEs and cooperatives. The goal encapsulates the following objectives:

- i. To increase SMME development opportunities in the municipalities;
- ii. Increase support for women and youth enterprises;
- iii. Expand and improve efficiency and effectiveness of SMME service delivery;
- iv. Create a demand for SMMEs product and services;
- v. Boost the institutional and coordination capacity of SMMEs support services providers;
- vi. Fostering entrepreneurship culture and increasing enterprise creation rate;
- vii. Establish a dedicated network of SMME finance; and
- viii. Develop awareness campaigns to foster SMME development and support.

3.2 SMMEs and Cooperatives in South Africa

The National Small Business Act 102 of 1996 defines a small business as “a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or subsector of the economy which can be classified as a micro-, a very small, a small or a medium enterprise¹”.

3.2.1 SMMEs

The actual size of the SMME sector in South Africa is difficult to measure, mainly because of the different definitions and data limitations. Various studies and statistical databases report different numbers. Estimates of South Africa’s SMME sector’s contribution to GDP, for example, range between 40% and 57%, and with contribution to total employment the estimates range between 40% and 65%.

From the South African legislative perspective, notably the National Small Business Act 102 of 1996, SMMEs are categorised into five stages of development: (1) survivalist, (2) micro, (3) very small, (4) small and (5) medium-sized enterprises.

¹The National Small Business Act 102 of 1996

Survivalist enterprises form part of the informal economy and are undertaken by unemployed persons whose primary objective is to survive economically². The income generated is less than the minimum income standard or the poverty line. This is the pre-entrepreneurial category that includes hawkers, vendors and subsistence farmers. Little capital is invested in survivalist enterprises and therefore they do not generate as much as necessary income and assets, the owners possess inappropriate business skills and training to run the business, and the opportunities for growing the business are limited.

Micro enterprises employ about five employees and like survivalist enterprises, they operate informally, owners do not have skills to run a business, are unlicensed and as a result do not comply with legislation. Unlike survivalist enterprises, their turnover is at the VAT registration level of R300 000 per annum, and they have the potential to make the transition to a viable formal small business.

Very small enterprises are part of the formal economy and employ fewer than ten employees, except mining, electricity, manufacturing and construction sectors, in which the figure is 20 employees. Small enterprises are much more established compared to very small enterprises as they are registered entities that operate in fixed business premises, are organised into complex organisational structures of, at most, 100 employees. Medium enterprises are owner-managed, comply with the law and like small enterprises, are organised into complex structures of up to 200 employees that perform their duties in fixed business premises. These enterprises are often characterised by the decentralisation of power to an additional management layer.

The National Small Business Act's definitions of the different categories of business may be summarised as set out in the following table:

Table 1: Definition of Small Business³

Enterprise Size	Number of Employees	Annual Turnover	Gross Assets, excluding fixed property
Medium	Fewer than 100 to 200, depending on industry	Less than R4m to R50m, depending on industry	Less than R2m to R18m, depending on industry

²Turner M A, R Varghese & P Walker 2008. Information Sharing and SMME Financing in South Africa: A Survey of the Landscape. Political And Economic Research Council (PERC)

³The National Small Business Act

Enterprise Size	Number of Employees	Annual Turnover	Gross Assets, excluding fixed property
Small	Fewer than 50	Less than R3m to R25m, depending on industry	Less than R2m to R4.5m, depending on industry
Very Small	Fewer than 10 to 20, depending on industry	Less than R200k to R500k, depending on industry	Less than R150k to R500k, depending on industry
Micro	Fewer than 5	Less than R150k	Less than R100k

The table below indicates the nature of SMMEs in South Africa:

Table 2: Nature of SMMEs⁴

Nature of Business	% of SMMEs
Sell the product in the same form as they got it	48.8%
Buy something to sell, but add value before reselling	10.7%
Grow something and sell	5.2%
Make something and sell	5.1%
Sell by-products of animals	3.7%
Rear livestock / poultry and sell	3.1%
Sell something that was collected from nature	1.5%
Sell something obtained for free	0.6%
Render a skilled service e.g. mechanic, plumber, hairdresser	13.2%
Render other services e.g. car wash, garden services, transport (taxi services) catering	5.1%
Render a professional service e.g. doctor, lawyer, accountant	1.3%
Render building/construction services	1.0%
Render tourism-related services e.g. accommodation / hotel / B&B / guest house, tour operators	0.6%

⁴ FinScope South Africa, Small Business Survey 2010

Nature of Business	% of SMMEs
Totals	
Retailers	78.7%
Service Providers	21.3%

Determining how many SMMEs there are in South Africa differs by statistical institution. The table below compares several estimates made by various institutions over the past few years.

Table 3: Estimated Number of SMMEs in South Africa⁵

Source of Estimates	Survivalist	Micro	Very small	Small	Medium	Large	Total
Ntsika 1999	184,400	466,100	180,000	58,900	11,322	6,017	906,739
Statistics SA, 2000/Ntsika2000	Informal: 1,138,854		330,271	94,804	52,620	12,249	1,628,797
Business Partners	2,3 million		600,000		35,000	n/a	2,9 million
Management Sciences Group Survey, 1999	micro: 960,740 "informal": 862,580		formal: 445,880 (of which 357,780 private)				2,3 million
Eskom Survey, 1999	900 000+ 'in-home businesses'; total 3 million one includes farmers					n/a	3 million
Global Entrepreneurship Monitor, SA 2001	Between 0.73m and 1.15 million	1,709,142					Between 2.44m and 2.86 million

Although these figures are dated (between 1999 and 2001), it is significant that the figures indicated by the official sources (Stats SA and Ntsika) are less than the private research groups. The official sources rely on census figures which can lead to an underestimation of informal businesses.

In the United States (as per the Small Business Administration report), SMMEs represent 99% of all employers and 52% of the private work force. They provide virtually all the net new jobs and provide 51% of private sector output and 96% of all export of goods. These

⁵The Economics of SMMEs in South Africa, Trade and Industrial Policy Strategies Research Report , 2002

figures are similar in many other industrialised and developing countries around the world (India, Brazil, China, Japan, Nigeria etc.).

The achievements by Taiwan are a good example of the role SMMEs play in a nation's economy with limited resources. Over the last decade, Taiwan has established itself as a world-class supplier of a wide range of electronic hardware products. SMMEs in Taiwan have been at the heart of this impressive success. In 2003, SMMEs accounted for 96% of the total number of companies, 69% of total employment and 55% of Taiwan's manufacturing export. Most of Taiwan's current 400 electronic companies started as SMMEs.

In a speech delivered by former finance minister Nhlanhla Nene, he pronounced that "entrepreneurship and start-ups are critical to an economy's dynamism, flexibility and long run sustainable growth. The entry of new firms, or new products and technology, is vital for a healthy economy, as older firms or techniques are naturally eroded or become obsolete. A country's productive capabilities must be continually updated and upgraded. This amounts to the renewing of the stock of firms or the products and services offered i.e. role of start-ups, and therefore usually SMMEs"⁶.

3.2.2 Cooperatives

A cooperative is an independent association of persons who join forces to meet their economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise, organised and operated on cooperative principles. The International Cooperative Alliance (2007) defines a cooperative as an autonomous association of people united voluntarily to meet their common economic, social, and cultural needs through a jointly owned and democratically controlled enterprise. Cooperatives are usually either an agricultural form of business or a state-driven welfare intervention whereby they provide services and products to its members. Profits in a cooperative are divided among members in relation to the amount of the business each member has conducted with the cooperative.

The history of the South African cooperative sector started with the establishment of the primarily white agricultural cooperatives that were intended to develop and build the white farming community. These cooperatives eventually developed into influential business

⁶ Speech by Nhlanhla Nene, Former Minister of Finance: The Role and Importance of SMME's in the South African Economy and Potential Benefits to the Region and to Africa

ventures, which controlled agricultural production, marketing and processing in rural areas. These cooperatives had substantial government support such as the establishment of the Land Bank, Cooperatives Societies Act, Marketing Boards, state subsidies and tax exemptions to agricultural cooperatives, etc. Black-owned agricultural cooperatives were promoted by the then government in the 1970s and 1980s as part of the apartheid economic grand-plans for the 'homelands'. They, however, did not experience the type of government support provided to white agricultural cooperatives and thereby remained underdeveloped, with most ultimately dissolving.

Government has recognised that cooperatives have some advantages over other types of enterprises, and have been focusing on their support and development. The table below gives an overview of the advantages and disadvantages of cooperatives:

Table 4: Advantages and Disadvantages of Cooperatives⁷

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Owned and controlled by members ▪ Relatively ethical way of doing business ▪ Cooperative can benefit the community by providing jobs ▪ Cooperatives keep the money within the local community ▪ Member investors are unlikely to withdraw finance at short notice ▪ Democratic control by one member, one vote ▪ Limited liability ▪ Staff motivation can increase as all employees share in the cooperative success 	<ul style="list-style-type: none"> ▪ Possibility of conflict between members ▪ Longer decision-making processes ▪ Non-participation of members can hamper the cooperatives success ▪ Meeting both cooperative aims and business needs require complex management ▪ Cooperative limit choices for external finance ▪ Employment benefits often cannot match those offered by other business types ▪ Provision of services are often limited to members only ▪ Cooperatives are not open to hostile takeover thus making management and boards ambivalent ▪ Cooperatives can fail if managers do not have a collective will or drive

⁷ Challenges before Cooperatives in South Asia- Building a Comparative Advantage, Kristian Thiami, February 1998

Instead of classifying cooperatives by their economic activity, like SMMEs, they can be classified according to their type, as they are associations based on the common need of their members. Below is the classification of the types of primary cooperatives as outlined in Schedule 1 of the Cooperatives Act No.14 of 2005.

- **Worker Cooperatives:** The purpose of these cooperatives is to provide their members with work by operating an enterprise. These cooperatives are owned by their worker members, meaning that they are the collective owners, obtain jobs and control the management and administration of their enterprise. Worker cooperatives are suited to all economic sectors, and can comprise of members from a wide range of professions.
- **Financial Cooperatives:** These cooperatives offer banking services (savings, credit and investment) and insurance services to their members. They are owned and are used by their members. Examples of existing financial services cooperatives include Savings and credit coops (SACCOs), also known as “credit unions” or “village banks” and burial societies who largely remain informal. These types of cooperatives are spread across the country and currently targeted for regulation under the Cooperatives Banks Act No.40 of 2007, under the National Treasury.
- **Consumer Cooperatives:** These cooperatives provide their members with goods and services for their personal use. They are owned by the consumers of the goods sold by the cooperative and can work in various sectors. They can range from small purchasing groups (such as buying clubs or stokvels) to large supermarket-type organisations. These cooperatives are meant to buy in bulk and thereby ensure discounts on goods that would otherwise be more expensive if bought in small volumes.
- **Housing Cooperatives:** These cooperatives provide housing and allied services to their members and are owned by the users/members of the cooperative. They can represent interesting options for converting public housing and integrating low-middle income communities on well-located land. Key partners to work with include the South African Cooperative Housing Association (SAHCA).
- **Agriculture Cooperatives:** Some of these cooperatives produce, process and market, their members' products and services directly to the market. These are called

marketing and supply cooperatives and are normally established by farmers for themselves. Others may also sell the inputs necessary to their members' economic activities (such as agricultural supply cooperatives). Historically, these have played a key role in the development of commercial farming in South Africa.

Table 5: Differences between Cooperatives and Other Legal Entities⁸

Differences	Cooperative	Sole proprietorship	Partnership	Close Corporation	Company (excl. not for profit)
Reason	To provide a service to members	Profit driven	Profit driven	Profit driven	Profit driven
Decision-making	Democratic	Owner controlled	Divided between partners	Proportional to interest held	Proportional to shares held
Capital	Members fees; Subscription fees	Own contribution; Capital that the business is able to raise	Own contribution; Capital that the business is able to raise	Own contribution; Capital that the business is able to raise	Raised through shareholders
No of people	5 =/< no limit	1	2 < 20	1>10	Private = (1 > 50) Public = (7 >)
Membership limitations	Limited – on economic grounds	Limited in number	Limited in number	Limited in number	Private co = limited in number Public co = unlimited
Liability	Limited (to members unpaid shares / members fees)	Unlimited	Unlimited; (Exception: Undisclosed Partners = no liability to 3rd parties; limited to partnership interest against partners)	Limited to interest held	Limited by shares capital

⁸ Strategy and Implementation Plan for Support and Development of Co-operatives in the Eastern Cape, 2008 Province, pg 22

4 KEY LGSETA SMALL ENTERPRISE DEVELOPMENT ACHIEVEMENTS

According to the LGSETA Annual Performance Plan (APP) 2016-2017, an estimated 25 cooperatives and 15 SMMEs were supported through skills development initiatives during the 2015/16 period. The targets for the next three years are set to increase the number of supported small enterprises by five in each category per annum.

Table 6: Number of Small Enterprises Supported by LGSETA

Performance Indicator	Actual Performance			Estimated Performance	Medium Term Targets		
	2012/ 13	2013/ 14	2014/ 15	2015/16	2016/ 17	2017/ 18	2018/ 19
Number of cooperatives supported through skills development initiatives per annum	-	22	23	25	30	35	40
Number of SMMEs supported through skills development initiatives per annum	-	-	29	15	20	25	30
Number of NGOs supported through skills development initiatives per annum	80	27	16	15	20	25	30

During the 2014/15 financial year, the LGSETA entered into a partnership with some NGOs (such as the Nkungumathe Youth Development Forum) to implement a number of interventions. These interventions include the facilitation of adult education and training to 345 people from the rural communities, facilitation of access to internship opportunities for about 100 learners, access to 175 people from the communities to complete a skills programme focusing on new venture creation as well as funding for over 100 artisans. The partnership has provided a platform for the LGSETA to penetrate rural areas and maximise its interventions while for the NGO, access to funding has enabled it to facilitate access to skills development opportunities that could potentially transform the lives of participants participating in the various interventions.

5 LGSETA STRATEGIC FRAMEWORK

5.1 Defining Vision, Mission and Values for the Sector

In developing the new strategy, the vision must reflect the core mandate of LGSETA and, more accurately represent the aspirations of players in the local government sector taking into consideration the current and futuristic context as well as the overall vision of the organisation. The LGSETA fosters and promotes the training and up skilling of various employees and people involved in local government structures, as well as unemployed South Africans.

5.1.1 Vision

The vision is a description of the desired future outcome of LGSETA, encompassing all aspects of what can be achieved through the execution of the strategy. The vision statement for the LGSETA is:

***“To be the foremost SETA producing an extraordinarily skilled and capable
local government sector”***

5.1.2 Mission

The mission statement articulates the “reason for being” for the LGSETA as follows:

*To promote and coordinate skills development initiatives and strategic
sectoral training interventions, to enhance efficiency and effectiveness
of the local government sector.*

This would be achieved through:

- Conducting sectoral skills planning and research;
- Developing and implementing quality learning programmes and relevant occupational qualifications;
- Monitoring and evaluating training initiative performance;
- Communicating and marketing skills development and career advancement opportunities; and
- Approving and disbursing skills development grants.

5.1.3 Values of the LGSETA

The LGSETA is actively aligning itself with the strategic objectives of the Department of Higher Education and Training (DHET) in carrying out its mandate. Critical to this alignment process is the need to drive and live a value system which will drive the necessary change in the organisation and in the way we engage various stakeholders. A cultural change will be necessary. Below are the refined values of the LGSETA:

- *Ubuntu*. We embrace the principle of humanness as ingrained in our African culture and the eight service delivery principles of “Batho-Pele”.
- *Transparency*. We commit ourselves to be clear in the pursuit of our mandate and ensure that all our activities, strategies, policies and decisions are communicated to our stakeholders.
- *Sustainability*. We commit ourselves to the efficient use of LGSETA resources to ensure sustainable skills development in the local government system.
- *Professionalism*. We commit to impartiality, fairness, competence and shall exercise diligence in the execution of our duties.
- *Integrity*. We are committed to preserving the good image of the LGSETA by upholding good ethical standards through avoiding conflict of interest in what we do; safeguarding LGSETA assets, delivering value for money, and avoiding self-enrichment.

6 SITUATIONAL ANALYSIS OF SMMEs AND COOPERATIVES

The development of this strategy was informed by a number of external environmental trends. We explore some of the pertinent trends observed in the external environment and highlight possible implications for the LGSETA's SMME and cooperatives development efforts.

6.1 Local Economic Development

According to the South African LED Network, local Economic Development (LED) “aims to induce economic development and growth in a locality with the objective of creating jobs and improving the quality of life for everyone. LED is the result of joint planning by a municipality, its community and business sectors. This means that all economic forces in the local situation have to be brought on board to identify resources, understand needs and work out plans to find the best ways of making the local economy fully functional, investor friendly and competitively productive”.

This collaborative, inclusive approach is not feasible at the national level as it would lead to complications with regard to issues and role players. The focus that LED puts on the local and regional levels reduces the complexity and allows role players to pursue an integrated path of economic development. Thus, LED recognises that people, business and governments at local levels are best able to restructure economic situations that will stimulate growth required to create jobs and to reduce poverty. According to the World Bank, “the purpose of LED is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation”.

Many municipalities offer support to small business within their LED agencies, or dedicated small business and cooperative programmes in their LED divisions or public-private partnership incubation centres. It is recommended that LED strategies for each district and local municipality be included in their IDPs as that is where SMMEs and cooperatives can

actively be institutionalised. Attempts should be made to ensure SMME and cooperative development is a priority in both LED strategies and IDPs.

The roles of national and provincial government, metros, district and local municipalities are at times unclear, and intersect, but the following LED responsibilities are important:

- *National government:* coordination of public policies and investment programmes;
- *Provincial government:* coordination and building capacity of municipalities to undertake LED and support them in its implementation;
- *Local government:* creation of an encouraging environment for business development and success;
- *Government agencies:* supporting LED initiatives (e.g. SETAs and SEDA);

SMMEs and cooperatives play a significant role in achieving the goal of an LED strategy. Support for small enterprises has been promoted by government in their new growth strategy as well as government agencies such as the IDC, the dti, etc.

6.1.1 Context for Local Government SMME and Cooperative Support

The responsibility of stimulating and supporting the development and sustainability of the small business and cooperative sector sits with local government other stakeholders. As small businesses and cooperatives are catalysts for economic growth and job creation, government must address the lack of business opportunities in both the public and private sectors. Government has acknowledged that small businesses and cooperatives find it difficult to succeed in townships and rural communities, due to the lack of adequate investments in infrastructure and lack of appropriate policies to protect informal businesses.

There are 278 municipalities in South Africa, comprising eight metropolitans, 44 district and 226 local municipalities. The constitution provides for three categories of municipalities namely category A municipality (metropolitan municipalities), category B (local municipalities) and category C (district municipalities). They are focused on growing local economies and providing infrastructure and service. The local government sphere is the closest to the people. Municipalities have a constitutional mandate to undertake a developmental approach in implementing policies and programmes. Municipalities are to

exercise powers and functions to maximise the impact of social development, meeting the needs of the poor and ensuring growth of the local economy.

Local government should create an enabling environment to cooperatives and small businesses, provide both financial and non-financial support, and promote intergovernmental relations to deliver to the sector, encourage private sector involvement and support informal trader organisations⁹. A focus should also be given to increasing agencies such as SEDA's footprint, directing specific interventions to the rural areas, working with cooperatives and prioritising sectors in the economy.

SMMEs and cooperatives are expected to be an intricate part of local economic development strategies. The 1998 White Paper on Local Government is a significant policy document that articulates the shift towards a developmental local government that is people-centred. The Paper describes developmental local government as "local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives"¹⁰. The White Paper on Local Government explains 4 interrelated characteristics of developmental local government that include:

- "To maximise social development and economic growth;
- To integrate and co-ordinate the development activities of a variety of actors;
- To democratise development by empowering communities to participate meaningfully in development; and
- To provide leadership, promote the building of social capital and create opportunities for learning and information sharing."

It is therefore imperative that municipalities facilitate the development of small enterprises and cooperatives and help build partnerships and networks with local communities and the private sector. This is in addition to assisting both national and provincial spheres of government to achieve their developmental goals.

⁹ Speech by Minister Lindiwe Zulu: Small Business Development Department Budget Vote 2015/16

¹⁰ White Paper on Local Government 1998

6.1.2 Stakeholder Workshops at Municipal level

In developing this strategy, discussions with local government cooperatives and SMMEs were undertaken in the Johannesburg and Richmond municipalities. Secondary information sources were used to gather information from Capricorn municipality. The following key issues emerged during the consultations.

Table 7: Insights from Consultations with Cooperatives and SMMEs at Municipal Level

Thematic Area	Richmond ¹¹	Johannesburg ¹²	Expert Input ¹³
Economic sectors presenting greatest opportunities for Cooperatives and SMMEs	Richmond municipality, located about 30km south east of Pietermaritzburg is predominantly rural. The major sectors of importance to the local economy are: Construction driven by housing projects and road maintenance; Agriculture comprising of crop farming, forestry industry and citrus fruits; Manufacturing mainly of school and government office furniture; and Commercial made up of retail businesses and wholesales business both formal and informal. Given the dominance of the forestry sector, furniture manufacturing favours cooperative development in the municipality.	Construction, Manufacturing, Services, Agriculture sectors are the most dominant ones providing greatest opportunity to current and potential entrepreneurs. Cooperatives and SMMEs are involved in all kinds of businesses. They have not yet identified their niche market and end up spreading themselves thinly on the ground.	While opportunities differ across different sector value chains, the sectors showing high growth prospects are likely to provide entrepreneurial opportunities to start up cooperatives and SMMEs in the various municipalities.
Level of government support to Cooperatives and SMMEs	The LED office is of the view that the municipality works with other government departments and institutions such as EDTEA, Rural Development and NYDA to facilitate a number of capacity building programmes to assist Cooperatives and SMME's in terms of skills development for them to grow their business. However, the participants indicated that despite being aware of the LED office in the municipality, they are not getting enough support to scale up their businesses.	The greatest concern cited by cooperatives and SMMEs in the municipality is their inability to access LED officials, who are alleged not to answer calls or respond to emails. The general feeling is that not enough support is being received from the municipality.	The current environment in SA revolves around a lot of talk shops on small business development, but with very little action and implementation. Most of the media campaigns being run, focuses on encouraging small business start-ups, however, entrepreneurs are faced with a myriad of barriers to entry. Whilst there are numerous initiatives to help small business, the approach is very

¹¹ Consultation workshop held in Richmond on the 15th of February 2016

¹² Consultation workshop held in Johannesburg on the 22nd of February 2016

¹³ Carel Venter & Brian Moodley

Thematic Area	Richmond ¹¹	Johannesburg ¹²	Expert Input ¹³
			<p>segmented, and often confusing.</p> <p>Many of the government departments are not aware of the support that other departments offer. This often results in overlaps where two or more departments are offering a very similar type of support to SMEs.</p> <p>Lack of adequate and appropriate incubation facilities to support start-ups</p> <p>Emerging entrepreneurs have bought into the government model (enticed by the promises), and are now expecting government to make their businesses successful</p> <p>The Cooperatives/SMMs most in need of support do not join business (chamber) structures to form a unified voice</p> <p>Government interface is also fragmented with Cooperatives/SMMs having to deal with various departments, complicating issues and increasing the cost of business.</p>
Level of awareness of business support services	Generally, the LED office considers the level awareness among cooperatives and SMMs to be good as it relates to awareness of policy and legislation by SMMs such as Companies Act, Cooperatives act, provincial and national business/cooperative development strategies; awareness of regulations and administrative procedures (tax regulations,	The Level of awareness of policies and legislation is moderate. More workshops and roadshows are needed to improve awareness of policies and legislation especially current changes and their implication on business growth and sustainability.	<p>Most entrepreneurs do not know where to go to, to get advice about starting a business.</p> <p>Government often believe finance and infrastructure should be the focus, not understanding that the most important</p>

Thematic Area	Richmond ¹¹	Johannesburg ¹²	Expert Input ¹³
	<p>BBBEE, Procurement, Trade, Intellectual property, company regulations and awareness of business/cooperative development services provided by government institutions and other industry players.</p> <p>On the contrary, the cooperatives and SMMEs were are not aware of policies and programmes to support Cooperatives and SMME development in the municipality and that not enough training is being given to them. Our view is that there is some level of awareness, but access to such services remains a challenge as service providers don't have a presence in the municipality.</p>		<p>resources communities need are knowledge, skills and experience to be able to leverage the finance and infrastructure</p> <p>Government interface is also fragmented with Cooperatives/SMMEs having to deal with various departments, complicating issues and increasing the cost of business.</p>
Access to finance & related services	<p>Three major suppliers of funding were noted during the discussions. These are the Department of Agriculture, Department of Rural Development and SEFA. The participants noted that access to finance remains a challenge as they do not qualify for funding due to factors such as lack of collateral, poor or absence of credit track record. In addition, while the technical skills to run businesses are considered fairly adequate, the participants lack skills to write credible business plans that can unlock funding. The municipality does not offer financial products to Cooperatives and SMMEs, but assists with infrastructure where necessary and compilation of business plans in order to be able to access funds from other different stakeholders.</p>	<p>The major suppliers of finances and support for local Cooperatives and SMMEs are SEFA, SEDA, IDC, SETAs, NYDA and banks</p> <p>Financial aid is offered through grants, loans, start-up capital and franchise. Access to finance is hampered by lack of collateral, poorly drafted business plans, poor credit records and lack of business controls to mitigate credit risks.</p>	<p>A number of initiatives are in place to assist cooperatives and SMMEs with financial support, but access and high interest rates charged by DFIs and MFIs remain a challenge. Examples of financial support programmes include the following:</p> <ul style="list-style-type: none"> • The Black Business Supplier Development Programme (BBDP- 50/50 cost sharing grant -up to R 1 million funding), • The Co-operative incentive scheme (CIS - 100 % grant - up to R 350k funding) • SEFA – loan funding up to R 5 million • SAMAF – MICRO lending • SEDA – non financial cost sharing grant support • NEF – Loan funding above R 5 million

Thematic Area	Richmond ¹¹	Johannesburg ¹²	Expert Input ¹³
			<p>The Department of Small Business has announced that we will have two new incentives this year. The first being a grant for youth in business, and the second is a grant for woman in business. The specifics of each of these incentives has not been released as yet.</p> <p>Long turnaround times when accessing government funding schemes, put a damper on new start-ups. Centralisation of decision making poses a huge challenge for SME's applying for govt. assistance through loan or grant funding as decisions are still being taken at Pretoria.</p>
Business Skills Requirements of Cooperatives and SMMEs	<p>Generally, the majority of SMMEs and Cooperatives do have basic technical skills that are required for the businesses they operate. The major concern is the absence of business or entrepreneurial skills such as business management, financial management, marketing, branding, business planning, bookkeeping, and proposal writing including tendering skills. The majority of the cooperative and SMME operators in the municipality are IT illiterate. LED unit conducts telephonic skills analysis to identify skill needs of entities listed on the municipal database.</p>	<p>There are a number of business workshops conducted in the municipality. The major challenge has been that most SMMEs operators are called for workshops that are not relevant to what they do and feel that they are being used by organisers who want to report great attendance.</p> <p>Cooperatives and SMMEs should be skilled on structuring of partnerships and joint ventures, on how to access funding, and business planning.</p> <p>Training should also include basic computer skills, numeracy, marketing, basic finance, compliance (BEE, SARS,) and enterprise development skills</p>	<p>The Cooperatives and SMMEs need skills and handholding which is very scare. Cooperatives rarely invest in business advisory services and advisors and mentors brought in through government efforts seldom render adequate services as the allegiance is to the sponsoring institution not supported business. Given many fly by night business advisors access to skilled business advisors and mentors is vital. These should be subject to a code of ethics to ensure cooperatives and SMMEs receive quality services. An example of such institution is</p>

Thematic Area	Richmond ¹¹	Johannesburg ¹²	Expert Input ¹³
			<p>IBASA.</p> <p>The training provided via government supported structures (like learnerships) are again counter entrepreneurship and natural SME development.</p>
Market Access and Linkages	<p>Based on the conversations during the workshop, the majority of the participants feel that all business must and has to come from the municipality. There is no understanding regarding exploiting the open market. As a result, corruption in the municipality is noted as a major hindrance to cooperative and SMME development e.g. opportunities from municipality like tenders are alleged to be offered to people who can pay bribes or to relatives and friends. In some instances, tenders are alleged to be awarded to entities outside the municipality while local ones are excluded. A school under construction was cited as an example, where most contracts such as electricity, plumbing, brick laying were awarded to outsiders. The municipality through the supply chain policy gives first preference to local suppliers, big contractors are expected to subcontract to entities on municipal database.</p> <p>Within the municipality there is a facility called Makari agri-processing. This facility makes frozen mixed vegetables. Local cooperatives supply the facility with their vegetables. There is also a Baynsfield estate company that manufacture chicken feed and local cooperatives supply maize to it. In</p>	<p>Advertisement for tenders should be done in local newspapers instead of national newspapers e.g. Star, Sunday Times, Sowetan, etc.</p> <p>Corruption is also a hindrance. Bribes, nepotism, and tribalism are widespread. By the time an advertisement is placed in the newspaper, it is already allocated to a certain individual or company.</p> <p>No access to information and no transparency to tender processes.</p> <p>Tenders/projects are awarded to big and well established businesses. Local SMMEs are overlooked even when the project is done in their communities. Outsiders or big business that are fronting blacks to qualify for BEE are the ones being offered projects.</p>	<p>As far as corporates go, there is not enough being done to bring SME's on board to their supply chains. The initiative of SAIBL {South African International Business Linkages} and the creation of the South African Supplier Diversity Council, is much needed to encourage corporate support to the Cooperative and SMME sector.</p> <p>The bulk of government SME development budget is aimed at leveraging corporate support and resources. The dilemma is that corporates are not Cooperative/SMME friendly. Company employees also lack entrepreneurial experience. The main focus of corporates in ED is supplier development or social development (often a disguise for market development – marketing).</p> <ul style="list-style-type: none"> Supplier development is often with strings attached – exclusive agreements. Thus no entrepreneurial freedom to grow the

Thematic Area	Richmond ¹¹	Johannesburg ¹²	Expert Input ¹³
	<p>addition, the school nutrition programme by Department of Education play a major role in supporting local crop farming cooperatives. However, such programmes are plagued with contracting, pricing, quality, volume and delayed payment issues. Despite such efforts, there is a general unhappiness about market access in the municipality.</p> <p>Limited procurement opportunities imply that not all cooperatives and SMMEs can benefit hence the disgruntlement. Entities can benefit from skills to exploit municipal opportunities including others outside local government. These are considered vital.</p>		<p>business beyond the benefactor supply agreement.</p> <ul style="list-style-type: none"> Supplier development is often also a mere smokescreen for shifting HR risk. Construction is a good example where labour gets subcontracted, but the flow of the full business cycle with material stays in the corporate hands. CSI is often used as a good citizen impact on community, while the full strategy is on developing emerging markets as future customers.
Business Development Services	There was a major concern that business development services such as banking services, SEFA, SEDA, CIPC, and NYDA have no presence in the municipality. As a result, people have to travel to Pietermaritzburg to access them.	There are organisations like Galxcoc which ensures that local SMMEs have knowledge and skills needed to run their businesses effectively. They work with multiple government agencies.	<p>There is a general belief among cooperatives and SMMEs that they only need to register (company or cooperative, BBE certificate, SARS) and then government must and will give them business (tenders) and funding to grow their businesses.</p> <p>The concept of free services being provided is counter entrepreneurial development. User pay principle should be ingrained in the decisions of cooperative owners to ensure sustainability.</p>
Cooperative /SMME support infrastructure	The municipality does not have infrastructure such as a call center to address issues faced by cooperatives and SMMEs.	Development infrastructure has been put in place by government such JDA, E-Government, Jozi at work,	Government often believe finance and infrastructure should be the focus, not

Thematic Area	Richmond ¹¹	Johannesburg ¹²	Expert Input ¹³
	The municipality has built an SMME support centre in the outskirts of town which is not easily accessible. There was no consultation when the structure was built hence it is currently underutilised.	Innovation hub, ENS Africa. Infrastructure required by SMME is lacking in the metro such as IT Centres, business management centres, and training centres.	understanding that the most important resources communities' needs are knowledge, skills and experience to be able to leverage the finance and infrastructure.
Entrepreneurship Culture	Entrepreneurship culture is considered moderate and relatively good. However, the majority of cooperative owners are largely mature adults. The involvement of the youth is minimal. Entrepreneurial training to encourage youth participation in economic opportunities is critical.	Low level of entrepreneurship in the municipality is attributed to risk averse candidates worried about income insecurity. Variable income patterns associated with entrepreneurship tends to scare away would be entrepreneurs. Entrepreneurial skills training would help stabilise start-up cooperatives and SMMEs.	Lack of encouragement towards entrepreneurial thinking in the schooling environment. Political representatives in key government departments and institutions personally follow a communist philosophy while being responsible for entrepreneurial development. What we end up with is communal enterprise development model (as typical in cooperatives) which is counter entrepreneurial spirit. Government should focus on creating entrepreneurial friendly eco-systems, while allowing (and enabling where needed) private sector to drive Small Business Development.

Table 8: Local Government Support for SMMEs and Cooperatives – Practical Perspective

Province	Municipality	Cooperative Support	SMME Support
Gauteng	<p>Johannesburg (Urban Metro)</p> <p>The City of Johannesburg's primary interventions are designed to provide SMMEs and entrepreneurs in Johannesburg with improved access to business support and development services, as well as improved access to income-generating opportunities. Through the City's Enterprise Development Platform, they are leading city-wide interventions to support and develop SMMEs.</p> <p>The SMME Development and Support Directorate is mandated to actively intervene in the city's economy to shape conditions for accelerated local economic growth that is sustainable and to ensure that the benefits and opportunities are equitably spread to all SMMEs. One of its objectives is to increase the role of cooperatives in the city economy, and increased number of informal traders in city-managed market spaces 'graduating' into formal businesses.</p>	<ul style="list-style-type: none"> ▪ City's programmes: <ul style="list-style-type: none"> ○ Separation at Source ○ Cooperative Support Office ▪ 2013/14 period: 774 cooperatives were supported through targeted programmes. 569 jobs created by cooperatives in 'Separation at Source' project, 15 Cooperatives established to collect and sell recyclables. 	<ul style="list-style-type: none"> ▪ City's programmes: <ul style="list-style-type: none"> ○ Jozi Skills Hub (JSH) ○ Jozi Rising ○ Dirang Ba Bohle Community Finance Institution ▪ 2013/14 period: 6,774 SMMEs were supported through targeted programmes and 3,252 jobs were created. 3 SMME hubs were established, including 4 regional sector-based incubators.
KwaZulu-Natal	<p>Richmond (Rural LM)</p> <p>Richmond is largely a rural municipality that carries the responsibility of improving the overall economic and social conditions of its people. The Richmond LED Strategy 2012-2017 is the primary strategy for economic development in the municipal areas to guide economic growth and development.</p> <p>The Municipality is further developing a skills database and procurement procedures that will promote SMMEs and establish cooperatives to maximise economic opportunities in the agricultural sector.</p>	<ul style="list-style-type: none"> ▪ Richmond the Local Economic Development (LED) Unit ▪ 2013/14 period: Provided 106 Business Information Help Desk Services to SMMEs and Cooperatives. 12 Cooperatives have been assisted with Business Plan compilation. 445 Individuals that attended Cooperatives Incentive Scheme (CIS) awareness 	<ul style="list-style-type: none"> ▪ Richmond the Local Economic Development (LED) Unit ▪ 2013/14 period: Provided 106 Business Information Help Desk Services to SMMEs and Cooperatives. 2 SMMEs linked with SPF Project Applicants during SPF application process. 24 Number of SMME's in the SMME database. 80 new SMMEs. 22 new cooperatives

Province	Municipality	Cooperative Support	SMME Support
	The SMME sector in the Richmond Municipality includes wholesalers and retail traders. Majority of businesses are concentrated in the town of Richmond as a result of the strategic location of town at the intersection of a number of main roads. This makes the town an important commercial and service centre for other surrounding areas.	campaigns conducted with DTI. 7 Cooperatives in the process of being assisted with CIS application. 120 Trained on financial skills, business planning and cooperative management	
Limpopo	<p>Capricorn (Rural DM)</p> <p>Capricorn is a district municipality predominately rural in nature. The district is situated at the core of economic development in the Limpopo Province and includes the capital of the province, the City of Polokwane. The Expanded Public Works Programme (EPWP) continued to be the driver of employment and skills development in Capricorn.</p> <p>The municipality has partnered with key stakeholders embarking on creating opportunities for internships, experiential training and learnerships for youth to gain valuable work experience and exposure. Held a competition on School Entrepreneurship Programme which represented a practical approach to instil the principles of entrepreneurship amongst school children.</p>	<ul style="list-style-type: none"> 2014/15 period: Registered 70 cooperatives on its database of cooperatives. Monitoring of 18 Community Cooperatives. Trained 120 Community Cooperatives. Held a Youth Cooperatives Workshop 	<ul style="list-style-type: none"> 2014/15 period: 1 School Entrepreneurship Competition held, Entrepreneurship Support for Schools and SMMEs. 3 training sessions held. 4 LED Meetings coordinated and 1 Economic Summit held. 6 SMMEs exhibitions coordinated.

6.1.3 Key Insights from Stakeholder Consultations

As indicated above, there is a plethora of municipalities, local government departments and agencies at all levels with some level of focus on small business and cooperative support. Their impact in each municipality however, may be hampered by overlapping mandates, an imbalance in approach between policy and execution, lack of skills and duplicate cost bases. This could lead to a fragmented market base with limited impact on the problem at hand.

Therefore, as stated in the 2015 Budget Vote 31 speech on small business and cooperatives development, “an integrated planning and implementation approach by different departments and spheres of government would reduce duplication and yield maximum results¹⁴”. For example, if all local cooperative and small business sector education and training is coordinated through one agency such as the LGSETA, the SETA can facilitate the training and upskilling of people in the local government thereby minimising coordination failure and resource wastage towards the sector.

LGSETA needs to ensure that the skills development programmes that it facilitates support municipalities to deliver on their IDPs and other defined strategic mandates.

6.2 Small Business Development in SA

Mr Pravin Gordhan, Minister of Finance, highlighted that SMMEs are critical for overall employment and job creation. SMMEs are responsible for the greater part of employment in the South African economy. Small enterprises account for an uneven share of gross job creation with almost 80% of all new jobs being created in enterprises with fewer than 50 workers¹⁵. Entrepreneurship does not only add to the economic development and employment but also creates services.

Over the past 15 years, significant policy development has occurred to take forward government’s commitment to cooperatives. In this regard, the Broad Based Black Economic Empowerment Act (No.53 of 2003), the Cooperative Development Policy for South Africa (2003) and the Cooperatives Act (No.14 of 2005) are crucial policy pillars for the development of a cooperative sector. In 2007, President Mbeki kept the stimulation of

¹⁴ Budget Vote 31: On Small Business and Cooperatives Development Speech delivered by Hon. Nozabelo Ruth Bhengu (ANC MP)

¹⁵Part of the speech by the Minister of Finance, Mr Pravin Gordhan “The Importance of SMMEs”, 2011

cooperatives on the policy agenda with reference to interventions required to address the country's' second economy¹⁶.

In 2001, Cabinet resolved that the mandate for the development and promotion of cooperatives be transferred from the Department of Agriculture to the Department of Trade and Industry (the dti). This was to provide cooperatives with recognition in communities and the economy to encourage them to thrive.

The following are identified crucial role players for the development of SMMEs and cooperatives:

- Local Government: The Local Authority is the most powerful developmental player as it controls the environment and resources;
- Established Business: The Intellectual Property in most sectors vests with the local big businesses. Smaller entities are not able to effectively compete with big businesses in the area because their capacities in terms of resources and intellectual know-how are limited. Thus, it makes sense for established big players to be part of the system, taking into account that they come in as players and not as benefactors;
- Entrepreneurs: These are the smaller players who want to get in and oftentimes, and as voters, can get the Government to release resources;
- Private Service Providers: These are the most difficult as they provide services and the Small Business Market is very difficult. They are mostly used by Government Agencies and want to make most on every opportunity;
- Government Agencies: These are the Agencies that also provide services to the Small Business sector either directly or indirectly;
- CBOs and NGOs: These are the Community Organisations that hold everybody to account and are also having their own development agendas.

The rationale is to get the players to work together. This could be challenging because of potential rivalries between Entrepreneurs, Providers, Government, etc. Many countries have been able to get this right, one of them being Rwanda.

¹⁶State of the Nation Address , February 9, 2007, p.10-11

6.3 Policy and Legislative Landscape

At a national government level, the work of SMME development and support is the mandate of the Department of Trade and Industry (dti) complimented by a range of support agencies established by government like Small Enterprise Development Agency (seda) and Small Enterprise Finance Agency (sefa). However, there are other policies and legislative imperatives that guide the support to the development of the SMMEs and skills development and these policy documents therefore inevitably will inform the LGSETA SMME Strategy.

Below is a summary of the key documents, policies, and legislations:

6.3.1 Skills Development

SETAs are a Schedule 3a public entity, governed by the Public Finance Management Act No. 1 of 1999 (as amended). The entity's mandate is derived from the Skills Development Act No. 97 of 1998 and its funding mechanisms and grant regulatory framework from the Skills Development Levies Act, its subsequent amendments and its responsibilities include the following:

- Develop a Sector Skills Plan (SSP) within the framework of the National Skills Development Strategy (NSDS);
- Establish and promote learnerships through:
 - Identifying the need for a learnership;
 - Developing and registering learnerships;
 - Identifying workplaces for practical work experience;
 - Supporting the development of learning materials;
 - Improving the facilitation of learning; and
 - Assisting in the conclusion and registration of learnership agreements.
- Collect and disburse the skills development levies in its sector; approving workplace skills plans and allocating grants in the prescribed manner to employers, education and training providers and workers;
- Fulfil the functions of an ETQA as delegated by the QCTO;
- Monitoring education and training in the sector.

6.3.2 National Development Plan (NDP)

The NDP now stands as the overarching vision for the country. The plan aims to create jobs in the economy by shifting the economy away from its traditional reliance on resource-intensive industries towards more labour-intensive beneficiation activities. It has a strong focus on skills development. Upscaling of skills development in the local government sector

is essential to reach all employees through the LGSETA with the aim to address the NDP's requirement for a capable state.

8 areas have been identified as central to developing a capable and developmental state and these include the need to:

1. Stabilise the political-administration interface to build a professional public service that serves government;
2. Make the public service and local government administration careers of choices;
3. Develop technical and specialist professional skills for the state to fulfil its core functions;
4. Strengthen delegation, accountability, and oversight and make it easier for citizens to hold public servants and politicians accountable for the quality of service delivery;
5. Improve interdepartmental coordination;
6. Take proactive approach to improve relations between national, provincial and local government;
7. Strengthen local government and take a long-term approach to developing skills together with a professional ethos and commitment to public service; and
8. Clarify the governance of state owned entities.

Areas 1, 2, 3, 4, and 7 are of particular importance for the LGSETA as it is in these areas that the LGSETA can have a direct impact and contribute towards by funding innovative skills development interventions.

6.3.3 New Growth Path (NGP)

NGP calls for the re-industrialisation of the economy and the expansion of the manufacturing sector. It has targeted the creation of five million new jobs and the development of 50 000 artisans by 2020, by focusing on skills development and in particular, the development of scarce artisanal and engineering skills.

The adoption of the New Growth Path has a broader impact on the how the LGSETA responds in its facilitation of skills development in the local government sector.

6.3.4 The Strategic Integrated Projects (SIPs)

The SIPs include 18 catalytic projects that can fast-track development and growth. The SIPs requires a more focused approach to artisan, technologist and engineering skills development which is a government initiative supporting the New Growth Plan. The government's adoption of 18 SIPs will impact LGSETA's skills development strategy over the next few years.

6.3.5 Industrial Policy Action Plan (IPAP) 3

The IPAP 3 aims to address the underlying structural problems in the SA economy, by encouraging the development, growth and increased competitiveness of the South African manufacturing (Value Added) sector and in the process create 5 million new jobs over the ten-year period from 2010 to 2020. As IPAP focuses on key aspects of the local government sector the LGSETA has a responsibility to support economic development plans with corresponding skills development initiatives. The skills needs resulting from IPAP interventions should be factored into the LGSETA planning.

6.3.6 Comprehensive Rural Development Programme (CRDP)

Cabinet approved the CRDP in 2009 which is premised on 3 phases: meeting basic human needs, large-scale infrastructure development, and the emergence of rural industrial and credit financial sectors, which is driven by small, micro and medium enterprises and village markets. The creation of decent work and sustainable livelihoods lies at the heart of the CRDP. Segregation in education and employment left a South Africa with inequality and economic inefficiency. LGSETA needs to play its role in upskilling and education of workers to meet the demands of changes taking place in the national economy and the training and development of SMMEs. The underlying approach of the programme is that education and training should be available to all people, in all areas of our society.

6.3.7 White Paper for Post-School Education and Training

It is a definitive statement of the government's vision for the post-school system, outlining its main priorities and strategies for achieving them. It is a vision for an integrated system of post-school education and training, with all institutions playing their role as parts of a coherent but differentiated whole. These institutions include the colleges and universities whose main purpose is the direct provision of education and training and, in the case of universities, the conduct of research. They also include institutions that support the education and training process, such as the SETAs, the National Skills Fund and the advisory, regulatory and quality assurance bodies such as the South African Qualifications Authority (SAQA) and the Quality Councils.

The LGSETA will be expected to continue to play a significant role to facilitate access to skills development and training to develop a skilled and capable local government workforce as well as to develop potential new entrants through its various interventions that talk to the objectives of the White Paper.

6.3.8 National Skills Accord (NSA)

The National Skills Accord is a multi-constituency agreement between business, organised labour, community constituents at the National Economic and Development Labour Council (NEDLAC), and government. It was signed to support the New Growth Path target of creating five million jobs by 2020. The Accord identifies eight commitments in relation to training and skills development that need to be implemented by the constituencies to achieve the New Growth Path. The LGSETA will need to ensure that the programmes it funds contribute to the achievement of the Accord commitments.

6.3.9 National Skills Development Strategy III (NSDS III)

The National Skills Development Strategy (NSDS) acts as the overarching strategic guide for skills development and provides direction to sector skills planning and implementation in the SETAs, and the framework for the skills development levy resource utilisation by these institutions and the NSF. The strategy also sets out the linkages with, and responsibilities of, other education and training stakeholders.

Furthermore, the NSDS III identifies seven key developmental and transformative imperatives of race, class, gender, geography, age, disability, and HIV and AIDS pandemic that will inform the nature and scope of skill development interventions by SETA's. The strategic intent of the NSDS III require that the LGSETA continuously assesses the extent to which it is responsive to the skills development needs of the local government sector, given the aspirations of becoming a developmental local government sector. To this end, the LGSETA's strategic oriented outcomes are closely linked to the goals of the NSDS III.

6.3.10 Green Economy Accord

The South African government, together with organised labour, business and community constituencies, signed the Green Economy Accord in 2011 as an outcome of social dialogue on the New Growth Path. The Accord launches a green partnership intended to create large numbers of jobs, provide a spur for industrialisation and help to create a sustainable future for this and the next generations. LGSETA needs to help develop new skills needed by the industry and strong capacity in green technologies to create higher share of green sectors in the economy, more jobs, reduced energy etc.

6.3.11 HR and Skills Development Framework

The National Skills Development Strategy acts as the overarching strategic guide for skills development and provides direction to sector skills planning and implementation in the

SETAs, and the framework for the skills development levy resource utilisation by these institutions and NSF¹⁷. The strategy also sets out the linkages with, and responsibilities of, other education and training stakeholders, details are provided in the Annexure 2. The LGSETA has facilitated access to skills development programmes and interventions in the areas that are of strategic importance for local government.

6.4 Analysis of the SETAs

SETAs were re-established by the Minister of Labour, Membathisi Mdladlana on 3 March 2005. SETAs are concerned with education and training and are mandated to help implement the NSDS and to increase the skills of people in their sector. The SETAs have replaced the 33 Industry Training Boards and have greater powers and responsibilities. As of March 2011, there are 21 SETAs; each SETA is responsible for managing and creating learnerships, internships, unit-based skills programmes, and apprenticeships within its jurisdiction.

Every industry and occupation in South Africa is covered by one of the 21 SETAs. A sector is made up of economic activities that are linked and related for example, there is a SETA that deals with the banking sector, another is concerned with skills development in the information technology sector, another is responsible for the manufacturing sector and there is a SETA for agriculture. The SETAs cover both the public and private sectors.

Based on Legislation in Section 14, of the Basic Conditions of Employment Act, SETAs get funding from:

- Skills development levies paid by employers;
- The National Skills Fund;
- Grants and donations;
- Interest received from investments they make.

The table below give a summary of some of the SETAs, namely W&RSETA, BANKSETA, merSETA, Services SETA, LGSETA, and TETA to establish the extent of their involvement with SMME and cooperative development.

¹⁷ National Skills Development Strategy (NSDS) III, 2011

The Wholesale and Retail Sector Education and Training Authority (W&RSETA) has three objectives related to the support of SMMEs and small business development. Some of the intended project outcomes include: the registration of 60 cooperative learners in learning programmes between April 2016 and March 2019, 15 000 SMME companies to benefit from skills development and 27 NGOs registered learners in learning programmes during the 2016 – 2019 period. Similarly, the BANKSETA has three strategic objective related to small enterprise support that focus on SMME funding for scarce and critical skills and encouraging and supporting cooperatives and SMMEs to participate in interventions. The Manufacturing, Engineering and Related Services Sector Education and Training Authority (merSETA) supports cooperatives, small enterprises, worker initiated and community organisations to implement skills development training initiatives. The Services SETA aims to increase industry investments in post-school education and training and increase learner enrolment and completions through effective coordination and implementation of learning interventions. The Transport Education and Training Authority (TETA) has set goals to train 180 entrepreneurs (existing and new) on business sustainability and mentor and support 140 entrepreneurs in the 2016/2017 period.

Table 9: SETA Alignment to SMME and Cooperative Development

SETA	Strategic Objective	Objective	Programme	Project – Outcomes
Priority sector within W & R is to support SMMEs in small business development				
W & R SETA	Objective 4.1. Outcome 4.6.1.1.	Partnership projects to provide training and development support to small businesses are established and implemented	Programme 5: Projects supporting Co-ops, SMEs, NPOs	60 co-operatives registered learners in learning programmes during period April 2016 – March 2019
	Objective 4.2 Outcome 4.6.1.2	To provide skills development support/programmes to small levy paying companies, non-levy companies and informal traders	Programme 5: Projects supporting Co-ops, SMEs, NPOs	15 000 SME Companies, including informal traders benefit from skills development (10 000 LPs & 4500 NLPs)
	Objective 4.6 Outcome 4.6.3.1.	To register learners from NGOs in learning programmes	Programme 5: Projects supporting Co-ops, SMEs, NPOs	27 NGOs registered learners in learning programmes during the period 2016 - 2019
Priority sector within Bank SETA is to support SMMEs in small business development				
SETA	Strategic Objective	Objective	Programme	Project Outcomes
Bank SETA	Objective 17.1	Increase SME participation in BANKSETA SME support interventions	The aim of this programme is to encourage and support 53 small enterprises annually by the year 2018/19 through funding scarce and critical skills as identified by the Inclusive Banking SSP and increase access to Occupationally Directed Programmes.	SME funding for scarce and critical skills Description - A further aim is for 35 of the organisations funded in 2015 to complete interventions successfully by the year 2018/2019 (Inclusive Banking) Success of the

				programme is measured by the number of SMEs that qualify for funding of which at least 10 must be Stokvels and at least 3 must be NGOs / CBOs or Trade Unions
	Objective 19.1/2	Increase SME participation in BANKSETA SME support interventions	This project has a rural skills development element. (Inclusive Banking department (Manager) – R3 000 000). (PIVOTAL and NON-PIVOTAL).	Cooperative Financial Institutions Support Description: The aim of this programme is to encourage and support co-operatives by funding training in 30 Co-operative banks and 300 Co-operative members annually by the year 2018/19
	Objective 19.1/2	Cooperative Financial Institutions Support	Success of the programme measured by number of Cooperatives receiving support or funding for training	30 by 2016/17
Priority sector within merSETA is to support SMMEs in small business development				
SETA	Strategic Objective	Objective	Programme	Project Outcomes

MERSETA	Strategic Objective 6	Cooperatives, small enterprises, worker-initiated and community organisations are supported to implement skills development training initiatives	A skilled and capable workforce for the manufacturing sector	Cooperatives 18 Small Business Support 1500 NGO 20 CBO 7
	Strategic Objective 6		Encouraging and supporting co-operatives, small enterprises, worker-initiated, NGO and community training initiatives	AET Programme 2 UIF - Project 2 Worker Initiated Project 3 Military Veterans 1 Non Levy Paying NGOs and CBOs SME Project Cooperatives Project
Priority sector within Services SETA is to support SMMEs in small business development				
SETA	Strategic Objective	Objective	Programme	Project Outcomes
Services SETA	Industry investment 4.1.1.	Increase industry investments in Post-School Education and Training	Render quality support service to key stakeholders through provincial offices	Total: 3,575 Large: 519 Medium: 603 Small: 2,453
			Encourage employers to increase industry-funded (unfunded) learning interventions	
	Services SETA investment 4.1.2.	Increase learner enrolments and completions through effective coordination and implementation of learning interventions	Process learner enrolments in accordance with commitments	19,476 (Learners) 12,346 (Learners)
	Encourage and		Cooperatives Supported	90

	support cooperative, small enterprises, worker initiatives, NGO and community training Initiatives		Small Business Supported NGOs NLPE CBO Trade Unions	90 100 90 6
Priority sector within LGSETA is to support SMMEs in small business development				
SETA	Strategic Objective	Objective	Programme	Project Outcomes
LG SETA	Learning Programme Facilitation 4.1 & 4.2.	To facilitate an annual increase in learner participation and completion in occupationally-directed learning programmes	Encouraging and supporting cooperatives, small enterprises, worker-initiated, NGO and community training initiatives: Number of cooperatives supported through skills development initiatives per annum Number of NGOs supported through skills development initiatives per annum Number of CBOs supported through skills development initiatives per annum Number of SMMEs supported through skills development initiatives per annum	2015/16 and 2016/17 25/30 15/20 15/15 15/20
Priority sector within TETA SETA is to support SMMEs in small business development				
SETA	Strategic Objective	Objective	Programme	Project Outcomes
TETA	Small enterprise			2015/16

	Cooperatives, NGOs, CBOs and SMME Initiatives Support and Sustainability # 6	<p>Supported small enterprise through formal education and or skills training</p> <p>Mentored and supported Entrepreneurs</p> <p>Partnership projects for training, development and support to establishing small businesses and None</p> <p>Levy paying</p> <p>Enterprises in the sectors</p>		<p>180 entrepreneurs trained on Business Sustainability (existing and new)</p> <p>140 entrepreneurs mentored and supported</p> <p>2016/17</p> <p>180 entrepreneurs trained on Business Sustainability (existing and new)</p> <p>140 entrepreneurs mentored and supported</p> <p>R22mk</p>
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6.5 External Environment

One of the widely accepted premises for creating employment is achieving economic growth. However, estimates from the International Monetary Fund (IMF) and the World Bank predict that the South African economy will grow by less than 1% this year and the country is at risk of losing its investment grade status from ratings agencies.

Local government should be a key driver of initiatives in support of an equitable and inclusive economy, and provide an enabling environment for economic growth. The efficient provision of services at local level supports private investment and economic growth.

In the 2016 State of the Nation Address, the need to empower SMMEs to accelerate their growth was emphasized. President Zuma said “access to high-quality, innovative business support can dramatically improve the success rate of new ventures”. This is akin to Nhlanhla Nene’s statements that “entrepreneurship and start-ups are critical to an economy’s dynamism, flexibility and long run sustainable growth. The entry of new firms, or new products and technology, is vital for a healthy economy, as older firms or techniques are naturally eroded or become obsolete”. For South African businesses to remain productive, they should continually update and upgrade their technology. This requires renewing of the nation’s enterprises or the products and services offered i.e. role of start-ups, and therefore typically SMMEs.

Below is a summary of the key trends affecting the LGSETA’s ability to deliver on its SMME and cooperative strategy, the comprehensive environmental analysis is presented in the Annexure 3.

Table 10: Trends in the External Environment

Trend	Description
Weak Economic Growth	In February 2016, the World Bank slashed its economic growth forecasts for South Africa to a 0.8% (Fin24) ¹⁸ . This is in line with the IMF’s forecast of 0.7% growth projection for 2016 and 1.8% for 2017 ¹⁹ . According to the NDP, economic growth needs to be sustainably in excess of 5% to reduce unemployment to acceptable levels. This type

¹⁸<http://www.fin24.com/Economy/sa-economy-flirting-with-recession-world-bank-20160202>, date accessed: 09-02-2016

¹⁹ IMF World Economic Outlook, Update January 19, 2016

Trend	Description
	<p>of growth is forecast to reduce current unemployment from more than 25% to 14% in 2020 and 6% in 2030. However, the current economic environment will see the unemployment rate remain unchanged or even increase further.</p>
Structural Unemployment	<p>Census 2011 estimates unemployment at 29.8%. South Africa has structural unemployment in large sectors of the economy. Adequate skills and education is arguably the most pressing structural issue for the economy.</p>
Increased Focus on Job Creation	<p>Government budget and programmes over the years reinforce its commitment to job creation, by continuing to support employment growth through various direct interventions.</p> <p>Despite this, South Africa struggles to generate sufficient jobs to substantially lower its high levels of unemployment. The number of jobs generated still falls short of what is needed to employ South Africa's large existing number of unemployed and the growing working-age population.</p>
Gender Disparities	<p>South Africa is ranked 18th out of 142 countries in terms of gender equality, by the World Economic Forum. The index is designed to reveal inequalities towards both men and women. In terms of political engagement, South Africa ranks twelfth due to the high percentage of female members in Parliament and gradual shift towards increased representation of women in the public sphere.</p> <p>Unemployment rates among women are higher than those among men across all racial groups in the country.</p>
SMME Geographical Areas	<p>SMMEs in South Africa don't encounter unvarying challenges; they tend to be location-specific. Business support services in rural South Africa are weak and mainly focused on cooperatives. Most government SMME support policies are developed from an urban-based perspective and may be inadequate for the needs of rural small business owners. Solutions to SMME constraints should be cognisant of regional and local-level differences.</p> <p>Rural SMMEs require interventions that will increase the demand for goods and service and enhance their capacity to take advantage of emerging opportunities.</p>

Trend	Description
Limited Availability & Access to Funding	<p>Problems that SMMEs have with accessing finance are a major hindrance to their development and success. Small businesses, particularly micro businesses usually do not meet the criteria to obtain financing for longer-term growth. Typical problems are the lack of appropriate collateral, excessive outstanding debt and lack of proven business skills.</p> <p>The problem in South Africa is not so much the availability of debt finance as such, but inefficiencies in terms of product range, the cost of debt finance and the service provided to SMMEs. The reasons for these inefficiencies relate mainly to competitive factors, barriers to the entry of potential new providers of financial services and SMMEs need for non-financial services.</p>
Emphasis on Skills Training and Development	<p>South Africa's changing economy is exemplified by a general rise in the skill requirements of jobs which require higher levels of competence. This competence, motivation and adaptability of the workforce will be a determining factor in the performance of the country in the global economy. The supply of unskilled workers in South Africa grew when the demand for unskilled workers fell and employment became more skills intensive. Our labour market is characterised by employers battling to find the skills they need and a high rate of job seekers who do not qualify for the jobs available.</p>
Lack of the current support from existing enterprise development agencies for cooperatives	<p>There is a lack of the current support from existing enterprise development agencies for cooperatives. Even though government enterprise development agencies have provided some support to cooperatives, however the challenge is that this support has been negligible, unfocused, uncoordinated and lack systematic and sustained targeting on cooperatives. The core mandate of most of these agencies is not cooperatives development (but SMME development), making it difficult for them to create huge capacity to target this sector.</p> <p>Budget allocations for the cooperative sector in most cases has been poor and at the extreme non-existent.</p>

6.6 Implications for LGSETA

- LGSETA has to take cognisance of the slow economic conditions in the country and consider if SA is generating the necessary skills for economic development. As education, training and innovation are critical to the attainment of the NDP goals; we need to improve the skills profile by focusing on skills development in areas and sectors that can facilitate absorption of individuals into the workforce.
- LGSETA need to focus their provision of services to SMMEs and cooperatives according to the skills demanded by employers to fill the skills gap. All SETAs should continue to adhere to national policies and guidelines in response to the changing labour market.
- In line with other national strategies, government programmes and interventions aim to include women in order to address the disparities that exist; we should ensure designated skills development support to SMMEs and cooperatives headed by women.
- The challenges experienced by small enterprises certainly do differ for rural vs urban areas. This difference is mostly in terms of the scale of the challenges experienced. For example, the typical challenges of limited demand for goods and services offered, limited access to finance, absence of business skills, among others are experienced at a much larger scale in the rural areas.
- Access to support services must be comparable in urban/metropolitan and rural areas. LGSETA should aggressively develop and market entrepreneurship training programs in rural locations.
- Ensuring adequate HR and IT capacity to support skills development and training.
- The LGSETA should as far as possible have monitoring and evaluation frameworks in place to be able to accurately record beneficiaries and impact of services to SMMEs and cooperatives.
- Solutions to SMME constraints should also be cognisant of regional and local-level differences. This requires cascading and adaptation of this strategy at municipal level to cater for such differences. For example, in a previous study conducted, Gauteng SMMEs had greater access to finance, whereas SMMEs in the Northern Cape cited challenges related to accessing finance.

- An analysis of the other SETAs showed that they focus their SME interventions on their specific sectors. The LG SETA interventions have the ability to ensure they are spread throughout the local government sphere and in particular to ensure they reach remote rural areas not being targeted by other SETAs.
- This framework enables LG SETA to focus its resources towards addressing the support gaps identified during the development of the strategy. This may require broadening the quantum and sectorial makeup of supported SMME and cooperatives on the ground.

7 SMME & COOPERATIVES DEVELOPMENT STRATEGIC FRAMEWORK

7.1 Guiding Principles

The Minister of Higher Education and Training relicensed the LGSETA, and Training, for the period of April 2011 to March 2016, to operate within the skills development framework articulated in the National Skills Development Strategy III framework.

The NSDS III sets the skills development goals that all SETAs should attain over a five-year period and to which this Strategic Plan seeks to address. The NSDS III provides guidelines for the country's priority skills areas and that should in part inform SETA funding decisions for skills development initiatives. The NSDS III identifies seven key developmental and transformative imperatives that are required to inform the nature and scope of skills development interventions by SETAs. These are: race, class, gender, geography, age, disability, and the HIV and AIDS pandemic.

The implementation of the strategy will be guided by the following goals and objectives, which also form the strategic framework for the strategy.

7.2 Goal 6 of NSDS III

The LGSETA's strategic oriented outcomes are closely linked to the goals of the NSDS III that include:

- Goal 1: Establishing a credible institutional mechanism for skills planning
- Goal 2: Increasing access to occupationally directed programmes
- Goal 3: Promoting the growth of the public Further Education and Training (FET) College system that is responsive to sector, local, regional and national skills needs and priorities
- Goal 4: Addressing the low level of youth and adult language and numeracy skills to enable additional training
- Goal 5: Encouraging better use of workplace-based skills develop
- Goal 6: Encouraging and supporting cooperatives, small enterprises, worker initiated, non-governmental organisation(NGO) and community training initiatives
- Goal 7: Increasing public sector capacity for improved service delivery and supporting the building of a developmental state
- Goal 8: Building career and vocational guidance.

The purpose of this strategy document is to expound on Goal 6 of the NSDS III, specifically:

Goal 6: Encouraging and supporting cooperatives, small enterprises, worker initiated, non-governmental organisation (NGO) and community training initiatives

The attainment of goal 6 would be achieved through progressive advancement in the following specific objectives.

As part of strategy development, facilitating skills development for SMMEs and cooperatives in the local government sector required the organisation to look at cross cutting issues in consultation with key stakeholder in the LG sector such as:

- i. Increasing SMME development opportunities in the municipalities;
- ii. Increasing support for women and youth enterprises;
- iii. Expanding and improving efficiency and effectiveness of SMME service delivery;
- iv. Creating a demand for SMMEs product and services;
- v. Boosting the institutional and coordination capacity of SMMEs support services providers;
- vi. Fostering entrepreneurship culture and increasing enterprise creation rate;
- vii. Establishing a dedicated network of SMME finance; and
- viii. Developing awareness campaigns to foster SMME development and support.

8 STRATEGIC PRIORITIES

As a result of reviewing the external trends, policy and legislative frameworks, and guiding principles, a number of strategic priorities were identified for the LGSETA going forward. These were deemed appropriate to provide anchor for the SMME and cooperative development strategy. These are:

- Priority 1: To continuously support cooperatives and small enterprises and improve current skills development and training interventions conducted by LGSETA
- Priority 2: Focus LGSETA SMME and cooperative programme activity on areas of highest impact

- Priority 3: Create a clear delineation of responsibility between LGSETA and other local government agencies; improve coordination and collaboration between other areas of government and with the private sector
- Priority 4: Increase focus on support for cooperatives
- Priority 5: Improve access to LGSETA SMME and cooperative support information

Using the strategic priorities, the key strategic objectives for LGSETA were then refined and validated during interviews and focus group discussions with key stakeholders. KPIs and targets are to be developed for all the strategic objectives and cascaded to the relevant departments within the LGSETA.

8.1 Strategic Priorities, Objectives and Initiatives

The overall LGSETA goal when supporting SMMEs and cooperatives *is to provide relevant capacity building programmes in order to maximise the economic role of the cooperatives and small businesses*. This is linked to the NSDS III Goal 6: Encouraging and supporting cooperatives, small enterprises, worker initiated, non-governmental organisation (NGO) and community training initiatives.

Priority 1: To continuously support cooperatives and small enterprises and improve current skills development and training interventions conducted by LGSETA

Priority Statement: It is important to expand access to skills development opportunities as well as building the capacity of cooperatives and small enterprises to support the implementation of LGSETA programmes. LGSETA needs to facilitate an annual increase in learner participation and completion in occupationally-directed learning programmes.

Strategic Objectives	Initiatives / Key Activities	Performance Indicators	Responsibility
1.1 To continuously encourage and support cooperatives and small enterprises training initiatives	<ul style="list-style-type: none">Facilitate skills development initiatives for cooperativesFacilitate skills development initiatives for SMMEs	<p>Number of cooperatives supported through skills development initiatives per annum</p> <p>Number of SMMEs supported through skills development initiatives per annum</p>	<p>LGSETA</p> <p>Institutions of Higher Learning</p> <p>TVET Colleges</p>
1.2 To improve the quality of LG sector skills planning and achieve an acceptable level of	<ul style="list-style-type: none">Conduct stakeholder satisfaction with local government sector skills planning interventions at local government level.	Stakeholder satisfaction survey	<p>LGSETA</p> <p>LED Programmes</p>

Strategic Objectives	Initiatives / Key Activities	Performance Indicators	Responsibility
stakeholder satisfaction in relation to the LGSETA interventions			SMMEs & Cooperatives TVET Colleges
1.3 To improve the level of participation in skills and training interventions within the LG Sector	<ul style="list-style-type: none"> Determine SMMEs and cooperatives participation levels for skills and training interventions conducted by local government Determine future initiatives needed in the sector and new offerings to be established 	Number of people participating in sector skills interventions	LGSETA TVET Colleges SMMEs & Cooperatives
1.4 Utilise the expertise available with the institutions of Higher Learning to facilitate the design and institutionalise SMME skills programmes within their curricula	<ul style="list-style-type: none"> Collaborate with institutions of Higher Learning and Civil Society to determine skills programme contents and delivery mechanisms requirements Collaborate with institutions of Higher Learning and Civil Society in rolling out skills development interventions 	List of institutions of Higher Learning with skills programmes and gaps in curriculum engaged List of Civil society organisations engaged to deliver on skills development	LGSETA Institutions of Higher Learning
1.5 To improve cooperative and small enterprise access to skills development and training information in the local government sector	<ul style="list-style-type: none"> Determine the level of awareness in municipalities of skills development for entrepreneurs Develop web based information on LGSETA website to assist SMMEs and cooperatives with information on available skills development interventions. 	Awareness survey Updated LGSETA website with relevant information for cooperative small enterprises Brochures developed and distributed to Cooperatives and	LGSETA

Strategic Objectives	Initiatives / Key Activities	Performance Indicators	Responsibility
	<ul style="list-style-type: none"> • Compile skills development brochures for the LG sector 	SMMEs	
1.6 To facilitate the development of skills development programmes for entrepreneurs to assist them with technical knowledge, managerial skills, planning skills, market research skills, proposal writing skills, etc. to be able to access required financial assistance	<ul style="list-style-type: none"> • Ensure skills development programmes focus on skills entrepreneurs are currently lacking by conducting an audit of current skills offered • Coordinate with other governmental agencies, banks and DFIs to share reports of the kinds of SMMEs being financed in each municipality, what sectors are being financed and challenges being experienced 	Skills audit of Cooperatives Skills audit of SMMEs	LGSETA Institutions of Higher Learning Banks and DFIs Agencies providing financial and non-financial support
1.7 To enhance the employability of the unemployed through effective education and training development initiatives and provide learning programmes which focus on business skills required by entrepreneurs	<ul style="list-style-type: none"> • Conduct research to identify essential business skills required by entrepreneurs • Focus LGSETA skills development and training on essential business skills required by SMMEs and cooperatives 	Number of SMMEs and Cooperatives trained in identified essential business skills	LGSETA Institutions of Higher Learning
1.8 Facilitate targeted training in order to enhance the quality and	<ul style="list-style-type: none"> • Conduct training for SMMEs and cooperatives targeted at improvement of 	Number of targeted SMMEs and cooperatives trained	LGSETA TVET Colleges

Strategic Objectives	Initiatives / Key Activities	Performance Indicators	Responsibility
standards of products and services provided by SMMEs and cooperatives	service offering		
1.9 To promote the use of existing business development infrastructure available to small enterprises and cooperatives	<ul style="list-style-type: none"> During interaction with SMMEs and cooperatives, create awareness of business infrastructure facilities in relevant municipalities 	Number of SMMEs and Cooperative utilising existing business development infrastructure	LGSETA Business Support Agencies Incubators Banks and DFIs
1.10 To facilitate the improvement of the productivity of SMMEs / Cooperatives	<ul style="list-style-type: none"> Facilitate the provision of training programmes and initiatives aimed at improving the levels of productivity among SMMEs and cooperatives 	Number of programmes and initiatives aimed at improved SMME and cooperative productivity	LGSETA TVET Colleges
1.11 Promote innovation and technology transfer in SMMEs and cooperatives	<ul style="list-style-type: none"> Introduce technology and innovation sharing platforms for SMMEs and cooperatives as part of training interventions 	Number of entrepreneurs attending innovation and technology seminars	LGSETA Municipalities
1.12 To enable the improvement of the functioning of small enterprise and cooperative support institutions that offer	<ul style="list-style-type: none"> To conduct routine scans of the local government sector to establish the technical and soft skills required by SMMEs and cooperatives for business growth and 	SMME and cooperative Skills	LGSETA

Strategic Objectives	Initiatives / Key Activities	Performance Indicators	Responsibility
skills development and training, business development and financial services	survival		

Priority 2: Focus LGSETA SMME and cooperative programme activity on areas of highest impact

Priority Statement: To build a more inclusive economy where skills development also empowers people not only to be skilled for the labour market but also to enable them to create a living through self-employment. LGSETA contributes towards creating conditions for sustainable growth and development of SMMEs and cooperatives. LGSETA should contribute towards achieving the SA growth targets by contributing to the necessary skills development needs. Identified specific sectors have been recognised as candidates for growth in each municipality for their ability to build on existing resources or capacity will be actively pursued by LGSETA for skills development as opportunities for economic growth.

Strategic Objectives	Initiatives / Key Activities	Performance Indicators	Responsibility
2.1 To ensure targeted and optimal use of resources by reducing interventions in generic skills development programmes and strengthening the capacity of LGSETA to introduce new sector-specific interventions for SMMEs and cooperatives	<ul style="list-style-type: none"> Undertake research to identify skills and training requirements in strong and growing sectors in the economy within each municipality Undertake research to identify basic skills and training needs in critical growing sectors that have been overlooked Facilitate required skills interventions to fill identified gaps and challenges experienced 	Database of required skills and training in priority sectors Skills required by the LG SMMEs and cooperatives (primary research)	LGSETA Municipalities LED Programmes SMMEs & Cooperatives TVET Colleges

Strategic Objectives	Initiatives / Key Activities	Performance Indicators	Responsibility
	by SMMEs and cooperatives in these sectors		
2.2 To assist cooperatives and small businesses identify skills and training needs in high demand products and services in these sectors	<ul style="list-style-type: none"> Undertake research to identify basic skills and training needs in high demand products in the local government To provide skills development interventions to small enterprises in these sectors 	Skills required by the LG SMMEs and cooperatives (primary research)	LGSETA SMMEs & Cooperatives TVET Colleges
2.3 To maximise on job creation, poverty alleviation and contribution of the SMME and cooperative sector to economic growth through targeted activities	<ul style="list-style-type: none"> Identify the role of LGSETA in sustainable development of SMMEs and cooperatives to eliminate duplication with other local government agencies Identify current programmes, supporting policies and initiative currently assisting SMMEs and cooperatives grow and facilitate coordination of skills development interventions 	LGSETA Mandate Coordination with other players in the industry	LGSETA Municipalities LED agencies
2.4 To focus training to assist small enterprises obtain financial support for special target groups (women, youth, people with disabilities), regions (rural, semi-urban, urban, and metropolitan) and priority	<ul style="list-style-type: none"> Identify special target groups, regions and priority sectors upskilling in financial support requirements 	Number of special groups and regions accessing financial support	LGSETA Banks and DFIs Financing Agencies Municipalities

Strategic Objectives	Initiatives / Key Activities	Performance Indicators	Responsibility
sectors			
2.5 Closely and continuously monitor the adequacy of skills development provision in rural areas, and ensure that measures are taken to close any identified gaps	<ul style="list-style-type: none"> Monitor the adequacy of skills development services provided to cooperatives and SMMEs in rural areas 	Service provision in rural areas	LGSETA Municipalities

Priority 3: Create a clear delineation of responsibility between LGSETA and other local government agencies; improve coordination and collaboration between other areas of government and with the private sector

Priority Statement: To maximise efficiencies and focus activity it is critical to create a clear delineation of responsibility between LGSETA and other agencies. This will free up the LGSETA to focus on facilitating skills development opportunities in the local government sector. A coordinated effort between LGSETA, other government agencies and the private sector will provide greater impact on skills development and training interventions.

Strategic Objectives	Initiatives / Key Activities	Performance Indicators	Responsibility
3.1 To align LGSETA skills development support to government growth and sustainability support programmes and improve coordination with government and other support agencies carrying out	<ul style="list-style-type: none"> Ensure alignment of LGSETA skills development initiatives to government growth and sustainability support programmes Ensure alignment of LGSETA skills development initiatives to government initiatives 	Link skills development to growth and sustainability MoU with government agencies and municipalities	LGSETA Municipalities

Strategic Objectives	Initiatives / Key Activities	Performance Indicators	Responsibility
skills development initiatives			
3.2 Aligning with municipal LED efforts and initiatives in the private sector enterprise development to ensure LGSETA role is clear and no duplications	<ul style="list-style-type: none"> Continuous collaboration and coordination with municipal LED and private sector 	Number of combined initiatives and/or events with municipality and private sector	Municipality LED LGSETA Private Sector Partners
3.3 Partner with municipalities to identify the different skills and training needs of cooperatives and SMMEs in different regions	<ul style="list-style-type: none"> Engage with municipalities to facilitate the consolidation and integration of the various small enterprise strategies in each region to ensure alignment of skills development interventions 	Facilitated alignment of regional skills development strategies	LGSETA Municipalities
3.4 Partner and collaborate with municipalities, other agencies, DFIs, private sector, business support institutions, etc. to ensure LGSETA has a better presence in rural areas	<ul style="list-style-type: none"> Use available satellite offices, information centres, etc. for SMMEs and cooperatives to provide information on skills development interventions in the rural areas Develop list of regions to branch into to establish a better presence and ensure LGSETA interventions reach small enterprises and cooperatives in rural areas 	Established Information Centres Number of skills development interventions in rural areas	LG SETA Municipalities DFIs Agencies Service Providers
3.5 Collaborate with other agencies to develop a database of SMMEs and	<ul style="list-style-type: none"> Facilitate development of database of SMMEs and cooperatives in each municipality with information of their services 	SMME database developed	LGSETA CIPRO

Strategic Objectives	Initiatives / Key Activities	Performance Indicators	Responsibility
cooperatives in each municipality order to provide skills development services	and capabilities		Municipalities

Priority 4: Increase focus on support for cooperatives

Priority Statement: The local government has the responsibility of promoting and developing cooperatives within its sphere of influence. There is a limitation of the current support from existing enterprise development agencies for cooperatives. A new approach to cooperatives is required by LGSETA that seeks to facilitate the participation of communities in the mainstream economy and capacitate the cooperatives. Cooperatives provide essential infrastructure and services in areas the state cannot reach and are neglected by investor-driven enterprises.

Strategic Objectives	Initiatives / Key Activities	Performance Indicators	Responsibility
4.1 Promote cooperatives as an effective vehicle that contributes to the development of rural and semi- urban areas of the economy, as well as improve primarily the economic and social well-being of the following targeted groups: black people, women, the youth and people with disabilities	<ul style="list-style-type: none"> Educate individuals on the economic benefits and regional contribution towards economic development of cooperatives Educate women and youth entrepreneurs on cooperatives Educate rural entrepreneurs on cooperatives 	Individuals educated on cooperatives	LGSETA

Strategic Objectives	Initiatives / Key Activities	Performance Indicators	Responsibility
4.2 Establish a cooperative skill development programme	<ul style="list-style-type: none"> Facilitate the establishment of a skills development programme focused on cooperatives 	Number of individuals trained in the programme	LGSETA Institutions of Higher Learning
4.3 Cooperative legislative compliance education and training	<ul style="list-style-type: none"> Facilitate training for individuals on the legislative compliance for cooperatives 	Number of cooperatives trained on legislative compliance Number of workshops conducted on legislative compliance	LGSETA

Priority 5: Improve access to LGSETA SMME and cooperative support information

Priority Statement: There is a strong need to create awareness in communities about available skills development interventions for SMMEs and cooperatives.

Strategic Objectives	Initiatives / Key Activities	Performance Indicators	Responsibility
5.1 To encourage local communities become aware of and exploit skills development opportunities that are available	<ul style="list-style-type: none"> Communicate skills development opportunities to communities in all regions 	Disseminated communication	LGSETA
5.2 Develop regular information packs to be accessed and/or distributed to small enterprises and cooperatives	<ul style="list-style-type: none"> Develop content for information pack Distribute information pack to small enterprises and/ or on LGSETA website 	Number of information packs downloaded and/or distributed	LGSETA

Strategic Objectives	Initiatives / Key Activities	Performance Indicators	Responsibility
e.g. quarterly newsletters, list of skills development interventions, quarterly small business seminars, etc.			

9 MONITORING AND EVALUATION FRAMEWORK

The monitoring and evaluation (M&E) sub-framework of the LGSETA National Enterprise and Development Strategy focuses on qualitative and quantitative indicators set out in the LGSETA Annual Performance Plan (APP) and Sector Skills Plan (SSP). These indicators are aligned to the NSDS III indicators, in order to evaluate the impact of initiatives and ensure that the programmes provided meet the required quality and relevance during implementation. The evaluation part of M&E will therefore be prioritised. The outcomes and outputs underpinning each goal of the LGSETA National Enterprise and Development Strategy is aligned to the NSDS III Goals, Outcomes and Outputs.

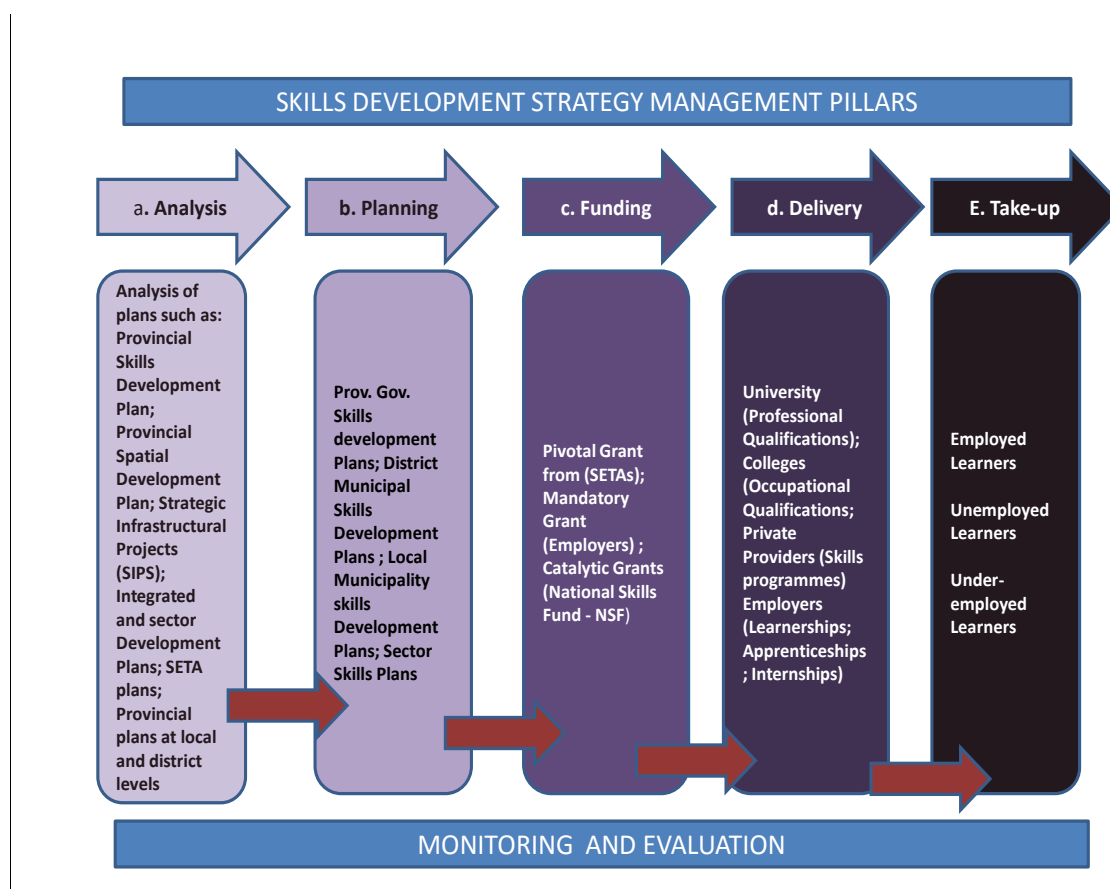
NSDS III – Goal, Outcome and Output Table 4.6

NSDS III Goal	Outcome	Output
4.6. Encouraging and supporting cooperatives, small enterprises, worker-initiated, NGO and community training initiatives	4.6.1: Cooperatives supported with skills training and development expand and contribute to sector economic and employment growth	4.6.1.1: SETAs identify in their skills planning research, established and emergent cooperatives and their skills needs.
		4.6.1.2: Sector projects are established by sector stakeholders, supported by the NSF.
		4.6.1.3: A national database of cooperatives supported with skills development is established and the impact of training reported on.
	4.6.2: Partnership projects to provide training and development support to small businesses are established in all sectors and their impact reported on	4.6.2.1: SETAs, through their skills planning research, identify the skills needs of small and emerging businesses in their sector, and promote relevant programmes.
		4.6.2.2: Sector projects are developed that are piloted by SETAs and expanded through partnership funding.
		4.6.2.3: A national database of small businesses supported with skills development is established and the impact of training reported on.
	4.6.3: Worker, NGO and community-based education programmes	4.6.3.1: SETAs engage with trade unions, NGOs and community-based organisations in their sector and identify skills needs and strategies to address needs.

NSDS III Goal	Outcome	Output
	are supported and their impact measured and reported on	4.6.3.2: SETAs establish quality pilot projects.
		4.6.3.3: Stakeholders expand successful projects with support from the NSF.
		4.8.1.2: Sector stakeholders are engaged and programmes are adjusted to meet the skills and qualification needs to promote comprehensive career development.

It is important that M&E is not seen as an add-on or something done externally or independently of our skills development work. Institutions such as SETAs and the NSF must conduct consistent monitoring and evaluation, with findings being shared and verified through mechanisms established by the LGSETA Board/Stakeholders and staff and DHET. In putting such systems in place, it is hoped that a culture of continuous improvement can be instilled and that problems and blockages are identified and addressed timeously.

Figure 1: Skills Development Strategy Management Pillars²⁰



Monitoring and Evaluation

A key requirement of the NSDS III and the subsequent extension granted to SETAs is “that measurable impact is achieved over the period of the strategy” and that this impact is measured both quantitatively and qualitatively, i.e.:

- Quantitative measures will be based on sector and province-specific skills demands (targets) applicable to sector-specific skills sets and levels, and
- Qualitative measures will be based on the quality of the planned programmes and activities (indicators) and the achievement of the “key developmental and transformation imperatives”

²⁰ Adapted from Northern Cape Provincial Skills Plan, 2015 developed H. Kirchner and D. Machard 2014.

As the NSDS III places great emphasis on “ensuring the relevance, quality and sustainability of skills training programmes to ensure that they impact positively on poverty reduction and inequality”, all skills development initiatives will be measured against these key descriptors of performance.

Section 10 of the NSDS III also requires that “consistent monitoring and evaluation is conducted, with findings being shared and verified, that a culture of continuous improvement is instilled, and that problems and blockages are identified and addressed timeously”.

Section 8.6 of the White Paper on Post School Education and Training, 2015 further states that “monitoring and evaluation:

- “must make it possible to understand the levels of efficacy that are being achieved, and to identify where any blockages in the system may be emerging,
- should form part of an information loop into the Human Resources Development Strategy, and specifically the post-school strategy for the country, and
- should enable a more detailed and informed understanding of the skills deficits and the areas for focused growth linked to the country’s needs.

“This implies the need for a regular monitoring process in which the data is analysed in a meaningful way, and an evaluative process which focuses on specific issues as they arise. It assumes, therefore, that varied sources of data will be available and will be integrated into the monitoring and evaluation framework. This has to take place against defined indicators which will draw on successive National Skills Development Strategies and on the indicators in the Minister’s delivery agreement with the President.

“There will also be collaboration with Departments in the economic cluster to put in place indicators and measures aligned to the key national economic development plans. The DHET will publish this monitoring and evaluation framework after consultation on what will be measured and how. The national system for skills planning referred to earlier will also provide an important resource for tracking skills development and its impact over time. It is critical that approaches to evaluation are incorporated early in policy development and implementation, so that the necessary data is collected in an on-going manner.”

Therefore, and to properly measure the impact of the LGSETA Strategy, the monitoring and evaluation sub-framework must provide for the establishment of an integrated, continuous approach to the monitoring and evaluation of quantitative and qualitative outcomes of skills development strategies and programmes.

The M&E sub-framework must enable the identification and documenting of skills development programmes and approaches, the tracking of progress toward common indicators across related project(s), and the strengthening of understanding around the many multi-layered factors underlying provincial HRDS and PSDS plan(s), municipal and District Skills Development Plan(s) and strategies for the development of SMME and against NSDS III, section, 4.6., indicators.

Specifically, the M&E sub-framework must, as envisaged by the LGSETA SSP, SP and APP, enable the:

- monitoring and evaluation of the implementation of skills development strategies and plans, and service delivery across stakeholders involved in implementing the LGSETA SSP, SP and APP;
- systematic collection, collation, processing, analysis and interpretation of data;
- decision-making regarding the performance improvements, where required, to the implementation of the LGSETA plans;
- effective and efficient use of resources;
- oversight role in of projects and programmes of provincial departments, public entities, providers, learners (recipients of support) and others, on a regular basis;
- improvement to reporting systems within LGSETA;
- promotion of a culture of continuous learning and improvement;
- identification and implementation of improvements to programmes, where required;
- the dissemination of best practice findings for improved project and programme performance;
- proper coordination and standardisation of processes and procedures used for monitoring and evaluation;
- evaluation of the extent to which programme achieve the desired impact; and
- consolidation and reporting of programme data.

To achieve the above objectives, the LGSETA National Enterprise and Development Strategy M&E sub-framework needs to:

- be accessible to and understood by all stakeholders involved in the implementation of the strategic plan;
- be methodologically sound and consistent in the manner in which data is sourced, collected and utilised;
- be integrated into existing systems and be acceptable to stakeholders;
- contribute to improved governance, accountability and transparency;
- promote partnerships and work together with other programmes and sub-programmes;
- provide a record of findings and recommendations that will be maintained and the implementation followed up; and
- enable a culture of improvement through the utilisation of information as a basis for decision-making and accountability

The implementation of the M&E sub-framework will entail the:

- development of agreements with stakeholders and implementing agents;
- development of the governing policy and business processes;
- design of business specifications for an electronic data management system; and
- development, implementation and management of the system.

The M&E sub-framework must also provide for, as per the delegated responsibility for reporting, two forms of evaluation relative to the qualitative and quantitative measurement criteria, namely:

- Impact evaluations (impact assessment studies) on behalf of identified LGSETA projects and programmes. The impact assessment is essentially about change and therefore asks the following questions:
 - What is the impact of the project/programme on the lives of the people?

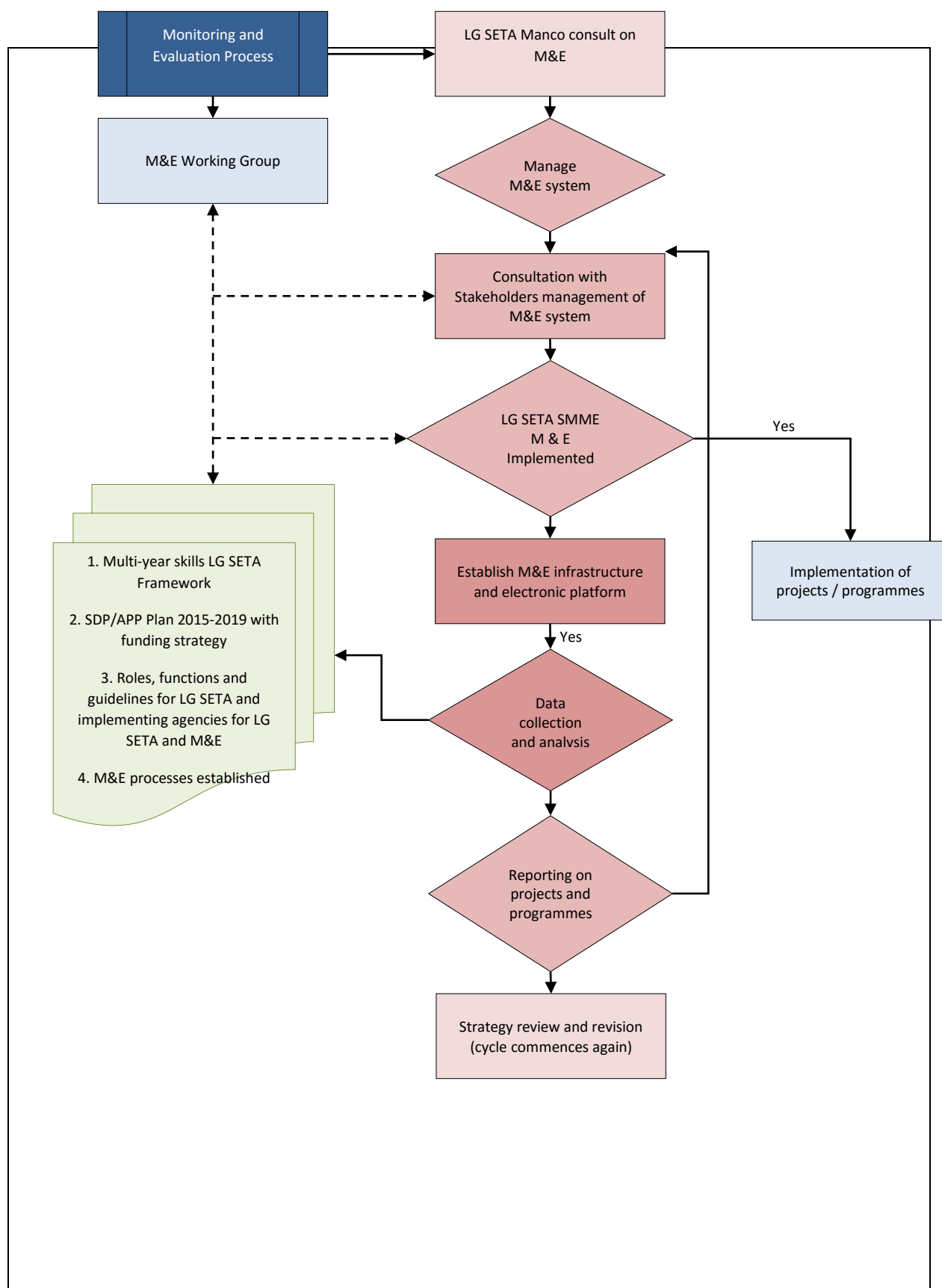
- Whether, to what extent and how are goals achieved over time?
- What is the relevance of objectives, efficiency, effectiveness, impact, sustainability, in order to incorporate lessons learnt into the decision-making process?
- What is the impact of resource allocation?
- Process evaluations take place once activities are underway and focus on tracking the efficiency of the responsible agent or a given programme.
- Process evaluations:
 - focus on providing information relating to what extent planned programs/projects are being realised, how well services are being provided, in what timeframe, at what cost, and with what result;
 - analyse how efficiently inputs (money, time, equipment, personnel, etc.) are being used in creation of outputs (products, results, etc.);
 - help organisations analyse what they planned to do versus what they actually are achieving
 - and are used to make adjustments or refinements in tactics or implementation strategies;
 - are often conducted informally (staff meetings, etc.) at regular intervals during the programme to assess progress toward achieving the results; and
 - need to be based on performance data (results from indicator data collection) as well as staff observation of projects and programmes.

The Skills Planning and Research Division of LGSETA will be responsible for the management of the collected information and data, with the day-to-day collection of data and administration of information assigned to an M&E system manager so as to:

- ensure that there are records/documents kept to check the quality of data;
- ensure that terminology and descriptors are standardized across the strategies;
- check the quality of data on a quarterly basis;
- ensure that the collected data is valid, reliable, accurate, timeous and has integrity;
- ensure that the storage of documentation such as:
 - progress reports and copies of any relevant progress or evaluation reports of

- projects/programmes by agencies;
 - reports of all the surveys and research conducted in the domain of the project/programme;
 - periodic LGSETA newsletters and other newsletters and printed media relevant to the project(s)/ programs;
 - relevant course materials and tools developed for the capacity building project, such as training manuals; and
- ensure that quarterly and annual activity reports are produced in support of the delegated responsibility for reporting which requires that the LGSETA:
 - report the results of impact evaluations that have been conducted for identified programmes;
 - use evaluation findings to enhance evidence-based decision making and accountability;
 - evaluate the results of programmes/projects; and
 - disseminate information and feedback to all stakeholders.

Figure 2: M&E Sub-Framework Strategy Implementation Process



10 CONCLUSION AND RECOMMENDATIONS

In conclusion, this National Enterprise and Cooperative Development Strategy aims to create an enabling environment for sustainable, growing SMMEs and cooperatives in South Africa supported by LGSETA. Challenges facing SMMEs and cooperatives have been highlighted herein and the strategy seeks to overcome these impediments through a set of interventions and activities that will be implemented by the LGSETA in partnership with identified role players.

This strategy sets a framework and outlines the principles underlying future LGSETA support and monitoring and evaluation framework. Ongoing review and impact assessment of this strategy will be critical to ensure updated changes in the global, national and local business environments in line with the progressive nature of entrepreneurship and the cooperative and small business sector.

The following additional recommendations need to be considered by the LGSETA in implementing this Strategy:

- For effective implementation of the LGSETA National Enterprise and Development Strategy, **the strategic priorities should be further refined and made comprehensive**, specific and limited in number to ensure that they are comprehensible and understood by all stakeholders, both internal and external at municipal level.
- **We recommend for the strategic priorities to be specifically assigned a responsible and accountable executive.** This will ensure responsibilities for the overall execution of each of the priorities. KPIs, targets and due dates are to be developed for all the strategic objectives and cascaded to the relevant departments within the LGSETA, thus ensuring responsibility for execution of each of the outputs. Benefits of cascading the strategic priorities further gives the management and employees the opportunity to better understand each objective and initiative, making them specific and less open to misinterpretation.

- **Assigning Accountability and Responsibility for Strategy Implementation:** It is recommended that for each strategic objective, accountability for execution of the objective / initiative should be assigned to a specific person (relevant executive or municipal entity) and secondly that responsibility should be assigned to the relevant person / manager responsible for execution of the priority related objectives. No strategic plan can be executed without taking cognisance of this.

- **An Inclusive Strategy:** It is recommended that the LGSETA management team be included at a greater capacity in future strategic planning. This can be in form of select interviews, wider consultation and management review and engagement with the proposed strategy.

- **Respond to Skills Demand:** LGSETA needs to consider the improvement of the skills profile in the country and contribute to the generation of the necessary skills for economic development. The SETA could focus its provision of services to SMMEs and cooperatives in accordance with the skills demand to fill the skills gap, enabling better absorption of individuals into the workplace.

- **Address Disparities:** The LGSETA needs to provide designated skills development support to SMMEs and cooperatives headed by women. It should also ensure access to its services in rural locations and peri-urban areas.

- **Development of an Engagement Model:** The LGSETA needs to ensure that the skills development programmes that it facilitates support municipalities to deliver on their IDPs and other defined strategic mandates. To encourage all role players to work together in their efforts to support small businesses and cooperatives, it is important to develop an engagement model between the LGSETA, the municipalities, local government departments and the various other agencies and ensure institutional arrangements for collaborative efforts are agreed upon.

- **Continuous Building and Improvement of Stakeholder Relations with Municipalities and other Agencies:** There is a need for LGSETA to strengthen its ties with municipalities and other agencies to ensure adequate support for LED initiatives, reduction of duplication and unlock more financing at the local government level. As the LGSETA markets itself as a leader in the facilitation of all local cooperative and small business sector education and training, this would ideally minimise coordination failure and resources wastage in the local government sector. The LGSETA is in a good position to collaboratively work with smaller agencies and facilitate skills development programmes.

- **Effective Communication of the Strategy:** It is recommended that the LGSETA National Enterprise and Development Strategy be communicated to all levels within the organisation. Achievements of strategic initiatives should be communicated internally so as to provide a balanced view of the successes and challenges. Communication of successes is key to effective delivery and sustains the momentum in implementing the strategy.

- **Yearly review and impact assessment of this strategy** will be critical to ensure updated changes in the global, national and local business environments in line with the progressive nature of enterprise and cooperative development.

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12 ANNEXURES

12.1 Annexure 1: Classification of SMMEs

The National Small Business Amendment Act (26 of 2003) aims to update and further define business according to five categories established by the original act, namely: standard industrial sector and subsector classification, size of class, equivalent of paid employees, turnover and asset value – excluding fixed property.

Table 11: Expanded Small Business Definition²¹

Sector or subsector in accordance with the standard Industrial Classification	Size of class	The total fulltime equivalent of paid employees	Total turnover	Total gross asset value (fixed property excluded)
Agriculture	Medium	100	R5m	R5m
	Small	50	R3m	R3m
	Very Small	10	R0.50m	R0.50m
	Micro	5	R0.20m	R0.10m
Mining and Quarrying	Medium	200	R39m	R23m
	Small	50	R10m	R6m
	Very Small	20	R4m	R2m
	Micro	5	R0.20m	R0.10m
Manufacturing	Medium	200	R51m	R19m
	Small	50	R13m	R5m
	Very Small	20	R5m	R2m
	Micro	5	R0.20m	R0.10m
Electricity, Gas and Water	Medium	200	R51m	R19m

²¹The National Small Business Amendment Act (2003)

Sector or subsector in accordance with the standard Industrial Classification	Size of class	The total fulltime equivalent of paid employees	Total turnover	Total gross asset value (fixed property excluded)
	Small	50	R13m	R5m
	Very Small	20	R5.10m	R1.90m
	Micro	5	R0.20m	R0.10m
Construction	Medium	200	R26m	R5m
	Small	50	R6m	R1m
	Very Small	20	R3m	R0.50m
	Micro	5	R0.20m	R0.10m
Retail and Motor Trade and Repair Services	Medium	200	R39m	R6m
	Small	50	R19m	R3m
	Very Small	20	R4m	R0.60m
	Micro	5	R0.20m	R0.10m
Wholesale Trade, Commercial Agents and Allied Services	Medium	200	R64m	R10m
	Small	50	R32m	R5m
	Very Small	20	R6m	R0.60m
	Micro	5	R0.20m	R0.10m
Catering, Accommodation and other Trade	Medium	200	R13m	R3m
	Small	50	R6m	R1m
	Very Small	20	R5.10m	R1.90m
	Micro	5	R0.20m	R0.10m
Transport, Storage and communication	Medium	200	R26m	R6m
	Small	50	R13m	R3m

Sector or subsector in accordance with the standard Industrial Classification	Size of class	The total fulltime equivalent of paid employees	Total turnover	Total gross asset value (fixed property excluded)
	Very Small	20	R3m	R0.60m
	Micro	5	R0.20m	R0.10m
Finance and Business Services	Medium	200	R26m	R5m
	Small	50	R13m	R3m
	Very Small	20	R3m	R0.50m
	Micro	5	R0.20m	R0.10m
Community, Social and Personal Services	Medium	200	R13m	R6m
	Small	50	R6m	R3m
	Very Small	20	R1m	R0.60m
	Micro	5	R0.20m	R0.10m

12.2 Annexure 2: HR and Skills Development Framework

The National Skills Development Strategy acts as the overarching strategic guide for skills development and provides direction to sector skills planning and implementation in the SETAs, and the framework for the skills development levy resource utilisation by these institutions and NSF²². The strategy also sets out the linkages with, and responsibilities of, other education and training stakeholders.

The NSDS III essentially responds to eight pressing challenges that impact on the ability of our economy to expand and provide increased opportunities²³, namely:

1. The inadequate skills levels and poor work readiness of many young people leaving formal secondary and tertiary education and entering the labour market for the first time, and the many who enter the world of work without a formal qualification.
2. The longer term unemployed who lack basic numeracy and literacy, and do not possess entry-level skills.
3. The continuing skills shortages in the artisanal, technical and professional fields.
4. The over-emphasis on NQF level 1-3 learnerships, with insufficient progression towards more appropriate (intermediate and higher) skills.
5. The approach by businesses to retrench rather than retrain and redeploy working people when structural change occurs.
6. Systemic blockages such as:
 - a. The lack of synergy between the various post-school sub-systems,
 - b. The lack of role clarity of the various parts of the skills development system,
 - c. Inefficiency and waste, and
 - d. The silo mentality which prevents partnerships and alignments.
7. The absence of coherent skills development strategies within economic and industrial sectors.
8. The urban bias of economic development and consequently the urban bias in skills development initiatives.

²² National Skills Development Strategy (NSDS) III, 2011

²³IBID

The intention of the strategy is to make sure that the energy and resources of education and training stakeholders are focused on ensuring that these challenges are addressed, and that measurable impact is achieved over the five year period of the strategy²⁴.

Accordingly, the NSDS III sets out its vision as:

A skilled and capable workforce that shares in, and contributes to, the benefits and opportunities of economic expansion and an inclusive growth path²⁵

In support of this vision, the NSDS III sets out its mission as being (as edited):

To reduce inequalities

By

Enabling effective participation in the economy and society by all South Africans

By

Increasing access to high quality and relevant education and training and skills development opportunities, including workplace learning and experience²⁶

To achieve the vision and mission, the NSDS III aims:

1. To encourage the linking of skills development to career paths, career development and promoting sustainable employment and in-work progression,
2. To encourage and actively support the integration of workplace training with theoretical learning,
3. To facilitate the journey individuals make from school, college or university, or even from periods of unemployment, to sustained employment and in-work progression,
4. To promote a skills development system and architecture that effectively responds to the needs of the labour market and social equity,
5. To establish and promote closer links between employers and training institutions and between both of these and the SETAs,
6. To enable trainees to enter the formal workforce or create a livelihood for themselves, particularly those who do not have relevant technical skills or adequate reading, writing

²⁴IBID

²⁵ IBID

²⁶ IBID

and numeracy skills to enable them to access employment. Whilst the promotion of basic numeracy and literacy is a project led by the Department of Basic Education, the DHET is primarily concerned with post-basic literacy and numeracy. The two departments will need to cooperate closely on this front, but without confusing or conflating the leadership roles of these departments in their respective areas.

7. To create a closer synergy between the world of work and our formal education system²⁷.

12.2.1.1 NSDS III Transformational Imperatives

The implementation of the NSDS III is guided by seven key developmental and transformation imperatives. All skills development initiatives will be measured against these imperatives, with the DHET monitoring and evaluating the progress made by all institutions in the skills development system towards the achievement of these key transformational priorities:

Race

Priority must be given to providing opportunities to previously (and currently) disadvantaged South Africans with focused attention on skills provision for blacks in general and Africans in particular to help in reducing racial inequalities in our economy and skills profile.

Class

Priority must be given to access to skills by the overwhelming majority of our population, especially the workers and the poor, with particular attention to the provision of skills in a manner that significantly reduces social inequalities.

Gender

Priority must be given to access to skills by women, especially black women, and skills development initiatives must contain within them specific programmes and strategies to promote gender equality.

Geography

²⁷ IBID

Priority must be given to the production of skills for rural development with the aim to train rural people for development of the rural areas themselves.

Age

Priority must be given to the training of our youth for employment to help reduce the unemployment rate in those aged 35 and under.

Disability

Priority must be given to significantly open up opportunities for skills training for people experiencing barriers to employment caused by various forms of physical and intellectual disability.

The HIV and AIDS pandemic

Priority must be given to incorporating the management of HIV and AIDS in the workplace with skills development initiatives to help in the fight against the HIV and AIDS pandemic.

12.2.1.2 NSDS III Strategy Framework

The NSDS III is a subcomponent of the Human Resource Development Strategy for South Africa (HRDSSA), and operates concurrently with and in support of the strategy. The HRDSSA II has eight commitments which need to be reflected in SETA and NSF plans. In summary, the HRDSSA is committed to:

1. Overcoming the shortages in the supply of people with priority skills.
2. Increasing the number of appropriately skilled people.
3. Ensuring improved universal access to quality basic education and schooling.
4. Implementing skills development programmes aimed at equipping recipients/citizens with skills to overcome the related scourges of poverty and unemployment.
5. Ensuring that young people have access to education and training opportunities that increases their chances of success in further vocational training and sustainable employment.
6. Improving the technological and innovation capability and outcomes within the public and private sectors.

7. Ensuring that the public sector has the capability to meet the strategic priorities of the South African developmental state.
8. Establishing effective and efficient planning capabilities for the successful implementation of the HRDSSA II²⁸.

12.2.1.3 NSDS III Pillars

The NSDS III provides for seven pillars which offer a basis for the structuring of skills development programmes and activities, including, in summary:

1. Sector strategies, programmes and projects that address government and industry skills development priorities;
2. Sector-based programmes that address the needs of unemployed people and first-time entrants to the labour market;
3. Professional, vocational, technical and academic learning (PIVOTAL) programmes that provide a full occupationally-directed qualification and culminate in an occupational qualification;
4. Vocational education and training programmes that address the competence of lecturers and trainers and promote occupationally directed research and innovation;
5. Cooperative, NGO and trade union sectors training and skills development capacity incentives;
6. Cross-sectoral and inter-sectoral SETA and Provider partnerships; and
7. Rural development skills programmes²⁹.

12.2.1.4 NSDS III Goals

In consideration of the vision, missions and aims, together with the challenges, developmental and transformational imperatives and HRDSSA commitments, the third national skills development strategy consists of eight goals, namely:

1. Establishing a credible institutional mechanism for skills planning
2. Increasing access to occupationally-directed programmes

²⁸ IBID

²⁹ IBID

3. Promoting the growth of a public FET college system that is responsive to sector, local, regional and national skills needs and priorities
4. Addressing the low level of youth and adult language and numeracy skills to enable additional training
5. Encouraging better use of workplace-based skills development
6. Encouraging and supporting cooperatives, small enterprises, worker-initiated, NGO and community training initiatives
7. Increasing public sector capacity for improved service delivery and supporting the building of a developmental state
8. Building career and vocational guidance³⁰.

12.2.1.5 NSDS III Stakeholders and Implementing Agents

The NSDS III recognises that the goals of the NSDS III are achieved with the cooperation and coordination from all key stakeholders, including government, the SETAs, employers and others, and that a partnership and collective responsibility between stakeholders and delivery agents is critical to achieving our aspirations of higher economic growth and development, higher productivity and a skilled and capable workforce to support a skills revolution in our country.

Table 12: NSDS III Stakeholders and Delivery Agents

Stakeholders	Delivery Agents
Government	SETAs
Business organisations	Public entities
Trade unions	Employers
Constituency bodies	Trade and professional bodies
	Public and private training providers (including universities and colleges)
	Community-based organisations

³⁰ IBID

Stakeholders	Delivery Agents
	Cooperatives
	Non-Governmental Organisations

The Higher Education, FET and Skills summits have laid a very strong foundation for building the partnerships for skills development for an inclusive growth path. To further these foundations and expand on these partnerships:

1. Innovative ways of working together must be found to improve the efficiency, quality and, crucially, the impact of education, skills development and training,
2. Linkages must be improved between universities, colleges, SETAs and employers, particularly at a national and local level,
3. Training must be promoted to meet the needs of both public and private sector employers, and
4. University research collaboration with industry must be increased.

Whilst implementing the NSDS III is a collective responsibility, with, to varying degrees, responsibility lying with all the stakeholders and partners in skills development, the DHET, the SETAs and the NSF are the key drivers (implementing agents) of the NSDS III.

Thus to ensure the successful implementation of the strategy:

1. The *SETAs* are expected, in summary, to:
 - 1.1. Develop sector skills plans (SSPs) – a critical instrument for building a connected labour market information system across all the sectors, which is an important evidence base for skills development and its impact – that outline current and future learning and qualifications needs of workers and their employers and articulate the collective skills needs of their stakeholders/members to the highest standard.
 - 1.2. Be the authority on labour market intelligence and ensure that skills needs and strategies to address these needs are set out clearly in sector skills plans.

- 1.3. Develop interventions that are agreed with stakeholders and can improve the match between education and training supply and demand - the current and projected needs of the sector and sector employers.
 - 1.4. Coordinate the skills needs of the employers - levy-paying and non-levy paying - in their respective sectors.
 - 1.5. Undertake sector-based initiatives and ensure that there is strong employer leadership and ownership of sector skills activities.
 - 1.6. Facilitate the delivery of sector-specific skills interventions that help achieve the goals of the NSDS III, address employer demand and deliver results.
 - 1.7. Collaborate on cross-sector skills areas to enable collective impact.
 - 1.8. Together with the stakeholders and other partners, be responsible for the monitoring and managing of occupational standards to make sure that provision of training, including the qualifications gained, meet sector, cross-sector and occupational needs.
2. The *National Skills Funds* expected to, within the overall framework of the HRDSSA II and NSDS III, enable the state to drive key skills strategies as well as to meet the training needs of the unemployed, non-levy-paying companies, NGOs and community structures and vulnerable groups. Specifically, the NSDS III requires that the NSF:
 - 2.1. Promote strategic partnerships and innovation in project delivery
 - 2.2. Drive change towards partnership-based programmes
 - 2.3. Contribute significantly to raising the low base of education and training in our country,
 - 2.4. Target gaps and complement resource shortages for national priorities
 - 2.5. Set aside funds for grants/bids from community-initiated skills development projects and other initiatives. The NSF will develop their monitoring and evaluation (M&E) capacity and systems to ensure that funds are spent on the intended beneficiaries and in line with the contract and/or Service Level Agreement(SLA)³¹.
 3. The *Department of Higher Education and Training* is expected to play a leading role in ensuring that the goals and objectives of the NSDS III are realised, including, as summarised, the requirement to:

³¹ National Skills Development Strategy (NSDS) III, 2011

- 3.1. develop annual implementation plans, including specific targets where appropriate (implementation plans and targets are announced by the Minister on an annual basis),
- 3.2. build the necessary capacity for effective monitoring, evaluation and support to the entire skills development system and its institutions,
- 3.3. develop a framework and institutional measures to undertake effective monitoring, evaluation and support and intensify the fight against corruption and 'fly by night' institutions and training initiatives,
- 3.4. develop mechanisms to fight all forms of corruption in our education and training system, including in the skills development system,
- 3.5. enter into service level agreements for SETA-related activities and, where required, cross-SETA collaboration activities, with indicators and targets for programmes and activities (SETAs will have sector-relevant targets applicable to their skills set and level), and
- 3.6. monitor the functioning and performance of the SETAs, intervening as and when required, to ensure that:
 - 3.6.1. There is a focus on the scope and mandate of SETAs,
 - 3.6.2. There is improved planning and financial management of skills levy resources,
 - 3.6.3. Training facilitated by SETAs leads to full qualifications,
 - 3.6.4. The per capita cost of training is managed and investment made in training yields better outcomes, and
 - 3.6.5. SETAs develop shared services on, amongst others, IT services, financial systems and management and human resources development.

Through these stipulations the NSDS III provides a strengthened base for the SETAs and DHET to set targets that align with specific sector skills needs and ensures improved focus on the core mandate of SETAs³².

³² National Skills Development Strategy (NSDS) III, 2011

Green Skills for a Green Economy – Prospective Jobs for SMMEs

The South African government, together with organised labour, business and community constituencies, signed the *Green Economy Accord* in 2011 as an outcome of social dialogue on the New Growth Path. The Accord launches a green partnership intended to create large numbers of jobs, provide a spur for industrialisation and help to create a sustainable future for this and the next generations (Minister Ebrahim Patel). The Accord, of which the DHET is a signatory, is of particular significance in that, of the 12 commitments, Commitment 11: Economic Development in the Green Economy commits the partners to the accord to the *“Promotion of Localisation, Youth Employment, Cooperatives and Skills Development”*. Also released in 2011 were: a) the Integrated Resource Plan for Energy, b) the White Paper on National Climate Change Response, and c) the National Strategy for Sustainable Development and Action Plan, all of which respond to the need to develop a green economy.

The Department of Environmental Affairs’ Chief Directorate for Communications describes the implementation of South Africa’s Green Economy Strategy as “significantly decentralised and ranging across all levels of government, with the role to oversee green economy growth being the co-responsibility of the Economic Development Department and Department of Trade and Industry”.

The DEA further describes other sector departments involved in the green economy as the Departments of Environmental Affairs, Science and Technology, Rural Development, Agriculture, Forestry and Fisheries, National Treasury, Energy, Public Works, and Labour, with key sectors expected to drive the green economy including:

- Agriculture
- Consultancy, Policy, Research and Governance
- Energy Supply (Grid-Connected Solar, Thermal, and Large Wind Power Projects, Energy Efficiency including Demand-Side Management)
- Fisheries
- Forests
- Green Buildings
- Green Cities
- Greener Transport (Electric Vehicles and Bus Rapid Transit)
- Industry and Manufacturing

- Natural Resources
- Retail
- Tourism
- Waste Management
- Water

12.2.1.6 *Green Economy Jobs and Employment Opportunities*

The DEA's CD: Communications also provides a description of green jobs as being:

- Jobs found in agricultural, manufacturing, research and development, administrative, and service activities that contribute substantially to preserving or restoring environmental quality. Specifically, but not exclusively, this includes jobs that help to protect ecosystems and biodiversity; reduce energy, materials, and water consumption through high efficiency strategies; decarbonise the economy; and minimise or altogether avoid generation of all forms of waste and pollution.
- Jobs that contribute to greater efficiency in the use of energy, water and materials, i.e. achieving the same economic output (and level of well-being) with far less material input.
- Jobs spanning a wide array of skills, educational backgrounds, and occupational profiles. They occur in: research and development; professional fields such as engineering and architecture; project planning and management; auditing; administration, marketing, retail, and customer services; many traditional blue-collar areas such as plumbing or electrical wiring; science and academia, professional associations, and civil society organizations (advocacy and community organisations, etc.)
- Jobs existing not just in private business, but also in government offices (standard setting, policymaking, permitting, monitoring and enforcement, support programmes, etc.)
- Not all being identified as such. Some green jobs are easily identifiable – such as people employed in installing a solar panel or operating a wind turbine. Others, particularly in supplier industries, may be far less so. For instance, a particular piece of specialty steel may be used to manufacture a wind turbine tower without the steel company employees even being aware of that fact. Thus, some jobs come with a clear 'green badge,'

whereas others—in traditional sectors of the economy—may not have an obvious green look and feel.

- Jobs needing to be ‘decent work’ i.e. good jobs which offer adequate wages, safe working conditions, job security, reasonable career prospects, and worker rights. People’s livelihoods and sense of dignity are bound up tightly with their jobs.

Green jobs is further analysed in the Green Economy Policy Framework and Employment Opportunity³³: Case Study 2012 which describes the employment opportunities presented by South Africa’s green economy thus:

The growth of a green economy presents an opportunity for the creation of new employment, without sacrificing the quality of employment overall. Multiple studies support the NGP expectation of 300 000 – 400 000 new jobs to be created in green industries, while the only area where some decline in employment is expected is coal mining, driven by a decrease in demand for coal exports rather than changes in domestic demand. Coal miners should therefore be targeted and empowered specifically for transitioning into greener jobs. Also, securing long-term employment in specific sectors like platinum relies heavily on the ability of South Africa to keep up with, and lead, global development of technology.

It is possible, but not a given, that employment quality would improve with the development of a greener economy. Employment conditions in the construction and manufacturing sectors are not likely to either improve or deteriorate markedly as a result of a shift to greener industries. Moreover, while some services jobs, like those in waste collection or ecosystem restoration may not represent formal and/or full-time jobs, these are likely to provide lifeline incomes to those currently unemployed, rather than displacing existing ‘decent’ jobs. Employment quality would essentially depend on improved enforcement of existing and future regulations.

Within the formal sector, there is likely to be a net movement from primary to secondary and tertiary sectors, with the creation of almost 400 000 jobs in O&M. However, only about 160 000 of those are likely to match general conditions of employment, as the large number of jobs from ecosystem services (roughly 240 000) may very well be primarily temporary and

³³The Green Economy Policy Framework and Employment Opportunity: A South African Case Study – August 2012 (Working Paper Series 2012-02). Author: Gaylor Montmasson-Clair. Corresponding Author: Trade and Industrial Policy Strategies (TIPS)

informal (Maia, et al., 2011). Besides, the potential human cost which could result from the implementation of green policies cannot be ignored. The shift to a green economy should be complemented with mechanisms to protect workers and their families, as well as the whole value chain, from the loss of income and/or employment. (Re) training, associated with the creation of alternative employment opportunities (through local economic development), is key to ensure a sustainable transition. The impact of new policies on safety, decent working conditions and sustainability of communities should also be considered (ILO, 2011).

12.2.1.7 Green Skills Shortages

The common thread running through all the green strategies and plans is the need for a skilled and capable green workforce. However, this common thread is also the biggest challenge to successfully achieving the sustainable, economically prosperous and self-reliant nation envisaged in the vision statement of the National Framework on Sustainable Development.

The Green Economy Policy Framework and Employment Opportunity: Case Study states that skills shortages and the lack of coordination in training and development, as well as the absence of 'green skills' programmes have been identified as a critical issue in green industries that needs to be addressed urgently (ILO, 2010b). Almost all sectors are affected, with hydropower, biogas, biomass and wind industries experiencing particularly acute shortages. Within the value chain, manufacturing and development are the most impacted activities due to the demand for engineers and highly qualified staff (ILO, 2011). The significant shortfall in professional, managerial and technical skills has the potential of acting as a "bottle-neck" for the growth of green industries (Vass, et al., 2009, and SANBI and The Lewis Foundation, 2010 and HSRC, et al., 2008) and should be the foundation of all green economy policies in South Africa and the rest of the world".

This analysis is further supported by the parties to The National Environmental Skills Summit: Strengthening the Skills Pipeline for the Environmental Sector held in October 2012 who noted that "environmental education, training and skills development have not received adequate attention from the state, industry or the scientific establishment, despite reports that a green, low-carbon growth path can sustain our economy and create significant employment in the short, medium and longer term". Whilst these comments are noted, there has been steady work towards the development of green skills as reported under Green Skills for a Green Economy – Progress.

12.2.1.8 Green Skills for a Green Economy – Progress

Whilst the NSDS III does not explicitly factor the need to develop green skills into its goals, the NSDS does state that “Priorities that will take precedence in the National Skills Fund (NSF) (includes) projects that are in alignment with the National Skills Development Strategy and support ... skills to support the green economy ...” (5.2.1 National priorities under the NSF). This statement is further reiterated in the Green Paper for Post-School Education and Training.

In the absence of explicit guidance, the work towards the development of green skills has, in most cases, been driven by sector-specific projects that require and can provide a platform for green skills development, rather than a planned approach based on skills need forecasts aligned to the National Growth Plan and other national strategies.

There have, however, been some key developments towards a more focused, national approach to the development of green skills, namely:

- The development by the DHET of the Green Organising Framework for Occupations (2013)
- The allocation of R105,578,322.00 from the National Skills Fund for the establishment of a renewable energy training centre
- The NSA green skills advocacy work with the provincial skills development forums (“The NSA sees the provinces playing a crucial role in the realization of the skills for the green economy, promotion of rural development for economic growth, and improved service delivery” Eddie Majadibodu, NSA Chairperson)
- The research commissioned by SAQA through a research partnership with Rhodes University including:
 - Phase 1: Research into workplace learning for sustainable development (completed and fed into NSDS III)
 - Phase 2: Research into learning pathways for green skills (due for completion during 2013/14).
- The holding of the National Environmental Skills Summit 2012: Strengthening the Skills Pipeline for the Environmental Sector (October 2012)

There have also been initiatives at a sector and provincial level including:

- the development of provincial green skills development plans

- the establishment of the Eastern Cape Green Skills Forum
- the factoring of green skills development into University education plans
- the establishment of university / provincial government green economy / green skills partnerships
- the establishment of SETA / employer green skills development partnerships
- the development of SETA / FET college green skills partnerships.

12.3 Annexure 3: Trends in the External Environment

The sections that follow review and analyse the current trends affecting SMME's, cooperatives and skills development in the country.

Structural Unemployment

South Africa has structural unemployment in large sectors of the economy. The country has a high unemployment rate compared to other upper middle income countries. Census 2011 estimates unemployment at 29.8%³⁴, the Statistics South Africa's Quarterly Labour Force Survey (QLFS), Quarter 3, 2015 estimates the official unemployment rate at 25.5%, which is in line with the World Bank estimates of South Africa's unemployment in 2015.

Since 2000, the total number of jobs created fell far short of the growing labour supply, with only 2.8 million³⁵ new, mainly service sector jobs created as the working age population grew. In the same period, the World Bank report, 'South Africa Economic Update: Focus on Jobs and South Africa's Changing Demographics', states that employment opportunities shrank in agriculture, mining and manufacturing, traditionally labour intensive sectors that employ unskilled workers. Together, these three industries now account for 19%³⁶ of total employment, down from about 30%³⁷ in 2000, while the services sector now accounts for 72%³⁸ of total employment.

Adequate skills and education is arguably the most pressing structural issue for the economy. Education is crucial to unemployment and growth as it is essential to adequately equip the millions of new young school leavers expected to join the working age population in the coming decades with the appropriate skills demanded by the evolving labour market. The marked shift of employment opportunities towards skilled workers and services indicates it is critical the country improves its level of educational attainment, in particular the quality of basic schooling and post-school training.

³⁴Statistics South Africa, 2012. Census 2011: Provinces at a glance.

³⁵The World Bank, South Africa Economic Update: Focus on Jobs and South Africa's Changing Demographic

³⁶IBID

³⁷IBID

³⁸IBID

Unemployment in South Africa exhibits certain demographic characteristics; in particular, unemployment is concentrated amongst black Africans, the less educated, the youth, women and those without prior work experience. Over the period 2008-2015, individuals with less than a matric qualification accounted for higher rates of unemployment than those with tertiary education.

Figure 3: Level of Education of the Unemployed in South Africa, 2008 and 2015³⁹

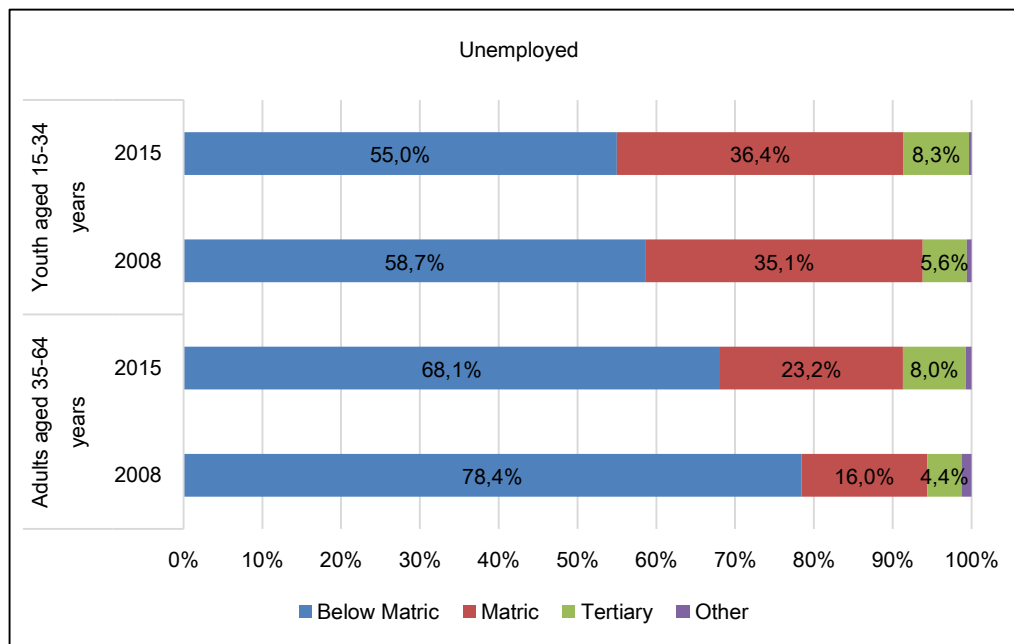
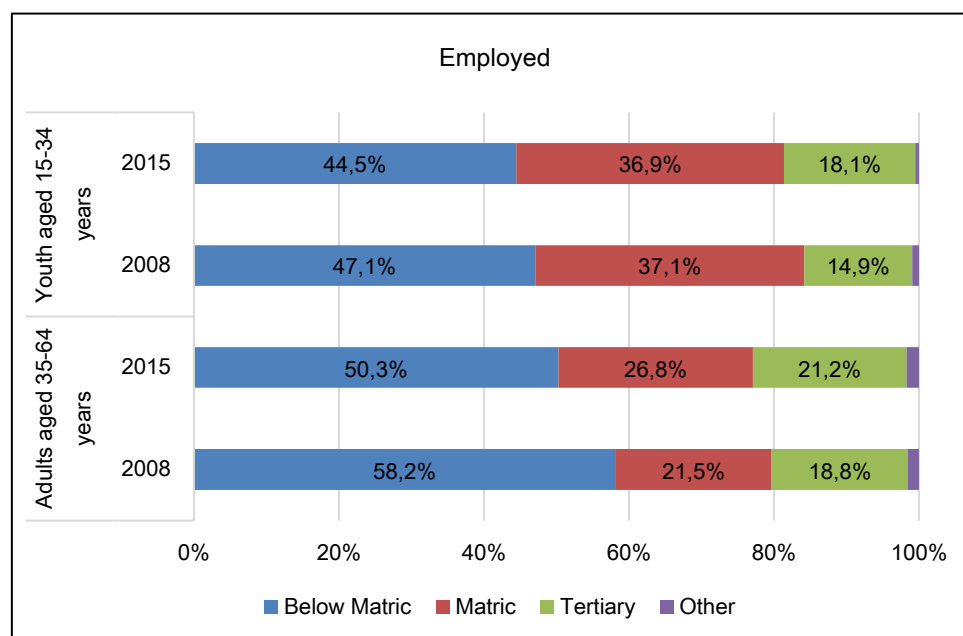


Figure 4: Level of Education of the Employed in South Africa, 2008 and 2015⁴⁰



³⁹ Statistics South Africa, 2015. National and provincial labour market: Youth Q1: 2008–Q1: 2015

⁴⁰IBID

Figures 1 & 2 show the level of education has improved among both youth and adults with a shift in the proportions from the lowest education levels into higher categories in the 2008-2015 period. Despite this improvement, in 2015 as many as one out of every two (55.0%) youth and more than two out of every three adults (68.1%) who were unemployed and looking for work only had education below the matric level. As expected, among both youth and adults, the unemployment rate is substantially lower for those who have a tertiary education compared with those with lower levels of education.

South Africa has a high growing working population. To stimulate firms to hire, the government should encourage the development of small businesses. This will involve reducing the burden of bureaucracy on such firms; improving access to low-cost finance and securing greater flexibility in labour-market regulation. SMMEs are an essential engine of job creation that need to be complemented by better education attainment, better skills development and post-school training and improved worker productivity.

Increased Focus on Job Creation

Statistics South Africa's employment figures for the third quarter of 2015 show that there are now an estimated 15.8 million⁴¹ people who are employed in South Africa.

Government budget and programmes over the years reinforce its commitment to job creation, by continuing to support employment growth through various direct interventions. According to the National Treasury Budget Review of 2015, government achieved the following:

- In 2013/14, the Expanded Public Works Programme created over 1 million jobs of varying duration;
- The Jobs Fund has created 30 701 permanent jobs and trained 75 163 work seekers in 2015. The Jobs Fund is expected to spend about R4 billion over the next three years on projects that create permanent jobs and address structural constraints to growth and employment;
- In December 2014, the employment tax incentive supported the employment of over 216 000 young workers

⁴¹Statistics South Africa's Quarterly Labour Force Survey (QLFS), Quarter 3, 2015

- Over the past three years, 92 new schools have been built as part of the accelerated school infrastructure development initiative and two new universities opened their doors last year.

Despite these figures, South Africa struggles to generate sufficient jobs to substantially lower its high levels of unemployment. The number of jobs generated still falls short of what is needed to employ South Africa's large existing number of unemployed and the growing working-age population.

Population growth over the subsequent years meant that by 2015 the working-age population stood at 35.8 million of which 19.7 million (55.%) were youth and 16,1 million (45.0%) were adults⁴². The unemployment rate among youth is more than twice that of adults each year while the absorption rate for youth is substantially lower than that of adults. As a result of the global recession, the unemployment rate among youth rose from 32.7% in 2008 to 36.1% in 2011 and remained between 35%–37% in subsequent years⁴³.

The nation needs to focus on avenues to close its job gap – defined as the difference between the current level of employment and the level of employment required to return to the pre-crisis ratio of employed individuals to working age population and to absorb new entrants.

Gender Disparities

South Africa is ranked 18th out of 142⁴⁴ countries in terms of gender equality, according to data from the World Economic Forum. The index is designed to reveal inequalities towards both men and women. In terms of political engagement, South Africa ranks twelfth⁴⁵ due to the high percentage of female members in Parliament and gradual shift towards increased representation of women in the public sphere.

Women make up just over half of the population in South Africa, however, the population in the poorest areas such as rural areas and informal settlements there are many more women than men. The end of apartheid saw the mass entry into the labour force of black women

⁴² Statistics South Africa, 2015. National and provincial labour market: Youth Q1: 2008–Q1: 2015

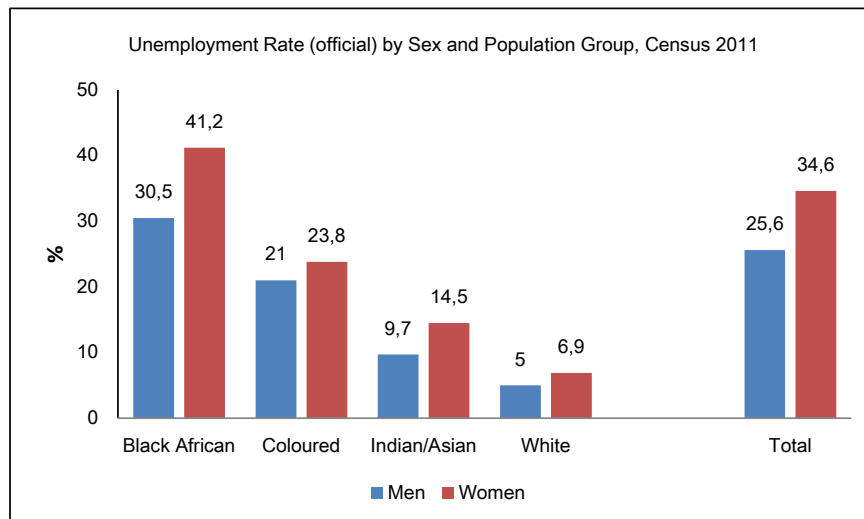
⁴³ IBID

⁴⁴ World Economic Forum, Global Gender Gap Report, 2014

⁴⁵ IBID

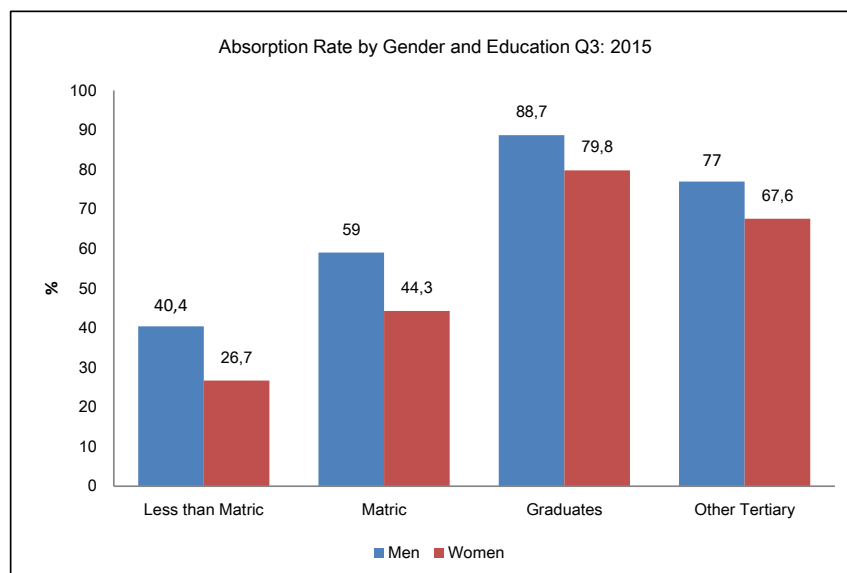
who were largely unskilled and had previously been excluded from the labour force under apartheid. According to some estimates, the female labour force participation rates jumped from about 41% in 1995 to almost 50% by 2005⁴⁶.

Figure 5: Unemployment Rate (official) by Sex and Population Group⁴⁷



The figure above shows the unemployment rates among women are higher than those among men across all racial groups. Nationally, based on the results of Census 2011, the official unemployment rate among men was 25.6% while among women it was 34.6%⁴⁸.

Figure 6: Absorption Rate by Gender and Education Q3: 2015⁴⁹



⁴⁶The World Bank, South Africa Economic Update: Focus on Jobs and South Africa's Changing Demographic

⁴⁷Statistics South Africa's Quarterly Labour Force Survey (QLFS), Quarter 3, 2015

⁴⁸Statistics South Africa, 2012. Census 2011: Provinces at a glance

⁴⁹Statistics South Africa's Quarterly Labour Force Survey (QLFS), Quarter 3, 2015

The absorption rate for men is higher than that for women at all educational levels, however, as shown by the figure above, the gender gap in the absorption rates is less pronounced among those with tertiary qualifications (graduates and other tertiary).

A study conducted by the Finmark Trust on behalf of the dti in 2006 defined obstacles to access to finance for women entrepreneurs in South Africa as follows:

- Financial illiteracy: poor understanding of financial terminology and lack of awareness of bank and microfinance services. A lack of understanding of credit processes and the role of credit bureaus also places women at a disadvantage;
- Attitude of banks: only one out of South Africa's four major banks is contemplating a specific programme to increase its share of women-owned enterprises;
- BEE code targets: codes and industry charters do not have sufficient targets for women's financial services outreach or business activity;
- Lack of awareness of development finance: despite the resources available from private and public development finance institutions, few women in business know about the different institutions, their products or how to access them;
- Lack of financial confidence: overall, women have less financial confidence than men; and
- Lack of appropriate products: bank services and products, including savings products are often unaffordable, and the emphasis on collateral and asset-based lending disqualifies most women from accessing business loans.

Although the survey concentrated on women, most of the criteria above apply to all entrepreneurs in South Africa. The traditional role of women in society is probably the largest constraint to women's participation in small enterprises and cooperatives and their access to decision-making levels. In line with other national strategies, government programmes and interventions aim to include women in order to address the disparities that exist and integrate SMMEs and cooperatives headed by women.

Small Enterprise Geographical Area Distinctions

SMMEs in South Africa do not face sets of uniform challenges; they tend to be location-specific. SMMEs in Gauteng, for example, tend to have greater access to finance and

suppliers, but have more difficulty finding space in which to operate. By contrast, SMMEs in Mpumalanga and the Northern Cape have access to adequate amenities and space, but cite particular challenges related to accessing finance due to the predominantly rural nature of their operations. SMMEs in the North-West province have adequate access to suppliers and satisfactory access to finance, claim problems related to utilities (particularly the delivery of electricity).

Gauteng is the leading province in terms of the number of SMMEs in both the formal and informal sectors, but while it accommodates 48%⁵⁰ of formal SMMEs nationally, it accounts for only a quarter of informal SMMEs. The Western Cape is the second largest province as far as the number of formal SMMEs is concerned (19%)⁵¹. Provinces with large rural populations, such as KwaZulu-Natal (19%), Limpopo (14%) and Eastern Cape (13%), accommodate higher proportions of informal businesses⁵².

Business support services in rural South Africa are weak and mainly focused on cooperatives. Most government SMME support policies are developed from an urban-based perspective and may be inadequate for the needs of rural small business owners. For example, although DFIs such as *sefa* and the DBSA provide seed capital to start-up SMMEs, these institutions are not visible in isolated rural locations. Rural SMMEs are in a poor position when it comes to joining forces and lobbying government institutions to better address their needs. Specific issues and challenges of rural SMME development have been overlooked in unfolding national programmes and local business service centres, which have tended to address first and foremost the needs of urban SMMEs in the country.

Stronger efforts need to be geared towards capitalising on key advantages in rural areas (such as access to mobile technology infrastructure) to reduce the barriers of fostering a strong environment for business growth. Solutions to SMME constraints should also be cognisant of regional and local-level differences. Although rural SMMEs are more disadvantaged than their urban counterparts, research shows that the constraints and support needs of rural SMMEs are very similar to urban SMMEs:

- The depressed state of the rural economy;
- Limited demand for the goods and services offered in the rural SMME economy;

⁵⁰ The dti, Annual Review of Small Business in South Africa, 2005-2007

⁵¹ IBID

⁵² IBID

- Limited access to finance and credit;
- The absence of business and technical skills;
- Weak capacity of local government to undertake and energise programmes for local economic development; and
- Weak community structure and reduced social capital.

Rural SMMEs require programmes that will expand the demand for goods and service and also require interventions to enhance their capacity to exploit emerging opportunities.


Limited Availability and Access to Funding

Problems that SMMEs have with accessing finance are a major hindrance to their development and success. Small businesses, particularly micro businesses often do not fulfil the criteria to obtain the required amount of debt finance for longer-term growth. Typical problems are the lack of appropriate collateral, excessive outstanding debt and lack of proven business skills.

The problem in South Africa is not so much the availability of debt finance as such, but inefficiencies in terms of product range, the cost of debt finance and the service provided to SMMEs. The reasons for these inefficiencies relate mainly to competitive factors, barriers to the entry of potential new providers of financial services and SMMEs need for non-financial services.

The figure below illustrates the SMME funding landscape for different types of SMMEs. At the start-up stage, SMME's are characterised by a heavy reliance on insider finance from "owner-managers", family and friends. This is economically rational and efficient as there is likely to be insufficient information and/or collateral for an external financier to assess the risk. When trading is established, and growth potential becomes clearer (micro, small and medium businesses), external equity may be available in the form of "business angel" finance, a DFI, formal venture capital, corporate investment and bank debt. At this stage it has become possible for the external financier to assess the risk and level of profitability and return.

Figure 7: SMME Funding Landscape⁵³

Driver	Category	Characteristics	Nature of Demand	Source of Funding	Number of Enterprises
 <p>Opportunity Driven Entrepreneurial</p> <p>Necessity Driven Survival</p>	Medium	<ul style="list-style-type: none"> Less than 200 employees Turnover > R25m p.a. Developed technical & business skills 	<ul style="list-style-type: none"> Medium to long term debt & equity Over R250k Asset based, working capital, property finance etc. 	<ul style="list-style-type: none"> Corporates Banks/Financial Institutions Private Equity/Venture Capitalists Khula , IDC, NEF , Other DFIs 	0,1 – 0,3m
	Small	<ul style="list-style-type: none"> Less than 50 employees Turnover < R25m p.a. Developed technical /limited business skills 	<ul style="list-style-type: none"> Short to medium term debt Asset based & working capital Up to R250k 	<ul style="list-style-type: none"> Own resources Banks & Corporates Khula & Provincial Development Corporations 	0,2 – 0,5m
	Micro	<ul style="list-style-type: none"> Less than 5 employees Turnover < R150k p.a. Some technical /limited business skills 	<ul style="list-style-type: none"> Short term loans Up to R10k Working capital 	<ul style="list-style-type: none"> Own & family resources Micro-lenders & Banks SAMAF & Provincial Development Corporations 	0,6 – 1,0m
	Survivalists	<ul style="list-style-type: none"> Individual self employment Turnover < R50k p.a. Limited technical and business skills 	<ul style="list-style-type: none"> Short term loans Up to R3k Stock purchases 	<ul style="list-style-type: none"> Own & family resources Micro-lenders SAMAF 	0,7 – 1,2m

Financial inclusion is important for economic growth and reducing inequality and poverty in the country. SMMEs require support if they are to survive and grow. Focusing on financial inclusion is particularly important because of the positive impact it can have on individuals, small business and the South African economy.

Charl Niemand, head of indirect tax at SizweNtsalubaGobodo (SNG) says the dti is an excellent vehicle to encourage business growth and SMME development, but there is often a lot of red tape involved in accessing the funds (Moneyweb)⁵⁴. The dti has noted that one of the factors that affected SMMEs ability to get funding is the fact that many were unable to come up with viable proposals that persuaded the finance institutions of their viability and sustainability, as well as their difficulty in accessing markets, and the hurdles posed by business regulations and legislation. SMMEs are sometimes seen by the banks as high-risk, with a high chance of failure, and most can offer no collateral security. The dti has tried to lower the risks for commercial banks to lend to SMMEs by offering security to the banks. It offers a wide range of products and services comprising loans, and incentive grants that play

⁵³The dti Presentation to the Select Committee on Trade and International Relations: Funding for SMMEs In South Africa

⁵⁴<http://www.moneyweb.co.za/mymoney/moneyweb-tax/gordhans-mammoth-task/>, date accessed: 08-02-2016

an important role in enabling access to finance for small enterprises through the following institutions:

- *Small Enterprise Finance Agency* (SOF) Ltd commonly known as *sefa* was established on 1st April 2012 as a result of the merger of South African Micro Apex Fund, Khula Enterprise Finance Ltd and the small business activities of IDC. Sefa's mandate is to foster the establishment, survival and growth of SMMEs and contribute towards poverty alleviation and job creation. Sefa has a regional footprint of 9 offices around the country.
- *The National Empowerment Fund* (NEF) offers a range of start-up, business growth, and rural- and community-upliftment financing products with a focus on black economic empowerment (BEE) transactions.
- Although not direct mandate of *DBSA*, the Bank facilitates SMME development through, amongst others: Development Fund, Jobs Fund, Accelerated School Infrastructure Development Initiative (ASIDI) and Rural Economic Development Initiative (REDI).

Although banks are expected to make a profit, hence they lend only to viable initiatives that are aimed at growth and expansion of the respective sectors, DFIs are urged to take risks and support more SMMEs. Banking institutions have recognised the importance of the SMME sector and set out initiatives to address the advocacy gap.

In Minister Lindiwe Zulu's budget speech for small, medium and micro enterprises (Budget Vote 2015/16), she reiterated that small businesses continue to face problems with accessing funding from the main commercial banks. She declared that the Small Business Department will develop a business rescue strategy aimed at supporting SMMEs and cooperatives in financial distress.

Limited Access to Business Support Services

The dti small business strategy (2005-2014) emphasised limited coordination on SMME support programme as one of the shortfalls on SMME development in the country. Across the country, a broad range of support programmes targeted at small businesses are provided by different government departments and institutions as well as the public sector.

However, the level of utilisation of these support programmes by small enterprises is not as anticipated which results in small businesses not benefiting as much as they potentially could from various available financial and non-financial support.

While access to finance is often quoted as one of the great challenges for small businesses, they also cite the need for non-financial support. Incubation, mentorship and access to business management service providers are just some of the services these kinds of initiatives can provide. Some of the small business incubators and support programmes and agencies geared towards assisting small businesses include the following:

- The *National Youth Development Agency* (NYDA) is a South African-based agency established primarily to tackle challenges that the nation's youth are faced with. It has shifted its core business primarily away from Enterprise Finance towards Education and Skills Development. The fundamental change in this area of development is the change from loan provision to grant provision for young entrepreneurs. The NYDA no longer offers loan finance to young entrepreneurs, but instead grant finance in the form of micro-finance grants for survivalist youth entrepreneurship and cooperative grants for greater participation of youth in the cooperatives sector.
- The *Small Enterprise Development Agency* (Seda) was established in December 2004 as an agency under the dti. The establishment was done by merging three organisations; Ntsika Enterprise Promotion Agency, National Manufacturing Advisory Centre (NAMAC) and the Community Public Private Partnership Programme (CPPP). Seda provides business development and support services for small enterprises through its national network in partnership with other role players in the small enterprise support. Seda also implements programmes targeted to business development in areas prioritised by the Government.
- *Eastern Cape Information Technology Initiative* (ECITI) is a non -profit company, established by the Eastern Cape Development Corporation (ECDC) in 2004. It facilitates sustainable development for SMMEs in the information communication and technology (ICT) and film sectors in the Eastern Cape. ECITI's incubation programme is at the centre of its development strategy. The two-prong programme, focusing on infrastructure and business support services, assists early stage

development of ICT and film entrepreneurs from previously or historically disadvantaged backgrounds including women, youth and the disabled.

- *Limpopo Economic Development Agenda* (LEDA) is a new economic development agency, following a merger of parastatals under the Department of Economic Development, Environment and Tourism. LEDA has its head office in Lebowakgomo, in Polokwane, and 24 satellite offices across Limpopo municipalities. Entrepreneurs are assisted with writing business plans and/or profiles, and other business advisory services. Funding of between R20 000 and R10 million is also provided to small businesses in all sectors excluding primary agriculture.
- *Other Provincial government agencies* such as the Gauteng Enterprise Propeller (GEP) in Gauteng, Limpopo Business Support Agency (Libsa) in Limpopo, and the Western Cape's Red Door continue to provide a range of business-development services to small enterprises at provincial level strengthening partnerships with seda.
- Many *municipalities* also offer small business support under their local economic development agencies, or dedicated small business and cooperative programmes within their LED divisions and public-private partnership-based business-incubation centres.
- The *Global Cleantech Innovation Programme* (GCIP) is being implemented by GEF (Global Environment Facility), UNIDO (the United Nations Industrial Development Organization) and TIA (the Technology Innovation Agency) for SMMEs, to promote clean technology innovation and supporting SMMEs and start-ups working on solutions related to energy efficiency, renewable energy, waste beneficiation and water efficiency. The programme combines a competition and a business accelerator to offer participants progressing through the programme extensive mentoring, training, access to investors and opportunities to showcase their innovations to the media and the public.
- *Absa Centres of Entrepreneurship* has helped over 1500 budding entrepreneurs since its launch in 2013. The centre offers free access to basic communications technology, business support services – including consultations, business facilities and infrastructural support – it has effectively assisted entrepreneurs who cannot afford the massive initial overheads associated with starting a business.

- *Anglo Zimele Small Business Hubs* has a network of 22 small business hubs across the country are based both within the communities Anglo operates in and labour-sending areas around the country. It provides affordable funding, training, mentorship and skills development for entrepreneurs and business owners.
- *The Awethu Project* describes itself as the most progressive, young, Black and innovative entrepreneurship development company in South Africa. This micro business incubator uses its unique style of hands-on entrepreneurship to combine people, ideas and capital to build the SMMEs South Africa needs. The Awethu Project has incubated over 500 entrepreneurs and developed some of the world's most 5 innovative models for investing in SMMEs. It raised significant funding from Government partners, including National Treasury's Jobs Fund and the IDC's Small Enterprise Finance Agency, and corporate partners, including Discovery, Accenture and General Electric.
- *Shanduka Black Umbrellas* (SBU) works with partners in the private sector, government and civil society to address the low levels of entrepreneurship and high failure rate of 100% black-owned emerging businesses in South Africa. The initiative strives to develop 100% black owned businesses to a level where they can gain meaningful access to markets, finance and networks and facilitate access to these opportunities and in so doing promote entrepreneurship as a desirable career choice by building the profile of existing entrepreneurs as role models through media, networking and public relations activities. SBU nurtures qualifying 100% black-owned businesses in the critical first three years of their existence by providing incubators that have office infrastructure, professional services and a structured mentorship programme at a highly subsidised rate.
- *Expanded Public Works Programme* (EPWP): The Enterprise Development is a delivery strategy of the EPWP, targeting the development of emerging enterprises including cooperatives to leverage work opportunities. The Enterprise Development (ED) Unit of the National Department of Public Works (DPW) provides support to all Sectors and public bodies implementing EPWP. Through this support, ED aims to sustain the growth and development of SMMEs. The development of cooperatives and other small business initiatives are being expanded to other service delivery programmes within the EPWP.

- *Entrepreneurship education and financial literacy programmes:* There are hundreds of institutions and training providers offering courses in business management and entrepreneurship, and most of these will add value to someone looking to start or grow their small business. The institutions that focus on entrepreneurship courses accredited by South African Universities and/or the South Africa Qualifications Authority (SAQA) are the following: Cape Peninsula University of Technology, the Gordon Institute of Business Science, Lyceum College, the Raymond Ackerman Academy, The South African Institute of Entrepreneurship, University of Cape Town, University of the Free State, University of Pretoria, Tshwane University of Technology, UNISA, University of Stellenbosch, Varsity College, and Wits Business School.
- *Educational Partners:* Both Government and the private sector have allocated large budgets to improve the education and training sector. More franchises are increasingly being established, especially Technical and Vocational Education and Training (TVET) colleges (formerly known as Further Education and Training (FET) colleges), due to the demand for such facilities and skills in the country. TVET courses are vocational or occupational by nature meaning that the student receives education and training with a view towards a specific range of jobs or employment possibilities. Under certain conditions, some students may qualify for admission to a University of Technology to continue their studies at a higher level in the same field of study as they were studying at the TVET College.

Small enterprises are not making full use of these institutions due to lack of communication of service offerings, lack of single source of information of all available support programmes and how to access them, and a lack of understanding on how to qualify for support.

Limited Access to Opportunities

Access to significant economic opportunities continues to elude most black entrepreneurs because of historical circumstances. Major supply chains are still dominated by “old boys clubs” and incumbency. The expansion of economic opportunities means they must focus on creating new national indigenous brands as very few such brands have emerged in the two decades of democracy. Dominant “black brands” are in the football arena, such as Orlando

Pirates, Kaiser Chiefs and Sundowns. In the mining sector, notable ones are African Rainbow Minerals, Exxaro and Kgalagadi Manganese. These companies together with other smaller ones, require further support to expand as BEE beneficiaries so they could become future Anglo Americans, Billitons, etc.

Ghana and Brazil have introduced trade laws that protect certain sectors and types of businesses to be retained for local enterprises.

Closing the wealth gap and stabilising poor communities can be done through increased economic activities by marginalised groups with the assistance of appropriate trade laws aimed at the promotion of small businesses. It cannot be attained without collaboration with big business.

Emphasis on Skills Development and Training

South Africa's changing economy is characterised by a general rise in the skill requirements of jobs which require higher levels of applied competence. This competence, motivation and adaptability of the workforce will be a determining factor in the performance of the country in the global economy. The supply of unskilled workers in South Africa grew when the demand for unskilled workers fell and employment became more skills intensive. South Africa has to compete with other nations and to function in a worldwide market. Our labour market is characterised by employers battling to find the skills they need and a high rate of job seekers who do not qualify for the jobs available.

Since the advent of democratic government in 1994, South Africa has been building a new education and training system whose goal has been to meet the needs of a democratic society. Policy developments have been aimed at democratising the education system, overcoming unfair discrimination, expanding access to education and training opportunities, and improving the quality of education, training and research.

According to baseline research commissioned by the Department of Public Service and Administration on the status of training in the Public Service, seven years after the democratic elections, the public service education and training scenario had not changed

much⁵⁵. Some of the problems, identified in the Training Reports of 1996/97, continue to exist today and they include the fact that “training in the public service is ad hoc, fragmented and uncoordinated; opportunities are afforded to senior managers - and less to the lower ranks, and that in many instances training is not been integrated with the business strategies of the departments”⁵⁶. Some of the major weaknesses identified includes the lack of policies and guidelines, inadequate HR structures to support training, non-supportive managers, inadequate IT capacity, lack of information management system, time and budget constraints, need for a national training strategy.

The design of training systems, including curricula, requires close cooperation between education and training providers and employers – especially in those programmes providing vocational training. In areas of work such as the artisan trades, apprenticeships have traditionally been the pathway to qualifications; however, the apprenticeship system has been allowed to deteriorate since the mid-1980s, resulting in a shortage of mid-level skills in the engineering and construction fields⁵⁷. It is important to expand other forms of on-the-job training, including learnerships and internships in non-artisan fields. The SETAs have a crucial role to play in facilitating such workplace learning partnerships between employers and educational institutions.

The Department of Higher Education and Training (DHET) seeks to improve the capacity of the Post-School Education and Training (PSET) system to meet the skills needs of the country. The Department's objectives are to:

- a) Increase the rate at which the key skills necessary for economic growth and social development are delivered;
- b) Serve the growing number of young people and adults who seek education and training outside of the schooling system;
- c) Provide alternative entry points into and pathways through the learning system;
- d) Provide quality learning irrespective of where learning takes place (i.e. College, University or workplace); and
- e) Provide easy pathways across the various learning sites.

⁵⁵ Skills Development in the Public Service: Briefing to the Select Committee on Local Government and Administration, 1995-2001

⁵⁶ IBID

⁵⁷ White Paper for Post-School Education and Training, 2003

The post-school includes the following sub-sectors:

- 23 public universities (with two more being established in 2014);
- 50 public technical and vocational education and training (TVET) colleges (formerly further education and training [FET] colleges);
- public adult learning centres (soon to be absorbed into the new community colleges)
- private post-school institutions (registered private FET colleges and private higher education institutions, also to be renamed TVET colleges);
- the Sector Education and Training Authorities (SETAs) and the National Skills Fund (NSF);
- regulatory bodies responsible for qualifications and quality assurance in the post-school system – the South African Qualifications Authority (SAQA) and the Quality Councils.

Over the years government has been committed to funding skills development and training as reflected in the table below which shows data extracted from the National Treasury reports, Estimates of Public Expenditure, 2009, 2011.

Table 13: National Government Expenditure on Training: 2005/06 - 2009/10⁵⁸

Department	2005/06	2006/07	2007/08	2008/09	2009/10
Presidency	0.8	1.5	2.3	1.4	1.9
Parliament	-	-	10.6	11.9	10.1
COGTA	1.4	1.7	2.3	1.7	1.8
Home Affairs	26.3	35.3	32.4	34.0	26.4
International Relations & Coop.	2.9	4.0	13.1	8.1	12.4
Public Works	23.1	12.8	15.2	15.2	22.0
GCIS	2.4	2.7	4.7	4.2	4.4
National Treasury	16.5	9.3	16.1	16.9	10.0
Public Enterprises	0.6	0.8	1.3	2.3	2.2
Public Service & Administration	1.6	2.2	2.2	3.7	2.6
Statistics SA	4.6	7.7	11.9	14.0	21.2
Arts and Culture	0.8	2.4	3.1	4.5	2.1
Basic Education	1.9	15.0	2.8	6.5	1.7
Health	5.6	5.5	9.5	1.8	4.5
Higher Education & Training	-	-	2.5	2.9	1.9
Labour	6.3	10.2	6.5	8.9	8.3
Social Development	0.9	2.2	1.7	1.8	2.3
Sports & Rec. SA	0.4	0.5	0.9	0.9	1.1
Correctional Services	103.2	111.4	125.6	76.0	89.5
Defence	71.1	85.6	87.4	117.7	113.6
ICD	0.6	0.5	0.6	0.4	0.7
Justice & CD	6.9	12.4	18.3	37.5	86.4
Police	0.6	0.8	966.0	1124.0	1253.4
Agriculture	10.9	11.2	20.3	24.2	16.4
Communications	3.3	3.1	3.7	6.0	9.0
Energy	-	-	0.7	1.6	2.1
Environmental Affairs	8.3	3.8	2.1	2.2	2.3
Human Settlements	2.1	2.0	1.2	2.9	2.3
Mineral Resources	2.9	2.0	1.7	3.8	9.1
Rural Dev. & Land	11.8	11.6	9.0	9.4	11.9
Science & Technology	3.3	1.0	1.7	2.0	3.2
Tourism	-	-	1.4	1.5	1.0
Trade and Industry	12.2	3.2	1.0	2.5	9.3
Transport	2.9	3.0	3.2	1.8	3.9
Water Affairs	34.9	37.0	38.9	40.8	50.6
TOTAL EXPENDITURE	371.1	402.4	1421.9	1595.0	1801.6
No. of entities	31	31	35	35	35

Original Source: *Estimates of Public Expenditure, 2009, 2011. National Treasury*

Total expenditure on training in national government departments increased from R371 million (31 departments/entities) in 2005/06 to R1.8 billion in 2009/10 (35 departments/entities). There was a substantial increase in training expenditure between 2006/07 and 2008/09, mainly because of a massive increase in the expenditure of the Department of Police from 0.8 million in 2006/07 to R966 million in 2007/08. This increased further to more than R1.25 billion in 2009/10.

A Drive to Improve Service Delivery

As a developing country, South Africa's workforce plays a key role in service delivery hence, the importance of having a skilled and capable workers cannot be overemphasised. Not only

⁵⁸Impact Assessment of National Skills Development Strategy II: Measuring Impact Assessment of Skills Development on Service Delivery in Government departments, 2012

does it improve the lives of South Africans, but it also assists local government structures in meeting their constitutional mandate.

Government still has the complex task of building a new cadre of public servant with requisite competencies to drive the dual challenges of public service – reform and service delivery. A crucial element of this reform has been the development of skills in public servants.

National policies and budgets have been giving greater impetus to public service delivery. The availability of skilled personnel within an organisation has a significant impact on the effectiveness and efficiency of that organisation to carry out its mandate. In the public sector, efficiency and effectiveness are reflected in the manner in which services are delivered. Ensuring the adequate delivery of services allows a country to meet social development objectives and strongly relates to the notion of “good governance”.

SMME development that is driven by local municipalities has the potential to reduce unemployment, generate income, create assets, contribute to skills development, reduce the rate of crime and service delivery protests and attracts investment in local municipalities in general – but especially in townships.

Lack Support from Existing Enterprise Development Agencies for Cooperatives

The Department of Small Business Development (DSBD) was established as a national department in accordance with the reorganisation of some national departments announced by the President in May 2014. The department is tasked with the responsibility to lead an integrated approach to the promotion and development of small businesses and cooperatives through a focus on the economic and legislative drivers that stimulate entrepreneurship to contribute to radical economic transformation. The realisation of this mandate will lead to increased employment, poverty reduction and reduced inequality.

The 2016 Budget speech revealed that R475 million has been reprioritised to the DSBD for assistance to small and medium enterprises and cooperatives. In the previous financial year (2015/2016), the Department had allocated only 2% for cooperatives development. This demonstrates a lack of prioritisation on the role of cooperatives in mobilising communities to

participate in the economy. Government needs to therefore revisit its budget split of cooperative development and SMME development.

Budget allocations for the cooperative sector in most cases has been poor and at the extreme non-existent. Most of government agencies do not have the expertise to appreciate the complex challenges confronting cooperatives and respond accordingly. This is understandable given the fact that this is not their core mandate.

The slow pace of establishing the Cooperatives Development Agency, the Cooperatives Academy and a Cooperatives Bank has slowed the process of developing sustainable cooperatives in the country. The problem, however does not just rest with government, the country's residents tend to think cooperatives as something akin to welfare and charity. While there is no clear guidelines as to what defines a group as a cooperative, they are known as creative enterprises that have the potential to contribute enormously to the country's economy due to their accessibility and links to various sectors of the economy.

Targeting poor people who depend on government social grants and free basic services to join cooperatives would reduce a culture of entitlement and dependency of poor families on social grants and free services.

Additionally, the Cooperatives Act of 2005 amendment was to establish three cooperative support institutions such as the Cooperatives Development Agency which provides financial and non-financial support, the Cooperatives Academy which will provide education and training, and the Cooperatives Tribunal, that will offer a judicious management support system.

There is a limitation of the current support from existing enterprise development agencies for cooperatives. Even though government enterprise development agencies have provided some support to cooperatives, however the challenge is that this support has been negligible, unfocused, uncoordinated and lack systematic and sustained targeting on cooperatives. The core mandate of most of these agencies is not cooperatives development (but SMME development), making it difficult for them to create huge capacity to target this sector.

Provincial and local governments have responsibilities of promoting and developing cooperatives within their spheres of influence, partnering with the national government.

Municipalities have a responsibility of formulating Municipal Cooperative Implementation Plans located within their Integrated Developments Plans (IDPs), coupled with support programmes, business infrastructure, information centres and the district or local chapters of the Cooperative Development Agency. These plans must be aligned to their respective provincial strategies and should form part of the integrated cooperative support system.

Parastatals such as Eskom, Transnet, Telkom, Airports Company South Africa (ACSA) and others have the responsibility of assisting cooperatives with logistical and infrastructural arrangements. These parastatals also need to provide reasonable procurement opportunities for cooperatives in line with all the applicable legislations.

Despite the establishment of several State-driven incentive schemes and interventions, there is still little appreciation for the importance, significance and potential of the cooperatives model in the country. A lot of work that still needs to be done in South Africa to ensure that cooperatives in the country occupy the same position in the economy as cooperatives do in other countries.

Conclusions

It is estimated that the failure rate of SMMEs is between 70% and 80%. Millions of Rands are being lost on business ventures because of essentially avoidable mistakes and problems. It is maintained that often the business ideas are good and the people behind them are competent, but they do not have a clue of how to run a business and have no underlying appreciation of business fundamentals. Problems encountered by small businesses are numerous and can be described amongst others as being environmental, financial or managerial in nature.

SMMEs form an integral part of the national, and as such, are therefore influenced by various factors. In this context, the problems that SMMEs face in conducting a successful business, can be categorised, based on their origin in the external (or macro) and internal environment.

Management can exert no control over exogenous problems that manifest themselves in the economic, socio demographic, political, technological and international spheres. The most prominent problem influencing SMMEs success in this environment are the state of the economy, compliance with legislation, resource scarcity, HIV/AIDS, crime and corruption and

rapidly changing technology. The entrepreneur0 sin the previously disadvantaged townships, for example, experienced problems with understanding the impact of technological development and the state of the economy on the success of their businesses.

In light of the discussed developments in the external environment, the LGSETA has identified the need to develop an SMME and cooperative strategy in order to refine its approach in assisting small enterprises. LGSETA now has to position itself to provide support to SMMEs and cooperatives in a focused manner that addresses the current challenges and opportunities, the end-user and economy needs.

The LGSETA SMME strategy has to consider ways of refining their approach to provide optimal support while still ensuring adherence to government priorities, policies and legislation. The LGSETA will have to build on its successes to date and prepare itself to do more in addressing economic growth, job creation, service delivery and skills development

12.4 Annexure 4: The Outcomes and Outputs Underpinning Each Goal of the NSDS III

(NSDS Goal 4.6 Highlighted in this Table)

NSDS Goal	Outcome	Output
4.1. Establishing a credible institutional mechanism for skills planning	4.1.1 National need in relation to skills development is researched, documented and communicated to enable effective planning across all economic sectors	4.1.1.1: Capacity is established within the Department of Higher Education and Training to coordinate research and skills planning.
		4.1.1.2: Sector skills plans are professionally researched, provide a sound analysis of the sector, and articulate an agreed sector strategy to address skills needs.
		4.1.1.3: Sector and nationally commissioned research and data is analysed, validated and captured in an integrated database that is accessible to stakeholders.
4.2. Increasing access to occupationally-directed programmes	4.2.1: Middle level skills needs are identified and addressed in all sectors	4.2.1.1: SETAs research and identify middle level skills needs in their sectors and put in place strategies to address them, particularly through the use of the public FET colleges and universities of technology working in partnership with employers providing workplace-based training.
		4.2.1.2: Projects are established to address middle level skills in each sector.
	4.2.2: 10,000 artisans per year qualify with relevant skills and	4.2.2.1: SETAs establish projects and partnerships to enable the relevant number of artisans for their sector to be trained, to qualify and become work

NSDS Goal	Outcome	Output
	find employment	ready.
		4.2.2.2: The National Artisan Development Project developed by JIPSA and now located in the DHET and M&E framework, is planned, managed and reported on, with interventions made where blockages occur.
	4.2.3: High level national scarce skills needs are being addressed by work ready graduates from higher education institutions	4.2.3.1: Sector skills plans identify the supply challenges in relation to high level scarce skills gaps and set out strategies for addressing them.
		4.2.3.2: Agreements are entered into between SETAs, university faculties and other stakeholders on appropriate interventions to support improved entry to priority programmes, increased work experience and experiential learning for students and access to post-graduate work.
	4.2.4: Relevant research and development and innovation capacity is developed and innovative research projects established	4.2.4.1: Sector skills plans identify the focal areas for research, innovation and development.
		4.2.4.2: Agreements are entered into between SETAs, university faculties and other stakeholders on flagship research projects linked to sector development in a knowledge economy
		4.2.4.3: Programmes are put in place that focus on the skills needed to

NSDS Goal	Outcome	Output
		produce research that will be relevant and have an impact on the achievement of economic and skills development goals.
4.3. Promoting the growth of a public FET college system that is responsive to sector, local, regional and national skills needs and priorities	4.3.1: The National Certificate (Vocational) and N-courses are recognised by employers as important base qualifications through which young people are obtaining additional vocational skills and work experience, entering the labour market with marketable skills, and obtaining employment	4.3.1.1: The NCV is reviewed with inputs from stakeholders and the curriculum is revised to ensure that it provides a sound foundational basis for building labour market relevant skills.
		4.3.1.2: The programmes offered to meet industry needs, including those supporting apprenticeships and N-courses, are reviewed, updated and made available to and accessed by employers.
		4.3.1.3: A highly articulated system of qualifications between the FET and university programmes
	4.3.2: Partnerships between DHET, SETAs, employers, private providers and public FET colleges are resulting in increased capacity to meet industry needs throughout the country	4.3.2.1: The capacity of FET colleges to provide quality vocational training is reviewed. Each college has a strategic plan in place to build capacity and engage in skills development programmes, including programmes offered in partnership with employers.
		4.3.2.2: SETAs identify FET colleges with relevant programmes and put in place partnerships to offer vocational courses and work experience for

NSDS Goal	Outcome	Output
		college learners.
	4.3.3: The academic staff at colleges are able to offer relevant education and training of the required quality	4.3.3.1: The capacity of college educators to deliver programmes is reviewed. Skills development programmes, including work placement opportunities, are devised to meet the needs of the college educators.
4.4. Addressing the low level of youth and adult language and numeracy skills to enable additional training	4.4.1: A national strategy is in place to provide all young people leaving school with an opportunity to engage in training or work experience, and improve their employability	4.4.1.1: A DHET-led process, including stakeholders, develops a strategy supported by all stakeholders.
		4.4.1.2: A national database tracks training and work opportunities, and reports on implementation of the strategy.
		4.4.1.3: The DHET partners with stakeholders in the youth sector to put in place training and work experience projects for young people.
4.5. Encouraging better use of workplace-based skills development	4.5.1: Training of employed workers addresses critical skills, enabling improved productivity, economic growth and the ability of the work force to adapt to change in the labour market	4.5.1.1: SETA stakeholders agree on the provision of substantial quality programmes for employed workers and report on the impact of the training.
		4.5.1.2: Sector projects are put in place to address specific sector skills gaps.
		4.5.1.3: Cross-sector projects are established to address skills needs along local supply chains aimed at supporting local economic development.

NSDS Goal	Outcome	Output
4.6. Encouraging and supporting cooperatives, small enterprises, worker-initiated, NGO and community training initiatives	4.6.1: Cooperatives supported with skills training and development expand and contribute to sector economic and employment growth	4.6.1.1: SETAs identify in their skills planning research, established and emergent cooperatives and their skills needs.
		4.6.1.2: Sector projects are established by sector stakeholders, supported by the NSF.
		4.6.1.3: A national database of cooperatives supported with skills development is established and the impact of training reported on.
	4.6.2: Partnership projects to provide training and development support to small businesses are established in all sectors and their impact reported on	4.6.2.1: SETAs, through their skills planning research, identify the skills needs of small and emerging businesses in their sector, and promote relevant programmes.
		4.6.2.2: Sector projects are developed that are piloted by SETAs and expanded through partnership funding.
		4.6.2.3: A national database of small businesses supported with skills development is established and the impact of training reported on.
	4.6.3: Worker, NGO and community-based education programmes are supported and their impact measured and	4.6.3.1: SETAs engage with trade unions, NGOs and community-based organisations in their sector and identify skills needs and strategies to address needs.
		4.6.3.2: SETAs establish quality pilot projects.

NSDS Goal	Outcome	Output
	reported on	4.6.3.3: Stakeholders expand successful projects with support from the NSF.
4.7. Increasing public sector capacity for improved service delivery and supporting the building of a developmental state	4.7.1: A thorough analysis and reflection is conducted on provision of education and training within the public sector and the contribution of the various role players	4.7.1.1: SETAS with responsibility for public sector training conduct analysis and reflection on achievements and challenges.
		4.7.1.2: DHET leads a discussion on factors impacting on provision and publishes proposals on improving the institutional framework for public sector education and training.
	4.7.2: Education and training plans for the public sector are revised and programmes are implemented to build capacity	4.7.2.1: Sector skills plans set out the capacity needs of relevant departments and entities.
		4.7.2.2: Plans and funding arrangements are agreed between the relevant departments / entities and the SETAs, and are reported on.
4.8. Building career and vocational guidance	4.8.1: Career paths are mapped to qualifications in all sectors and sub-sectors, and communicated effectively, contributing to improved relevance of training and greater mobility and progression	4.8.1.1: Career guides are developed with labour market information from SETAs, addressing sub-sectors within their sector.
		4.8.1.2: Sector stakeholders are engaged and programmes are adjusted to meet the skills and qualification needs to promote comprehensive career development.

12.5 Annexure 5: NSDS III and HRDS-SA II Alignment

HRDSA II Commitments and Strategic Priorities	NSDS III Goals and Outputs
COMMITMENT ONE: We will urgently overcome the shortages in the supply of people with the priority skills needed for the successful implementation of current strategies to achieve accelerated economic growth	
	Goal 4.2. Increasing access to occupationally-directed programmes
	4.2.1.1: SETAs research and identify middle level skills needs in their sectors and put in place strategies to address them, particularly through the use of the public FET colleges and universities of technology working in partnership with employers providing workplace-based training.
	4.2.1.2: Projects are established to address middle level skills in each sector.
Strategic Priority 1.1: To accelerate training output in the priority areas of design, engineering and artisanship that is critical to the manufacturing, construction and cultural industries.	4.2.2.1: SETAs establish projects and partnerships to enable the relevant number of artisans for their sector to be trained, to qualify and become work ready (10,000 artisans per year qualify with relevant

	skills and find employment)
Strategic Priority 1.3: To accelerate the number of new training graduates in priority economic sectors identified in ASGISA, the NIPF and IPAP.	4.2.2.2: The National Artisan Development Project developed by JIPSA and now located in the DHET and M&E framework, is planned, managed and reported on, with interventions made where blockages occur.
	4.2.3.1: Sector skills plans identify the supply challenges in relation to high level scarce skills gaps and set out strategies for addressing them (High level national scarce skills needs are being addressed by work ready graduates from higher education institutions)
	4.2.3.2: Agreements are entered into between SETAs, university faculties and other stakeholders on appropriate interventions to support improved entry to priority programmes, increased work experience and experiential learning for students and access to post-graduate work.
Strategic Priority 1.2: To increase the number of skilled personnel in the priority areas of design, engineering, artisans that are critical to manufacturing, construction and cultural activities through net immigration.	
COMMITMENT SIX: We will improve the technological and innovation	4.2.4.1: Sector skills plans identify the focal areas for research,

capability and outcomes within the public and private sectors to enhance our competitiveness in the global economy and to meet our human development priorities:	innovation and development (Relevant research and development and innovation capacity is developed and innovative research projects established)
Strategic Priority 6.1: To increase the number of skilled personnel in areas of science, engineering and technology.	
Strategic Priority 6.2: To improve South Africa's performance in areas of teaching, research, innovation and the commercial application of high-level science, engineering and technology knowledge.	
	4.2.4.2: Agreements are entered into between SETAs, university faculties and other stakeholders on flagship research projects linked to sector development in a knowledge economy
	4.2.4.3: Programmes are put in place that focus on the skills needed to produce research that will be relevant and have an impact on the achievement of economic and skills development goals.
COMMITMENT TWO: We will increase the number of appropriately skilled people to meet the demands of our current and emerging economic and social development priorities	
Strategic Priority 2.1: To ensure that skills development planning is credible, integrated, coordinated and responsive to social and	Goal 4.1. Establishing a credible institutional mechanism for skills planning (National need in relation to skills development is

economic demands.	researched, documented and communicated to enable effective planning across all economic sectors)
	Output 4.1.1.1: Capacity is established within the Department of Higher Education and Training to coordinate research and skills planning.
Strategic Priority 2.2: To ensure that skills development programmes are demand-led through substantive and systematic input from employers in the determination of skills demands for the country.	Output 4.1.1.2: Sector skills plans are professionally researched, provide a sound analysis of the sector, and articulate an agreed sector strategy to address skills needs.
	Output 4.1.1.3: Sector and nationally commissioned research and data is analysed, validated and captured in an integrated database that is accessible to stakeholders.
Strategic Priority 2.4: To ensure that FET and HET are responsive to the skills demands arising from South Africa's social and economic development imperatives.	Goal 4.3. Promoting the growth of a public FET college system that is responsive to sector, local, regional and national skills needs and priorities
	4.3.1.1: The NCV is reviewed with inputs from stakeholders and the curriculum is revised to ensure that it provides a sound foundational basis for building labour market relevant skills.

	4.3.1.2: The programmes offered to meet industry needs, including those supporting apprenticeships and N-courses, are reviewed, updated and made available to and accessed by employers.
Strategic Priority 2.3: To improve the employment outcomes of post-school education and training programmes.	4.3.1.3: A highly articulated system of qualifications between the FET and university programmes (The National Certificate (Vocational) and N-courses are recognised by employers as important base qualifications through which young people are obtaining additional vocational skills and work experience, entering the labour market with marketable skills, and obtaining employment)
	4.3.2.1: The capacity of FET colleges to provide quality vocational training is reviewed. Each college has a strategic plan in place to build capacity and engage in skills development programmes, including programmes offered in partnership with employers.
	4.3.2.2: SETAs identify FET colleges with relevant programmes and put in place partnerships to offer vocational courses and work experience for college learners. 9Partnerships between DHET, SETAs, employers, private providers and public FET colleges are resulting in increased capacity to meet industry needs throughout the country)
	4.3.3.1: The capacity of college educators to deliver programmes is

	reviewed. Skills development programmes, including work placement opportunities, are devised to meet the needs of the college educators. (The academic staff at colleges are able to offer relevant education and training of the required quality)
COMMITMENT THREE: We will ensure improved universal access to quality basic education and schooling (up to Grade 12) that is purposefully focused on achieving a dramatic improvement in education outcomes for the poor; that is focused on equipping learners with optimal capacity for good citizenship; and pursuing post-school vocational education and training or employment.	
Strategic Priority 3.1: To ensure equity in education inputs and learning outcomes.	
Strategic Priority 3.2: To ensure that education outcomes promote values which are consistent with good citizenship and the provisions of the South African Constitution	
Strategic Priority 3.3: To improve learner performance and quality of education in the schooling system.	
Strategic Priority 3.4: To expand age-appropriate participation in early	

childhood education.	
Strategic Priority 3.5: To improve the percentage pass rate in Grade 12 and ensure that the profile of passes is commensurate with the country's social and economic imperatives.	
Strategic Priority 3.6: To ensure that all learners, especially the poor, have access to basic health-promoting interventions that are aimed at removing barriers to learning.	
COMMITMENT FOUR: We will urgently implement skills development programmes that are purposefully aimed at equipping recipients/citizens with requisite skills to overcome related scourges of poverty and unemployment.	
Strategic Priority 4.1: To ensure that unemployed adults, especially women, have access to skills development programmes which are explicitly designed to promote employment and income-promoting outcomes	
Strategic Priority 4.2: To ensure that all unemployed adults have access to training opportunities in literacy and ABET.	Goal 4.4. Addressing the low level of youth and adult language and numeracy skills to enable additional training
Strategic Priority 4.3: To accelerate the participation and graduation rates in FET and HET of learners coming from poor families or	

households.	
COMMITMENT FIVE: We will ensure that young people have access to education and training that enhances opportunities and increases their chances of success in further vocational training and sustainable employment:	4.4.1.1: A DHET-led process, including stakeholders, develops a strategy supported by all stakeholders (A national strategy is in place to provide all young people leaving school with an opportunity to engage in training or work experience, and improve their employability)
Strategic Priority 5.1: To accelerate the implementation of training programmes for the youth which are focused on employment creation.	
Strategic Priority 5.2: To leverage public and private sector programmes to create employment opportunities and work experience for new entrants into the labour market.	4.4.1.3: The DHET partners with stakeholders in the youth sector to put in place training and work experience projects for young people.
	4.4.1.2: A national database tracks training and work opportunities, and reports on implementation of the strategy.
Strategic Priority 5.3: To improve the coverage and efficacy of vocational guidance and labour market information in a manner that promotes the optimal uptake of training and employment opportunities available to the youth.	Goal 4.8. Building career and vocational guidance

	4.8.1.1: Career guides are developed with labour market information from SETAs, addressing sub-sectors within their sector. (Career paths are mapped to qualifications in all sectors and sub-sectors, and communicated effectively, contributing to improved relevance of training and greater mobility and progression)
	4.8.1.2: Sector stakeholders are engaged and programmes are adjusted to meet the skills and qualification needs to promote comprehensive career development.
COMMITMENT SEVEN: We will ensure that the public sector has the capability to meet the strategic priorities of the South African Developmental State:	Goal 4.7. Increasing public sector capacity for improved service delivery and supporting the building of a developmental state
	4.7.1.1: SETAs with responsibility for public sector training conduct analysis and reflection on achievements and challenges. (A thorough analysis and reflection is conducted on provision of education and training within the public sector and the contribution of the various role players)
	4.7.1.2: DHET leads a discussion on factors impacting on provision and publishes proposals on improving the institutional framework for public sector education and training.

Strategic Priority 7.1: To improve the credibility and impact of training in the public sector by improving service delivery.	4.7.2.1: Sector skills plans set out the capacity needs of relevant departments and entities. (Education and training plans for the public sector are revised and programmes are implemented to build capacity)
Strategic Priority 7.2: To leverage the SETAs to contribute optimally to capacity development in the public sector.	4.7.2.2: Plans and funding arrangements are agreed between the relevant departments / entities and the SETAs, and are reported on.
	Goal 4.5. Encouraging better use of workplace-based skills development (Training of employed workers addresses critical skills, enabling improved productivity, economic growth and the ability of the work force to adapt to change in the labour market)
	4.5.1.1: SETA stakeholders agree on the provision of substantial quality programmes for employed workers and report on the impact of the training.
	4.5.1.2: Sector projects are put in place to address specific sector skills gaps.
	4.5.1.3: Cross-sectoral projects are established to address skills needs along local supply chains aimed at supporting local economic

	development.
	Goal 4.6. Encouraging and supporting cooperatives, small enterprises, worker-initiated, NGO and community training initiatives
	4.6.1.1: SETAs identify in their skills planning research, established and emergent cooperatives and their skills needs. (Cooperatives supported with skills training and development expand and contribute to sector economic and employment growth)
	4.6.1.2: Sector projects are established by sector stakeholders, supported by the NSF.
	4.6.1.3: A national database of cooperatives supported with skills development is established and the impact of training reported on.
	4.6.2.1: SETAs, through their skills planning research, identify the skills needs of small and emerging businesses in their sector, and promote relevant programmes. (Partnership projects to provide training and development support to small businesses are established in all sectors and their impact reported on)
	4.6.2.2: Sector projects are developed that are piloted by SETAs and expanded through partnership funding.

	4.6.2.3: A national database of small businesses supported with skills development is established and the impact of training reported on.
	4.6.3.1: SETAs engage with trade unions, NGOs and community-based organisations in their sector and identify skills needs and strategies to address needs. (Worker, NGO and community-based education programmes are supported and their impact measured and reported on)
	4.6.3.2: SETAs establish quality pilot projects.
	4.6.3.3: Stakeholders expand successful projects with support from the NSF.
COMMITMENT EIGHT: We will establish effective and efficient planning capabilities in the relevant departments and entities for the successful implementation of the HRD-SA:	
Strategic Priority 8.1: To improve the credibility, validity, utility and integrity of the various data and management information systems which are vital for successful planning and implementation of the HRD-SA.	

12.6 Annexure 6: The Legislative Framework Which Informs SETAS Mandate

The legislative framework which informs SETAs mandate is the following:

- The Constitution of the Republic of South Africa, 1996;
- Skills Development Act No. 97 of 1998 (as amended);
- Skills Development Amendment Act No.31 of 2003;
- Skills Development Amendment Act No.37 of 2008;
- Sector Education and Training Authorities (SETA) Grant Regulations regarding monies received by a SETA and related matters (“Grant Regulations”) under Notice 35940 of 3 December 2012;
- Skills Development Act No. 97 of 1998;
- Service Level Agreement Regulations under regulation number No. R716 of 18 July 2005;
- Skills Development Levies Act No. 9 of 1999;
- Regulations regarding the establishment of Sector Education and Training Authorities under Notice R106 of 4 February 2005, (“SETA Establishment Regulations”);
- Public Finance Management Act No. 1 of 1999 as amended (“PFMA”);
- Treasury Regulations issued in terms of the Public Finance Management Act (“Treasury Regulations”) of 2005;
- Public Audit Act No 25 of 2004;
- Directive: Public Finance Management Act under GN647 of 27 May 2007;
- Government Notice GN52 of 6 February 2010: Extension of existing period of establishment of Sector Education and Training Authorities;
- Government Notice 920 of 6 October 2015: Re-establishment of Sector Education and Training Authorities;
- Promotion of Access to Information Act;
- Promotion of Administrative Justice Act;
- Employment Equity Act, Labour Relations Act, Basic Conditions of Employment Act and Occupational Health and Safety Act; and
- Applicable tax laws

The policy environment which informs SETA’s mandate is the following:

- National Skills Development Strategy (NSDS III);
- White Paper for Post-School Education and Training (2012);
- Human Resource Development Strategy for South Africa;

- New Growth Path;
- Industrial Policy Action Plan;
- Medium-Term Strategic Framework;
- Rural Development Strategy;
- National Development Plan; and
- Operation Phakisa.